



Winter is here

The games in China have taken on political significance, domestically and globally

On the eve of the opening of the Winter Olympics in Beijing on Friday, India announced a diplomatic boycott of the games. The MEA said no Indian official will be present at the opening or closing ceremonies of the games, which run from February 4 to 20. The decision for an official boycott of the games – a lone Indian athlete who qualified, skier Arif Khan, will still take part in both the games and in the opening ceremony along with support staff – followed China's move this week to choose a PLA commander as one of the participants of the traditional torch relay. The commander was involved in the June 15, 2020 clash in Galwan Valley. He was subsequently given military honours by Beijing. The MEA said the commander's participation in the torch relay was "regrettable". Until this week, New Delhi was considering having its top diplomat in Beijing attend the games. Only in November, India joined Russia in expressing support for the games, following a meeting of the Foreign Ministers of Russia, India and China. If India, dealing with its own long list of problems with China and a continuing stand-off along the Line of Actual Control, had initially planned to not involve itself in the politics surrounding the games, Beijing's torch relay changed that calculus. The broader context of the selection of the PLA commander is an on-going campaign by China to publicise Galwan and highlight the "bravery" of PLA troops.

India's statement of support for the games in November had come amid the U.S. and its allies announcing a diplomatic boycott because of rights violations in Xinjiang, where minority Uighurs have been sent to "re-education" camps. China first denied the existence of the camps, but later said they were for "vocational training". China denounced the diplomatic boycott by around a dozen countries – which India has now joined albeit for different reasons – as "politicising" the games. It is another matter that Olympic Games, through history, have been inherently political events. For host nations, holding a successful games carries the promise of burnishing the legitimacy of the government of the day. The games within China have certainly taken on particular political significance domestically, in the context of the country's battle against COVID-19. Last month, President Xi Jinping noted that the 2022 Olympics would be "the first international multi-sport event to be held as scheduled since the outbreak of the COVID-19 pandemic". The underlying message is that the successful holding of the games amid the pandemic is another example of the superiority of the Chinese political model, which has been highlighted as a sharp contrast especially with how the U.S. handled the pandemic. Last year, the IOA added the word "together" to the official Olympic motto of "faster, higher, stronger". If that is certainly a laudable aspiration, it is clear that as far as the Olympics are concerned, the politics is never far away. That will certainly be the case in Beijing as the latest games, both on and off the ski slopes, begin.

A disjointed response

Regulatory clarity on crypto assets should have accompanied the tax on traders' profits

One of the most striking moves in the Union Budget's taxation proposals for 2022-23 is the introduction of a taxation regime for virtual digital assets – evolving manifestations of cryptocurrencies, codes and non-fungible tokens. Finance Minister Nirmala Sitharaman has proposed to tax all profits from transactions in such assets at 30% along with the applicable surcharge and cess, and a 1% tax to be deducted by buyers while trading in any virtual digital asset beyond a threshold. While the tax on profits will apply from April 1, 2022, which officials said will not preclude profits already booked before that date from the tax liability, the TDS provisions aimed at creating a transaction trail for the tax authorities, will kick in from July 1. While trading profits will be taxed at, according to crypto industry players, a higher rate compared to other jurisdictions, no deductions will be allowed on account of setting off losses from such trading or from any other capital losses. The only deduction permitted would be the cost of acquiring the asset. The term "property" under the I-T Act is being expanded to include virtual digital assets so that such assets received as a gift shall be taxable except when received from relatives. However, the taxation regime by itself, Ms. Sitharaman has emphasised, does not grant legitimacy to the trade in these currently unregulated assets. A consultation process is underway, which will determine the legal position of such assets.

This provides some relief for the growing flock of crypto investors. The Government may still not consider them fully legit, yet the tax regime indicates the hard option of an outright ban that was signalled in the nomenclature of a proposed crypto law last year is off the table. Listed first for Parliament's monsoon session, then again in the winter, that legislation is also now off the agenda. All this time, India's youth, who the Prime Minister worried were being lured by crypto players' misleading ads, continue to be swayed, with no norms brought in place to rein in such ballyhoo, and no regulatory watch. Whether this case is different from collective investment and plantation schemes that were belatedly regulated is ponderable. The delay in arriving at a decision also pre-empted Indian start-ups and innovators from developing products and ideas that can be scaled up globally given the nature of these assets. In November, the Government had indicated a forward-looking approach to crypto market oversight. It is time those words are matched with a clear regulatory framework soon instead of ambiguous waffling and dithering.

A border move that will only bolster China

The attempt to delink the strategically important area of Depsang from the ongoing Ladakh border crisis is worrying



SUSHANT SINGH

After the 1962 Sino-India War was over, the Indian Army was confronted with the problem of bodies of around 190 Indian soldiers lying in areas around 8 kilometres to 16 kilometres inside the Chinese 1960 claim line in Ladakh. Collecting the bodies of the fallen soldiers after the war through mutual consent is an established military practice, and the Indian Red Cross wrote to its Chinese counterpart in April 1963. The Chinese turned down the request, stating that the bodies had been properly buried, and there was no need to send any Indian parties into disputed areas. As most Indian soldiers were to be cremated, not buried, the issue was again taken up with the Chinese. In August, the Chinese agreed to carry out the cremation and hand over the ashes to the Indian Red Cross.

When the Indian Red Cross requested that the Indian representatives be present during the ceremony, the Chinese cancelled the arrangements altogether. In its memo on September 16, 1963, the Chinese Foreign Ministry accused the Indian government of trying to lay claim to these territories through this device.

