



Currency crossfire

The weakening rupee is an opportunity to boost exports

For the Indian rupee, already grappling with high crude oil prices and the growing heft of the U.S. dollar, the latest shock has come from a most unexpected quarter. The currency, which was valued at 63.84 to the dollar at the end of 2017, briefly crossed the 70-mark in early trading on Tuesday, on account of the fall in the Turkish lira. The lira has slipped 40% against the U.S. dollar this year, but a bulk of that decline took place over just two days (16% last Friday and another 6.7% on Monday). There are many factors at play for Turkey’s currency crisis, including its standoff with the U.S. The Trump administration has just sanctioned Turkey’s Justice and Interior Ministers and plans to double punitive tariffs on steel and aluminium imports from the NATO member-country. Relations between the U.S. and Turkey are tense, with Washington refusing to hand over an Islamic cleric charged by the Recep Tayyip Erdoğan government of masterminding the failed military coup in 2016. A few days ago, a potential bilateral deal to end Turkey’s continued detention of an American pastor and the incarceration by the U.S. of a Turkish banker collapsed. Beyond the bilateral consequences, the crash of the lira has had a ripple effect on most emerging market currencies, catching policy-makers off guard. The South African rand, for instance, on Monday had its biggest single-day fall in a decade.

In contrast, the rupee’s fall from about ₹68.5 to ₹70 appears minor. The stock markets, which tumbled on Monday as the currency weakened, seemed to take the rupee’s slide in their stride on Tuesday, with the Sensex rising by half a percentage point. There is in fact no need to panic on account of the rupee. Barring the gradual decline in its value this year, the Indian currency has been fairly stable over 2016 and 2017; with inflation being higher than in developed countries, its purchasing power at home has been falling. As former Chief Economic Adviser Kaushik Basu said last week, the rupee’s correct value may be closer to 70-71 to the dollar, and achieving that level will boost job-creating sectors like exports that have severely underperformed in recent years. In addition, with foreign exchange reserves currently around \$400 billion, India is comfortably placed. With both consumer and wholesale price inflation easing in July, the Reserve Bank of India, which has only intervened sparingly in the forex market so far, may have room to hold off on a growth-debilitating rate hike in October. The global flight to safety towards the Japanese yen and the U.S. dollar and the prospect of higher oil prices remain risks. But India is better-placed than most other emerging economies to use this tumult as an opportunity, instead of seeing it as a calamity.

Siege of Ghazni

The Taliban assault on the city could alter the balance in Afghanistan’s civil war

The massive Taliban assault on the strategically important Ghazni city in southeastern Afghanistan has exposed the vulnerabilities of Afghan troops once again. If the city falls, it could alter the balance in the stalemated war, rendering the government in Kabul more vulnerable. Ghazni is about 150 km from Kabul, and is close to a major highway connecting the capital to the south, the Taliban’s stronghold. Some neighbouring provinces border the tribal areas of Pakistan, from where militants travel freely to and from Afghanistan. The assault was not unexpected. For months, Taliban fighters have been surrounding the city, and had even started collecting taxes on its outskirts. Yet, the government failed to make the first move, boost the city’s defences or prepare it for the eventual assault. On August 10, when about 1,000 Taliban fighters advanced into Ghazni, the security forces did not put up a strong enough fight. They retreated to defend the main government buildings, allowing the militants to take positions elsewhere. They are now fighting back, with help from the U.S. Air Force. But since the assault began, and with at least 100 security personnel and over 20 civilians dead, government troops are yet to make any major progress in beating back the Taliban.

Curiously, the attack has happened at a time when the Afghan and U.S. governments have been pushing for talks with the Taliban. Recently, American diplomats met Taliban representatives in Doha, and Kabul was preparing for a second ceasefire after a brief truce by both sides for Id. The Taliban’s strategy, as it is emerging, is to make maximum military gains before entering into talks. On the other side, the challenge before the Afghan government and the U.S. is to reverse the Taliban’s momentum. If they want to extract compromises from the Taliban, they need to first increase military pressure on the group. The Trump administration has boosted American troop presence in the country, which now stands at 14,000. It has also stepped up its air campaign against the militants. But despite these measures, government troops have failed to make any breakthrough. In recent months the Taliban has captured several districts and carried out attacks almost on a daily basis across the country – almost 44% of Afghanistan’s 398 districts are controlled or contested by the insurgents. They may have failed to capture any major urban centre, but that hasn’t deterred them from trying. Over the past two years, the Taliban carried out suicide attacks on Kunduz and Farah. And now, Ghazni is under attack. President Ashraf Ghani’s government, grappling with infighting and corruption among other problems, appears clueless about how to prevent a Taliban advance. Kabul might take Ghazni back with U.S. assistance, but the question is whether the government can change the *status quo*. If it cannot, more urban centres could come under attack.

Words of freedom

When the Prime Minister unfurls the national flag at the Red Fort, ‘we the people of India’ unfurl it through him



GOPALKRISHNA GANDHI

Our Independence Day is, very specially, our Prime Minister’s day. It has been that way since our very first Independence Day, August 15, 1947, when Jawaharlal Nehru, the country’s first Prime Minister, chiselled his name for all time into that date with his ‘Tryst with Destiny’ speech in Parliament House. Independence Day, the Red Fort and our Prime Minister unfurling the national flag from there have come to make up a triptych of freedom.

So on this Independence Day we must felicitate our Prime Minister, Narendra Modi, as he unfurls our flag at Red Fort. And when we felicitate him on this day, we celebrate the helmsman and the helm.

PM of all Indians

He is Prime Minister for all Indians, whether they voted for him or did not. He is also Prime Minister for those Indian voters who chose NOTA (None of the Above) or chose not to cast their votes at all.

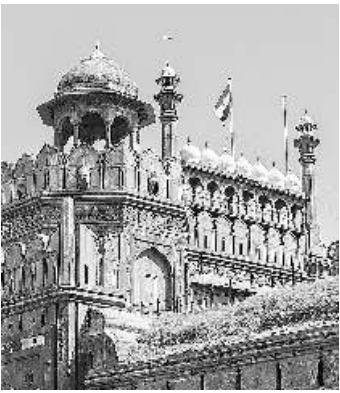
And so when he unfurls the national flag, he unfurls it for all of us. In fact, all of us – ‘we the people of India’ – unfurl it with and through him. That phrase from the Constitution of India translates in sonorous Sanskrit as *Vayam Bhaaratasya janaahaa*, in lyrical Urdu as *Hum Hind ki Aawaam* and in categorical Tamil as *Naam Intiyavin makkal*. Some of us from that *janaaha* or *aawaam* or *makkal* of India will recall Nehru standing there 17 times and, all too fleeting-

ly, Lal Bahadur Shastri. Some of us will remember Atal Bihari Vajpayee beckoning us from there in his very special Hindi.

Some would also wish one Indian with an unusual magnetism around him had had the chance to raise that flag – Jayaprakash Narayan. I certainly would. Federalists and republicans among us would have liked to see so-called ‘regional’ leaders hoist the flag from there – K. Kamaraj, C.N. Annadurai or E.M.S. Namboodiripad or Jyoti Basu – and be grateful for the fact that H.D. Deve Gowda brought a southern State, Karnataka, to the nation’s rampart. Hindi has gleamed on height but Hindi is not stingy. It can share that privilege with India’s other great languages. Men have shone from there, with Indira Gandhi changing the gender pattern emphatically. I can think of other women leaders with grit, vision and commitment who would have made great Prime Ministers – Sucheta Kripalani, Hansa Mehta, Aizaz Rasul, Kamaladevi Chattopadhyay, Mrinal Gore. Independence Day is a day to remember them and others like them with nostalgia, but also with hope because leadership lies but an inch beneath the soil, like grass-seeds, and will unfailingly emerge, droughts of dedication and floods of opportunisms notwithstanding.