While cancelling these arrangements, the Chinese Foreign Ministry insisted that the Indians who died at their posts in Ladakh were invaders and not defending their "motherland". Earlier, after overcoming the stiff Indian resistance at Rezang La, memorialised in the Hindi film, *Haqeeqat*, and at Gurung Hill, the People's Liberation Army (PLA) had buried the bodies of five Indian soldiers – wooden posts with the inscriptions in Chinese and English, "The Corpses of Indian Invaders". The purpose of the elaborate exercise was to deny any legitimate Indian presence

and claim over these areas in future negotiations. If Indian soldiers had died defending their motherland, then it was an area in Indian possession and control that would belie the Chinese claim over the territories in Ladakh. Its efforts to create facts on the ground to bolster its "historical" claim underline the extent of Chinese enterprise in asserting its territorial claims.

Delinking Depsang

It thus comes as a surprise that in a recent television interview, the Indian Army Chief, General M.M. Naravane, argued that "out of the five or six friction points (in Ladakh), five have been solved". Friction point is an Indian euphemism for points of Chinese ingress into hitherto India-controlled territory in Ladakh, where this control is exercised by the Army and the Indo-Tibetan Border Police (ITBP) through regular patrols in the claimed areas. These "friction points" are Depsang, Galwan, Hot Springs, Gogra, North bank of Pangong Tso, Kailash Range and Demchok. By asserting that only one of the friction points is remaining to be resolved – was referring to Hot Springs or PP15, the only one discussed in the last round of talks with the Chinese – he implicitly ruled out Depsang as an area to be resolved. This attempt to delink the strategically important area of Depsang from the ongoing Ladakh border crisis is worrying. It may suit the domestic political agenda of the Narendra Modi government of proclaiming an early end to the crisis, but it has long-term strategic consequences for India.

Depsang is an enclave of flat terrain located in a part of the Army classified as Sub-Sector North (SSN), which provides land access to Central Asia through the Karakoram Pass. A few kilometres south-east from the important airstrip of Daulat Beg Oldi (DBO), the Chinese army has blocked Indian posts since early 2020 at a place called Y-junction or Bottleneck, denying it access to five PP's: PP10, PP11, PP14, PP12 and PP13. A joint patrol of the ITBP and Army would



patrol these five PP's approximately once a month. Y-junction is around 18 km on the Indian side of the Line of Actual Control, even though the Chinese claim line lies another five kilometres further west, to the east of Burste town. Satellite imagery from November 2021 confirms Chinese deployments at the Y-junction: two PLA Ground Force camps with six infantry fighting vehicles split between two positions while a small Indian Army forward camp is stationed 1.2 km west of the Y-junction.

Stand-off in 2013 and patrols

The Indian forward camp is the new patrol base, with a permanent patrol deployed there, that was created after a 22-day long stand-off at Y-junction in April 2013. Since then, it has observed and stopped Chinese patrols from moving further to the Indian side, but a PLA patrol had still managed to get up to around 1.5 km short of Burste in September 2015. Essentially, till the current blockade, the Indian side was able to access the five patrolling points, asserting Indian control, while the PLA had been denied access to its claim line since the late 2000s. That status quo has been disturbed since early 2020.

Since the Ladakh border crisis came to light in May 2020, a section of the security establishment has tried to bury any conversation about the Depsang border and the Saser ridge close to the Chinese border. On paper, it is the only place where a physical military collision can take place between

resolved diplomatically after negotiations led to reversal of an Indian ingress and bunker construction on the Chinese side in Chumay, while the PLA stepped away from the Y-junction. Lt. Gen. K.T. Parvaneh (ret.), the then Northern Army Commander, has confirmed "resorting" to a quid pro quo, as we did during the Depsang intrusion in 2013. Early response creates leverage."

Former Ladakh Corps Commander Lt. Gen. Rakesh Sharma (ret.) was categorical in asserting that "patrolling had continued, as planned, since [the] April/May 2013 stand-off" and "to now state that we were not able to reach our LOP since 2013 as [the] PLA was blocking our movement, is pure heresy". The fact that specific major general-level talks for Depsang were held with the Chinese on August 8, 2020 proves that it is part of the ongoing crisis. A 22-day stand-off in 2013 generated much public and media outrage but a 22-month long blockade of patrolling rights in the same area now has been greeted with silence.

Depsang's importance

The Army has always identified Depsang plains as where it finds itself most vulnerable in Ladakh, devising plans to tackle the major Chinese challenge. SSN's flat terrain of Depsang, Trig Heights and DBO – which provides direct access to Aksai Chin – is suited for mechanised warfare but is located at the end of only one very long and tenuous communication axis for India. China, in turn, has multiple roads that provide easy access to the area. This leaves SSN highly vulnerable to capture by the PLA, with a few thousands of square kilometres from the Karakoram Pass to Burste, likely to be lost. Nowhere else in Ladakh is the PLA likely to gain so much territory in a single swoop.

SSN lies to the east of Siachen, located between the Saltoro ridge and the Depsang border and the Saser ridge close to the Chinese border. On paper, it is the only place where a physical military collision can take place between

Pakistan and China – and the challenge of a two-front war can become real in the worst-case scenario. If India loses this area, it will be nearly impossible to launch a military operation to wrest back Gilgit-Baltistan from Pakistan.