Nehru’s example

But to return to Nehru on his first Independence Day at Red Fort, on August 15, 1947. He too ‘remembered’ someone that day – Netaji Subhas Chandra Bose. On that very first occasion – August 15, 1947 – Nehru said in his un-recorded but sporadically transcribed maiden speech from the Red Fort, “This should have been the day of



his return.” Nehru, in a sense, made the *aawaam* see the two of them standing there, together, shoulder to shoulder – one real, the other imagined, but both there. When he made that plangent reference to Bose, Nehru extinguished himself for that moment on the ramparts and stood Netaji in what was his own place. The historian-democrat in him also knew that had Netaji been there, in Delhi, on the day India became free, he may well have commanded majority support in the Congress and certainly across the country and become India’s first Prime Minister.

Bose, with Abid Hasan, coined the phrase “*Jai Hind*” but Nehru gave that coinage currency, at the Red Fort, by ending his speech with it that day and every single Independence Day, thereafter. *Hind* has become, over the decades, an idea, a metaphor. It brings to India’s great name, *Bharat*, the vitality of its human emotions. If *Bharat* is *mahan* – great – as an ideal, *Hind* is real, a tactile, urgent state of being.

But this article is not about a word or words; it is about independence, freedom. It is about freedom in India, that is *Bharat*, as Article 1(1) of our Constitution puts

The market across the border

India and Pakistan will both gain immensely by encouraging bilateral trade



AFAQ HUSSAIN & RIYA SINHA

In his speech on July 26, after his electoral victory, Pakistan Prime Minister-elect and Pakistan Tehreek-i-Insaf (PTI) chief Imran Khan conveyed a sense of hope when he spoke of the need for harmonious relations with neighbouring countries, including India. He also laid emphasis on better bilateral trade relations. Given the immense potential and the peace dividend that comes with it, it was no wonder that the statement was largely welcomed by trade circles in Pakistan and India.

Over the last five years, the bilateral trade trajectory has been volatile. From a high of \$2.70 billion in 2013-14, it fell to \$2.40 billion in 2017-18. During this time, while Pakistan’s exports to India were (and have been) fairly consistent, India’s exports decreased. Overall, India still manages to have a significant trade surplus with Pakistan (about \$1.4 billion in 2017-18). Interestingly, these figures reflect only the direct trade between the two countries. Indirect trade (largely routed through a third country like the United Arab Emirates) is estimated by much research to be up to 10 times more – exemplifying the existence of a huge bilateral trade potential, provided the tariff and non-tariff barriers

are addressed and steps taken towards increasing awareness and building confidence among the trading communities.

Developing a value chain

In a highly integrated and interdependent global economy, regional value chains provide opportunities for India and Pakistan to diversify their exports and imports and intensify their integration into the global economy.

In an attempt to explore potential areas of increasing trade between India and Pakistan, a study by the Bureau of Research on Industry and Economic Fundamentals (BRIEF), New Delhi, looked at developing bilateral, product-specific, regional value chains. This included sectors such as textile and clothing, sports goods and surgical equipment. In textiles, while there is an existing bilateral engagement, there is potential for raw materials (raw cotton, fabric dye), grey fabric (polyester, chiffon, nylon), blended fabric (cotton-polyester-viscose blend for denim) and stitched clothes (track suits and sports wear) from Indian hubs such as Surat (Gujarat) and Tiruppur (Tamil Nadu) to Pakistan’s major production centre at Faisalabad and its Lahore and Karachi markets. Similarly, from Pakistan, there is a huge demand for *salwar-kameez-dupatta* made of lawn fabric and wedding attire (*shararas*). Given Pakistan’s expertise here, the demand in India for Pakistani fabric and designs as well as the cost benefits attached with trading between India and

Pakistan, there is significant scope for collaboration. The market opportunity for these few high-demand products alone is about \$2.3 billion.

Similar potential exists in sports goods. Pakistan’s sports goods manufacturing sector is emerging as an original equipment manufacturer for major global brands. Sialkot is a global manufacturing hub for professional-level goods such as footballs, hockey sticks, quality leather goods, and weightlifting and cycling gloves, some of which is imported by India. Also, footballs manufactured here were used in the FIFA World Cup. However, manufacturers in Sialkot require quality raw materials or semi-finished products to produce these goods. India can play a key role here in exporting raw material and semi-finished goods such as latex, rubber, and football bladders, which would work out to be more economical for Sialkot than sourcing them from other countries such as Thailand. In terms of finished goods, sportswear made of lycra is in demand in Pakistan. The market opportunity here is \$1.1 billion.

In health care

Value chain development in surgical instruments is another area. Pakistan’s surgical instruments manufacturing industry, again based in Sialkot, is noted for its expertise. Pakistan is a major supplier of these instruments to the U.S., Germany, France and Belgium. India, on the other hand, is a large medical market which im-



ports these instruments from these developed countries at high rates. Direct imports from Pakistan to India in this area would ensure considerable cost benefits in terms of economics and logistics. For example, forceps, clamps and surgical scissors can be imported from Pakistan in considerable volumes. To strengthen value chain linkages, India can potentially increase the supply of stainless steel to Pakistan, a major raw material used in instrument manufacturing, or even import semi-finished products. In India, dispensaries and clinics in Tier 2 and 3 cities, which are often unable to afford even re-useable surgical instruments, will benefit from the availability of cheaper and new instruments from Pakistan. The market opportunity in this sector is about \$804 million.

Before Independence, Sialkot and Jalandhar were a unified manufacturing hub which was divided after 1947. Most of the skilled labour force moved to Sialkot. This has given it the historical edge in manufacturing in these sectors.

Business-level dialogue

Incremental steps towards bridging the gap between actual and

Hind would feel safe. Terrorism, a curse of our times, comes from no religion save the religion of blind hate and it hurts everyone regardless of religion or ethnicity, and so we must beware of its grim shadow – polarisation. If he were to chastise both terrorism and polarisation in the same breath, he would strengthen us politically and emotionally in our great plurality, compositeness and unity.

A long legacy

The march, five months ago, from Nashik to Mumbai, of 40,000 of India’s *kisans*, *Bharat*’s farmers, *Hind*’s peasants showed the severity of our agrarian crisis and their tenacity to fight it. Had Sardar Patel, hero of the Kheda and Bardoli satyagrahas, been Prime Minister, he would have agreed to their demand – a special session of Parliament to discuss their travails. If Prime Minister Modi were to do so, in the name of Sardar Patel and Babasaheb Ambedkar, who wanted political democracy to be supplemented by economic democracy, he will fulfil a historical imperative.

Jawaharlal Nehru, on August 15, 1947, made a metaphorical Subhas Chandra Bose stand there beside him. Will our Prime Minister make the metaphorical Indian peasant stand next to him to speak for her or his travails? Will our Prime Minister make this pre-election Red Fort speech of his an election-free speech? Will he on this historic day furl the politician in him and unfurl the Prime Minister of India, that is *Bharat*? If he were to do that, he would bring to life, as never before, the Bose-Nehru peroration – *Jai Hind*!

Gopal Krishna Gandhi is a former administrator, diplomat and governor

potential trade is a must. First, it is important to alleviate fears, misconceptions and the trust deficit in the trading community. Second, business-to-business linkages need to be formed and strengthened between actual traders. While this can be initiated at the level of product-specific industry associations (for example at Jalandhar and Sialkot), this must also be taken up by national chamber associations. Third, South Asian Association for Regional Cooperation (SAARC) business traveller visas must be implemented in practice. Though announced by Prime Minister Narendra Modi at the SAARC summit in 2014, there has been a delay in its implementation.