Theoretically, Depsang is also seen as a viable launchpad for a mechanised force-based military offensive launched by India inside Aksai Chin, if the Army has to fulfil Union Home Minister Amit Shah's parliamentary vow of getting back Aksai Chin from China.

Danger of delinking

The biggest danger of delinking Depsang from the current border crisis in Ladakh, however, is of corroborating the Chinese argument, which invalidates the rightful Indian claim over a large swathe of territory. In sparsely populated areas like Ladakh, with limited forward deployment of troops, the daily assertion of territorial claims is by regular patrolling. By arguing that the blockade at Y-junction predates the current stand-off – a "legacy issue" that goes back years – the Chinese side can affirm that Indian patrols never had access to the area and thus India has no valid claim on the territory. Already living with the disadvantage of being a lesser power vis-à-vis China, this argument further weakens India's hand during negotiations in Ladakh.

This will be akin to Prime Minister Narendra Modi's statement during the all-party meeting in June 2020 that no one had entered Indian territory, which ended up bolstering Chinese position during the talks. India cannot afford to repeat that blunder again and lose its land. As was demonstrated by China in the aftermath of the 1962 War, there should be no holding back in painstakingly asserting one's claims when it comes to safeguarding the territory. Denial of truth for domestic political gains, in this case, will certainly be to the detriment of India's strategic interests.

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The curious case of Meghalaya's COVID-19 relief package +

Audits, transparency and citizen-centric accountability need to be a part of fund support and disbursement



RAKSHITA SWAMY & ANGELA RANGAD

Every COVID-19 wave in India has brought us face to face with the dire precarity of life and livelihood for India's vast numbers of unorganised workers, and the inadequate response of the state and society to their plight. The latest global Oxfam International report highlights how India's billionaires have grown dramatically in numbers and wealth, while 84% have reduced income and 4.6 crore working people have plummeted into acute poverty. It provides damning indicators of how poor the state response has been in terms of relief and social sector expenditure during this period. The delivery systems of the meagre amounts that have been allocated by the Centre and State governments, therefore, become even more important. A massive public audit of a gratuitous relief scheme in Meghalaya with unorganised workers provides important lessons about the critical importance of transparency, public participation, and peoples monitoring for those who have had to bear the brunt of the novel coronavirus pandemic.

When the Government of Meghalaya announced relief for workers affected by the COVID-19 lockdown through the Chief Minister's Relief Against Wage Loss (CRAWL) scheme, it was welcomed by many. But this announcement came without necessary details. There

was no notification outlining the quantum of financial support. There was no published scheme, or guidelines, or standard norms for identifying beneficiaries, and verifying their eligibility. Nevertheless, the state of economic desperation led a large number of people to apply for the assistance.

RTI and response

Unfortunately, people had no way to check whether their application for support had been successful or not. Payments began trickling into the bank accounts of some of the applicants, but even they were confused about the amount of support they were supposed to get. Some unions of unorganised sector workers such as street vendors and domestic workers immediately brought this to the attention of the government, but not much was done. In October 2020, a local report, Thuma U Rangli-Juki (TUR), filed an RTI application asking for the list of unorganised workers to whom payments had been made. This information should have been mandatorily and proactively disclosed in the public domain by the State government as mandated under Section 4, RTI Act.

The response to the RTI was provided in December 2020 with details of around 1,60,000 people and transfers. The response also seemed to indicate that the results for financial assistance to unorganised workers facing a wage loss was worth ₹2,100, and to construction workers registered under the Building and Other Construction Workers (BoCW) Act was ₹5,000. The unions decided to widely disseminate this information over WhatsApp, community



websites, and through local electronic news channels. The RTI response was subsequently also converted into a searchable digital database with the help of Gramvaani, a social tech company, via a dedicated site called meghalayaregistry.in. This enabled people to ascertain whether and how much money they had been transferred as per government's records, with the option provided of filing a grievance with the Chief Minister's Office if they contested the Government's record. Using IVRS, calls were also made to 1,35,617 people to inform them that as per the Government's record, ₹2,100 or ₹5,000 had been transferred to their bank account.

What an audit showed

This virtual "public audit" and facilitation exercise was carefully planned and carried out by civil society groups and workers' unions using digital technology at a time when COVID-19 restrictions made physical verification impossible. The results were an eye-opener. Out of 11,509 people who responded to the IVRS calls, only 13% stated that they received the full amount that was mentioned in the RTI response; 47% received nothing, in spite of the Government records showing ₹2,100 having been transferred to each of

them. Nearly 8,000 people submitted individual grievances to the Chief Minister's Office and the Labour Department. Thousands of others searched through the RTI data and submitted their grievances. This was a process that should have been carried out by the Government, which was far better resourced, and duty bound to check on whether the money had reached the beneficiary. Instead, the Government became defensive and refused to accept or even engage with the findings. Faced with a deadlock of mounting dissatisfaction among workers who had not received their benefit, and the Government's attitude of denial and obfuscation, the unions and civil society groups organised a public hearing in Shillong on World Human Rights Day, in December 2021, to draw additional focus to the issue.

Need for justice

Chaired by Justice Madan B. Lokur, a former Judge of the Supreme Court of India, the four-hour public hearing was an example of the democratic potential and social ethos of Meghalaya and its people. Over 200 people gave up another day's wages, and came armed with their bank passbooks and labour cards to show that the money had not been credited in their bank accounts more than a year after it was due. The issue was about the need to get answers. Regrettably, as Justice Lokur noted, the Department of Labour boycotted the public hearing. Faced with such a situation, civil society groups have now approached the Legal Services Authority to pursue and enforce independent mechanisms of grievance redress and accountability.

This exercise has implications beyond Meghalaya. The Centre and various State governments have co-opted and spent thousands of crores, including the use of District Mineral Foundation Trust Funds, disaster relief funds, Compensatory Afforestation Management Funds Management and Planning Authority (CAMPAA) funds, etc. for "relief payments" with almost no disaggregated information in the public domain. Expenditures made by governments under these various funds for COVID-19 relief have not been subject to either statutory audits of the Comptroller and Auditor General of India or institutionalised social audits and necessary grievance redress platforms are conspicuous in their absence.

This assertion, demanding transparency, and citizen-centric accountability cannot be seen as an isolated movement in a small state. It is part of a larger movement that has an ongoing movement and campaign demanding an accountability law, which is drawing support. This is a demand by marginalised groups to be acknowledged and heard, raising pointed questions that apply to all, and demanding precise answers in order to make democratic participation meaningful. The strong human assertion emerges from the pain and the ruins of a crisis, but it has creative implications for all. It is eventually about the power and the dignity of the citizenry – and, once again, it is our most marginalised who are showing us the way.

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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.

Need for change

When the Central Government introduced a Bill to raise the age of marriage of women to 21 years it was widely appreciated but the key issue of consensus was neglected. Marital rape is a dark reality we all have to accept (Page 1, "Process on to amend criminal laws: gov't", February 3). The

most important aspect about the empowerment of women is consensus and when it is made a crucial aspect of our society it not only ensures the foundation of a progressive nation but also boosts the morale of half of the population of our country which is women. Today, the most challenging aspect a woman faces is still being

seen as a symbol of sexual oppression which has to change.

ANURAG JAUN,
Rajshimla, Andhra Pradesh

■ Marital rape shows how ingrained patriarchy is in our society but also how we need to reboot our society and culture altogether. The importance of consent needs to be taught in schools. We

can only hope that the Government comes up with a law which is gender neutral, taking care of the concerns of men and women.

TANYA DHILLON,
Hoshiarpur, Punjab

CORRECTIONS & CLARIFICATIONS:

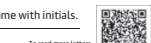
In the story about industry experts welcoming the boost given to the mental healthcare sector in the Union Budget (Feb. 2, 2022), the reference to Indian Institute of Technology, Bangalore, should be corrected to read as International Institute of Information Technology-Bangalore (IIITB).

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Governors and States

The role of Governors in non-BJP ruled States is a matter of concern, not only as to our democracy? The examples of Tamil Nadu, West Bengal and Maharashtra speak volumes.

K. NEERU PATNAIK,
Vishakhapatnam



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THE HINDU

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Does the Budget deliver on reforms?

PARLEY

The government has focused more on providing private goods than public goods

Finance Minister Nirmala Sitharaman presented the Union Budget for FY2022-23 in Parliament on Tuesday at a time when the economy continues to recover from the pandemic. This is the ninth full Budget of the government under Prime Minister Narendra Modi which was elected to power in 2014 promising to deliver 'minimum government, maximum governance'. In a conversation moderated by Prashanth Perumal J., Sanjeev Ahluwalia and Shruti Rajagopalan discuss how well the latest Budget delivers on that promise. Edited excerpts:

How well has this Budget delivered on the government's original promise of 'minimum government, maximum governance'?



Sanjeev Ahluwalia
is an adviser at the Observer Research Foundation



Shruti Rajagopalan
is an economist at the Mercatus Center at George Mason University



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Sanjeev Ahluwalia: 'Minimum government, maximum governance' is a difficult objective to achieve in India, where the government is so prevalent at all levels of polity. I think a great deal of progress has certainly been made by the Modi government to formalise and measure improvements in governance. But whether or not this government pushes forward the agenda of 'minimum government' is a little more difficult to gauge because of the circumstances. There is a coordinated shift towards bigger governments across the world than you would have thought normal, say, a couple of decades back when deregulation was in vogue. Also, don't forget that there is a great deal of increased protectionism across the world, not just in India. India is just following the trend and there are some geopolitical concerns that also feed into that. Whatever actions the government takes, we are continuing to take strides towards becoming a more private sector-oriented economy. Some legal changes have been made recently which aim to provide greater certainty to private investors. At the very least, there's nothing in the Budget that detracts from what we have done in the past.

Shruti Rajagopalan: I differ from Sanjeev on this. My version of 'minimum government, maximum governance' is to think about what the role of the state is. If I were to think

about a minimum state, it would be some version of a night-watchman state, which provides public goods such as law and order and leaves the rest to the private sector. On this account, I have largely been disappointed with this government. Instead of providing public goods, the emphasis has been to provide private goods more efficiently. So, for instance, the emphasis has been to provide subsidised LPG and build toilets for certain groups. But these are not your classic public goods. Second, I don't see a major rollback in economic controls, although I do think the government tries to streamline them. For instance, instead of going to multiple different windows to get your clearances, now you only need to go to one window or two windows. But that is still very much an attitude of the economics of control. Third, the idea of 'minimum government' would mean systematically rolling back the footprint of the public sector. But this government has simply not had a good record on disinvestment. Air India has been a big win in terms of privatisation. But largely, when it comes to the big promises that was made to privatise a lot of underperforming public sector organisations, I don't see much headway being made.

The Finance Minister mentioned that thousands of laws and compliances have been either repealed or reduced over the last few years. What impact has this had on the ground?