There also needs to be focus on other issues such as key items in the textiles and clothing sector, border infrastructure and security, improved connectivity by sea and air, enhanced people-to-people contact and educational exchanges.

It is important to recognise that economics and politics are not completely disconnected from each other.

Engagements at the political level will be an important factor to reinforce economic ties between the two countries. Mr. Khan’s speech makes us optimistic about the future.

Afaq Hussain is Director, and Riya Sinha is Research Associate at the Bureau of Research on Industry and Economic Fundamentals, New Delhi. The views expressed are personal

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

‘Lateral entry’

Without developing the broad contours of the policy of lateral entry – which will be impartial, prudent and independent – the scheme may become another tool for the government to position people in key areas in order to have greater control over administration. If one is to go by past experience of various appointments, there have been numerous instances of nepotism, with no safeguards. And what happens if a lateral entry ‘bureaucrat’ is found to be corrupt? Lastly, governments in India are generally sluggish and there is need for a greater degree of administrative skills to get things done. A bureaucrat in the proper sense has encountered numerous

administrative hurdles and would know how to solve them. One wonders whether a lateral entry candidate, with no experience in administration, would be able to function in the same manner (Editorial page, “Making ‘lateral entry’ work”, August 14).

GAGAN PRATAP SINGH,
Noida, Uttar Pradesh

■ Government bureaucracy can be tough on outsiders. Even with their brilliant ideas, they might not fit in as administrators unlike a civil servant who is appointed after a rigorous selection process and extensive training. An alternative that comes to mind is that instead of appointing private sector executives as ad hoc public servants, they could be

appointed as advisers in different fields to enhance administration. They might also help in ensuring transparency in governance.

SOUMYA SATAPATHY,
Bhubaneswar, Odisha

■ What are the checks and balances in the scheme to stop the ruling dispensation from furthering its political agenda? There is no answer to this in the article. For this, the appointing authority must be of impeccable integrity and free of any governmental interference.

KUMAR HRISHIKESH,
Kolkata

■ A civil servant has a better understanding of society than a managerial-level executive of a profit-making machine. A civil servant is trained from day one to focus on social welfare. If the

issue is about policy-making and expertise, one must not forget that it is the minister who will have the last say. We do need technical experts in policy, but as outside advisers.

SAGAR A. MASKE,
Mumbai

■ There is no need to raise a hue and cry over the plan as this is a golden chance to induct talented minds as such persons will have experience and specialisation in the required fields. This is also a chance to serve the nation. The only caution is that it should not descend into nepotism and politicisation of the bureaucracy. There should be periodic reviews of the said officers to eliminate underperformers.

GAYATHRI DAYANAND,
Kallai, Kozhikode, Kerala

Banner of revolt

Despite his much admired political, administrative and oratorical skills, DMK patriarch M. Karunanidhi failed to foresee the repercussions of grooming more than one successor (Tamil Nadu, “Timing of Alagiri’s revolt causes consternation among party cadre”, August 14). M.K. Alagiri can still inflict damage to the image of the party by constantly targeting his brother and DMK working president M.K. Stalin as an ineffective leader. The attempt to raise suspicions about party funds is a clever ploy to try to divide the party – a modus operandi used by MGR in 1972 (Page 1, “DMK funds being misused: Alagiri”, August 14). It is apparent that Mr. Alagiri’s target is Mr. Stalin. One does not know where the loyalties

of other family members lie *vis-à-vis* Mr. Stalin. The DMK seems to have a new enemy.

V. SUBRAMANIAN,
Chennai

Cricket surrender

The Indian cricket team’s abject surrender in the first two Tests, especially at Lord’s, is worrying. There was a lack of fight with the absence of an aggressive opener who could have destroyed the line and length of Anderson and company. One is happy that the BCCI has some questions for the coach and the captain. They need to answer why there were no practice matches before the Tests began. The contracted amount should be cut proportionally.

N. VISWANATHAN,
Coimbatore

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