SA: Along with the repeal of all the laws, the government has also done the single-window approach, there has been a general trend of, for instance, criminalising what should be civil offences. But one of the great pushes that the government has been able to do is to streamline government processes. What the government has done is to streamline government processes. What the government has done is to streamline government processes. What the government has done is to streamline government processes.



Atmanirbhar Bharat is protectionist. I don't think it's conducive to growth at all.

SHRUTI RAJAGOPALAN

bodies well for any sensible economic regime, which requires certainty and predictability. I don't think this Budget has paid enough attention to that problem. So, while streamlining and digitisation are great, we need a moment like 1991, with a complete dismantling of government regulation.

How do you see the government's approach towards cryptocurrencies in the Budget and the introduction of the digital rupee?

SA: People are making vast amounts of money out of cryptocurrencies, so the government wants a share of it. The lure of raising more revenue has forced the government to recognise that crypto exists. I think it's a good thing for the government to have recognised a phenomenon that already exists, and try and tax it because it should be taxed, and hopefully the government will try and mainstream it. Digital currency is simply an efficiency-enhancing mechanism, where you reduce the cost of hard cash management and circulation and gradually shift towards settling payments digitally.

SR: I think in the process of making crypto income taxable, the government has let the cat out of the bag that it no longer intends to ban it. So, to that extent, this is a welcome move. My take has always been that, if it understands the underlying mechanism of blockchain technology, it would understand that it can't be banned. So, you'd rather keep it in

tegrated with the rest of the economy so that everyone can gain from it instead of driving it underground. Second, the government has capitalised on this moment to raise some tax revenue but I still think it needs to have some underlying policy framework for how it thinks about crypto because the original reason it wanted to ban crypto was that it's too volatile. So, you have to choose: is it too volatile, in which case you have to carefully think about allowing losses to be carried forward along with taxing income, or do you want to capitalise on the profits? Either way, the policy has to be coherent.

And regarding the digital rupee, I don't see it as competing with other cryptocurrencies, in the sense of being completely decentralised and no one individual or entity being able to control or increase the money supply. But I do think that if the government doesn't have a coherent policy on the rest of the crypto market, that will kill the digital rupee before it's born because nobody is going to invest in just the digital rupee without a really thick crypto market which has a large number of buyers and sellers.

Last, it doesn't look like the Indian digital rupee is going to be the global standard in the crypto market. If India wants to prevent other countries like China from becoming dominant in that market, it should allow a very thick and vibrant crypto market with a lot of other cryptocurrencies which are not controlled by the government.

What do you think of the Finance Minister's comment that public expenditure will "crowd in" rather than "crowd out" private investment? Also, what do you make of the Budget's emphasis on Atmanirbhar Bharat?

SA: We are never sure of our domestic competitiveness and wary of the fact that our markets could be taken over by overseas competitors. So, while Atmanirbhar in its sense is meant to be self-reliance, a great deal of it right now is really just providing domestic protection as an incentive to investors who may want to shift their production processes from other locations in the world to India. So, Atmanirbhar is not really something that is seeking to enhance competitiveness, which is

really the best way of becoming a resilient economy. It's seeking more to provide the nascent industry argument that we need to protect domestic industry and protect MSMEs, which have been doing badly during the pandemic. I hope that once we get into more normal times, these domestic protection measures will be withdrawn gradually and we will open industry out to more competition.

Regarding public investment crowding-in private investment, as a statement it sounds fine. Of course, if public investment was to produce better infrastructure and long gestation projects, that would be wonderful for the private sector. But if public investment is going to try and substitute for private goods production, then I don't think we have the firepower for it. It would mean that we would, in the short term, be crowding out the private sector because we would be borrowing. Public schemes to de-risk private investments are more interesting.

SR: Atmanirbhar Bharat is protectionist. I don't think it's conducive to growth at all. A good growth statement would have been announcing a commitment to slowly reducing the rupee in year after year and then reaching a particular target. The Modi government with the Atmanirbhar slogan and the 'Make in India' slogan is more protectionist than ever before. Plus, tariffs on capital goods basically increase the cost of everything else that's produced in the economy.

On your second issue of crowding out or crowding in, I have two points there. One, I think investments in health and education have been completely missing in this Budget. In fact, the outlays have actually reduced but those are the kinds of investments in standard public goods that have a long-run effect of crowding in other private investment. I think infrastructure investment is not the worst thing, but I don't see the multiplier of attracting private investment to be that high. There is a second issue to consider. When the government is not able to raise enough revenue, and it commits to borrowing, it is in fact crowding out the private sector's ability to cheaply borrow in the market. So, if you think of gross fixed capital investment as a whole, gross fixed private capital investment is just going to drop.

NOTEBOOK

Muting the media

Recent developments in Hong Kong serve as a reminder of the freedoms we take for granted

ANANTH KRISHNAN

Sometime last month, a curious disclaimer began appearing at the bottom of every opinion page article published in *Ming Pao*, one of Hong Kong's most iconic and widely read newspapers. The newspaper, the disclaimer said, had "no intention to incite hatred, discontent, or hostility against the government or other sections of the population".

The reason for the move was fairly obvious. In the past year, Hong Kong's most outspoken media outlets have collapsed like dominoes in the wake of the passing of a new national security law that lists stiff penalties for "subversion" and other offences. In June last year, the widely read tabloid *Apple Daily* ceased publication after its founder was jailed, its offices were raided and its senior staff were arrested.

The *Stand News* followed in the end of 2021, after seven people connected to the online publication were charged with spreading seditious material. That same week, another independent outlet, *Citizen News*, abruptly announced it would close its website and pull down all its content.

Since the 1997 handover, Hong Kong has been ruled under a 'one country, two systems' model. The Basic Law guaranteed Hong Kong freedoms that are denied on the mainland. The freedom of the press was one of them.

After the *Stand News* arrests in December, the Hong Kong Journalists Association said it was "deeply concerned that the police have repeatedly arrested senior members of the media and searched the offices of news organizations containing large quantities of journalistic materials within a year". The association "urged the government to protect press freedom in accordance with the Basic Law."

That many Hong Kong reporters have little faith in that happening seems clear. In January, journalist Viola Zhou reported how in recent months many have quit their jobs. Some are driving taxis while others

are running fried chicken restaurants. Noting the remarkable change in fortunes of what was once of Asia's most vibrant media environments, Zhou wrote how the former Chinese leader Jiang Zemin once quipped of Hong Kong's famously intrepid reporters that they "asked naive questions, but in their pursuit of stories, rather than what anyone else."

I had first-hand experience of that quality during the pro-democracy protests in 2019, which brought millions of Hongkongers to the streets and frequently descended into violence between the police and the protesters. The protests, calling for universal suffrage and direct elections, were one reason that prompted Beijing to pass the national security law.

Wherever there were clashes, there were multiple reporters at the scene, often only with smartphones in hand. One video clip stayed in my memory. It showed one lone reporter running towards a tear gas shell, trying to capture the moment on camera, even as protesters ran for cover. I heard from many reporters that they believed that it was their constant presence that ensured that even after months of protests and no shortage of violence, there were remarkably no fatalities from direct police action.

Readers may shrug at these developments, increasingly immune to the drabs and drabs of news about changes in Hong Kong. Yet the significance of developments in Hong Kong extends beyond China.

For one, a vital source of news reporting on China now stands under a cloud. Hong Kong's media often reported on topics that their colleagues on the mainland cannot touch. That may soon no longer be the case.

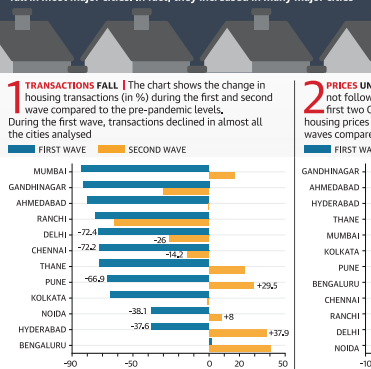
More broadly, the changes in Hong Kong's vibrant media landscape also serve as a reminder of the fragility of freedoms that we sometimes take for granted. All it took was the passing of one law, as well as targeted raids on select establishments. The rest, very quickly, came to heel.

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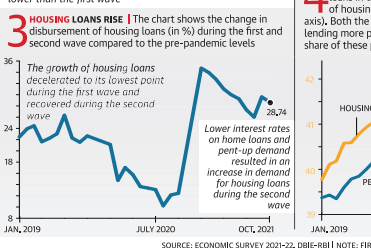
DATA POINT

COVID-19 impact on housing: Demand dipped but prices remained high

During the COVID-19 pandemic, the number of houses bought or sold decreased significantly. While demand dropped due to a decline in income levels, construction also reduced due to severe movement restrictions and lack of labour during the first wave. The reduction in both demand and supply led to a sharp decline in housing transactions. The number of houses sold did recover to pre-pandemic levels during the second wave in some cities due to pent-up demand and reduced interest rates on home loans. However, despite a significant decline in housing transactions, the prices of houses did not fall in most major cities. In fact, they increased in many major cities.



However, during the second wave, transactions increased in several cities such as Mumbai, Hyderabad and Bengaluru compared to the pre-pandemic levels. In cities where transactions declined, the fall was much lower than the first wave.



SOURCE: ECONOMIC SURVEY 2021-22, DRIE-RBI | NOTE: FIRST WAVE: APRIL-JUNE 2020, SECOND WAVE: APRIL-JUNE 2021

The Hindu

FROM THE ARCHIVES

FIFTY YEARS AGO FEBRUARY 4, 1972

Recognition of Bangla Desh

New Delhi, Feb. 3: The next few days will witness intense diplomatic activity in various world capitals for stabilising Bangla Desh's hard-won freedom through a better international understanding of its basic policies and aspirations. The Prime Minister, Mrs. Indira Gandhi, is flying to Calcutta on Saturday, accompanied by a team of senior officials to welcome Sheikh Mujibur Rahman on his first official visit to this country and discuss all aspects of Indo-Bangla Desh relations with him. The British Government today informed all concerned that it would be announcing its recognition of Bangla Desh to-morrow on the eve of Sir Alec Douglas Home's arrival in Delhi on Saturday afternoon. About a dozen European and other countries are expected to follow suit during the next two or three days creating a snowballing effect. There is likely to be some delay in the case of countries like France and Italy, which have already accepted in principle the emergence of Bangla Desh as an independent nation, but are anxious to delay their *de jure* recognition a little longer to give Pakistan a reasonable breathing spell to reconcile itself to the new realities of the situation. The big issue now is no longer a matter of recognition by the rest of the world community, since by this weekend enough countries will have accepted Bangla Desh in one form or the other as a sovereign State to make the continued refusal by a few totally irrelevant to its emergence as a free nation.

A HUNDRED YEARS AGO FEBRUARY 4, 1922

Forced conversion

The forced conversion of Hindus in Malabar has been a disturbing feature of the conscience not only for the Hindus, but even for Muslim leaders and indeed for all who realise the importance of Hindu-Muslim unity. Here and there leaders of Muslim opinion have expressed their dissent from the crude proselytising method of the ignorant Moplah but there is still a murmured discontent among many sections of Hindus, especially in Malabar, who do not conceal their feeling that Muslim leaders have not done all they can to restore confidence. This grumbling will now be removed, let us hope, by the action of the Central Khilafat Committee, regarding which a telegram is published elsewhere. A move is being made to get a fatwa of the leading Mohammedan Ulama declaring definitely against all forced conversions.

Text & Context

NEWS IN NUMBERS



Accidental deaths

3.66 In lakh were the number of road accidents that occurred in India during 2020, said Minister of Road Transport and Highways Nitin Gadkari in a written reply to the Rajya Sabha. Drunk driving led to 8,355 road accidents, while driving on the wrong side caused 20,228 mishaps during the calendar year 2020, Parliament was informed. The Minister further said that jumping red light led to 2,721 accidents and the use of mobile phones while driving caused 6,753 accidents. **PTI**

Terror in the valley

541 The number of terror incidents that were reported in Jammu and Kashmir since Article 370 was repealed on August 5, 2019, Union Minister Nityanand Rai said on Wednesday in reply to a question in Parliament. As many as 439 terrorists and 109 security personnel were killed. Replying to a written question in Rajya Sabha, Rai said 98 civilians were also killed in these incidents and private properties worth about ₹5.3 crore were damaged since then. No significant public property has been damaged. **PTI**

Higher allocation

283.5 In ₹ crore is the Government's allocation for the Startup India Seed Fund Scheme (SISFS) in the Budget 2022-23, which is higher than the Revised Estimate of about ₹100 crore. The budgetary allocations for the Fund of Funds for Startups stood at ₹1,000 crore. The Government has set up a Fund of Funds for Startups (FFS) with a corpus of ₹10,000 crore. The Small Industries Development Bank of India (SIDBI) is the operating agency for the FFS. **PTI**

Low spending

2.35 In percentage is the share of expenditure of the total Budget of FY23 for children. It is a reduction of 0.11 percentage points from this fiscal, according to the NGO, HAQ-Centre for Child Rights. The organisation analysed that children in the country received the lowest share of allocation in the Budget in 11 years. The total allocation is ₹92,736.5 crore. The allocation for child health has decreased by 6.08%. It has dropped from ₹3,727.57 crore in 2021-2022 to ₹3,501.11 crore for the next fiscal. **THE HINDU**

Curtailed season

2 The number of phases over which the Ranji Trophy will be held for the current season. The first phase will take place from February 10 to March 15 and the "post IPL" phase will be from May 30 to June 26, BCCI secretary Jay Shah informed state units. It is set to be one of the shortest first-class seasons with most teams getting to play only three matches. The tournament will have 64 games with the first phase comprising 57 matches and the second stage having seven knock-out games which comprises four quarter-finals, two semi-finals and the final. **PTI**

COMPILED BY THE HINDU DATA TEAM



• VIJAY SENE

EXPLAINER

The need to boost labour income and consumption expenditure

What are the features of fiscal consolidation and how is it shaping the Budget allocation?

THE GIST

■ The squeeze in labour income and consumption expenditure witnessed during the pandemic was preceded by what turned out to be the longest episode of growth slowdown in the Indian economy since the liberalisation period. The budget 2022 was placed in the midst of these challenges.

■ With the objective of fiscal consolidation, the budget falls short of these challenges. Firstly, while share of revenue and non-debt receipts in GDP has remained unchanged, the objective of fiscal consolidation has been sought to be achieved primarily by reducing the expenditure-GDP ratio. Secondly, since the bulk of the revenue expenditure comprises of food subsidies and expenses in social and economic services, reduction in their allocation has been associated with fall in several key expenditure that affect the income and livelihood of labour. Thirdly, despite sharp increase in profits during the pandemic, the corporate tax-GDP ratio has continued to remain below the 2018-19 level due to tax concessions.

■ If the GDP growth rate and revenue growth rate happens to be lower than what is projected, then the actual expenditure can turn out to be even lower than what is projected. But even if the actual expenditure is close to the budget estimates, the recovery of labour income and consumption expenditure would be largely restricted by the manner in which fiscal consolidation has been carried out.

ZICO DASGUPTA
KAVYA MENON

The story so far: The Union Budget for 2022-23 has projected a fiscal deficit of 6.4% of nominal GDP, a narrowing from the 6.9% assumed in the revised estimates for the current fiscal year ending on March 31. Finance Minister Nirmala Sitharaman said the move was "consistent with the broad path of fiscal consolidation announced" by her last year in order to reach a fiscal deficit level below 4.5% by 2025-26. "While setting the fiscal deficit level in 2022-23, I am conscious of the need to nurture growth, through public investment, to become stronger and sustainable," she added.

What was the economic context to this year's Budget formulation? Though every economic crisis involves sharp reduction in output growth rate, the specificity of the present crisis in India lies in the sharper reduction in labour income as compared to profits. The consequent reduction in income share of labour was associated with a sharp fall in consumption-GDP ratio as well as absolute value of consumption expenditure during the pandemic. While the GDP in 2021-22 is estimated to attain the pre-pandemic level, real consumption expenditure remains to be lower as compared to 2019-20.

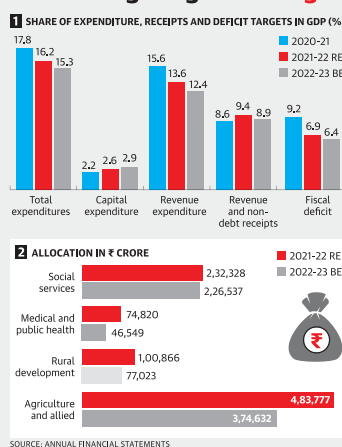
The squeeze in labour income and consumption expenditure witnessed during the pandemic was itself preceded by what turned out to be the longest episode of growth slowdown in the Indian economy since the liberalisation period.

The budget 2022 was placed in the midst of these distinct challenges. The first challenge is specific to the pandemic and challenge pertained to addressing the structural constraints of the Indian economy that restricted growth even during the pre-pandemic period.

How has the Budget fared in this backdrop and what are the key shortcomings? Continuing with the objective of fiscal consolidation, the Budget falls short of addressing both these challenges.

There are three distinct features of this fiscal consolidation process. Firstly, while share of revenue and non-debt receipts in GDP has remained more or less unchanged, the objective of fiscal consolidation has been sought to be

Some Budget figures at a glance



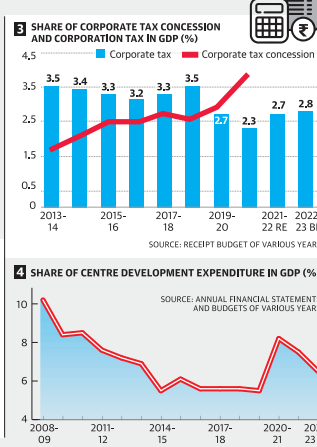
achieved primarily by reducing the expenditure-GDP ratio (see figure 1). The brunt of this expenditure compression has been borne by social and economic services. Continuing with the fiscal strategy adopted in the last two years since the pandemic, the allocation of capital expenditure as a share of GDP has been marginally increased in 2022-23 as compared to 2021-22. Though additional capital expenditure could be financed either by postponing fiscal consolidation process or by increasing revenue, however, the budget has sought to achieve fiscal consolidation by reducing the allocation for revenue expenditure-GDP ratio.

Secondly, since the bulk of the revenue expenditure comprises of food subsidies and current expenses in social and economic services, reduction in the allocation for revenue expenditure has been associated with fall in several key expenditure that affect the income and livelihood of labour (see figure 2). For example, allocation for both agriculture and allied activities and rural development registered a sharp decline in nominal absolute terms in 2022-23 as

compared to 2021-22. Similarly, in the midst of the ongoing pandemic, total nominal expenditure on medical and public health registered a sharp fall in 2022-23 as compared to 2021-22. Such expenditure compression has been associated with the overall fall in the allocation for total social sector expenditure.

Thirdly, despite sharp increase in profits during the pandemic, the corporate tax-GDP ratio has continued to remain below the 2018-19 level due to tax concessions. The decade registered a sharp rise in the share of corporate tax concessions in GDP, which reached its peak at 3.9% by 2020-21 (see figure 3). Reflecting the trend in tax concessions, corporate tax-GDP ratio registered a decline particularly since 2018-19 when corporate tax decline sharply from 3.5% to 2.7%. Despite the objective of fiscal consolidation, the corporate tax continues to remain low and restrict revenue receipts.

What are the implications for development spending?



The objective of fiscal consolidation along with the inability to increase revenue receipts has posed a constraint on development expenditure. With non-development expenditure comprising of interest payments, administrative expenditure and various other components which are typically rigid downward, the brunt of expenditure compression has fallen on development expenditure.

Figure 4 shows the trend in share of centre's development expenditure (development expenditure is calculated as the sum of expenditures on social services and economic services) in GDP since 2008-09. While the decade of 2010s was characterised by different governments meeting fiscal targets by adjusting their expenditure, it registered a sharp decline in the development expenditure ratio till the advent of the pandemic in 2019-20. Albeit to a limited extent, the fiscal stimulus implemented in the first year of the pandemic brought about a brief recovery. The fiscal consolidation strategy carried out in the last years has once again led the

development expenditure ratio to slide downward.

The reduction in the allocation for development expenditure ratio for 2022-23 reflects reduction in the allocation for food subsidies, national rural employment guarantee program, expenditure in agriculture, rural development and social sector.

Why is the Budget's fiscal consolidation approach a concern from the macro-economic perspective?

The Budget estimates of different expenditure are sensitive to the growth estimates for 2022-23. If the GDP growth rate and revenue growth rate happens to be lower than what is projected, then the actual expenditure can turn out to be even lower than what is projected. Given the fact that the actual GDP growth rate in at least the last four years have been consistently lower than what was initially projected by the Economics Survey, the possibility of actual expenditure falling short of budget numbers cannot be assumed away.

But even if the actual expenditure is close to the budget estimates, the recovery of labour income and consumption expenditure would be largely restricted by the manner in which fiscal consolidation has been carried out.

This is because reduction in the allocation for development expenditure would have adverse impact on labour income and consumption expenditure. The positive impact of higher capital expenditure on the recovery process would be largely curtailed by the adverse impact of more than proportionate fall in revenue expenditure.

Given the fiscal consolidation strategy of the Government, the prospect and extent of economic revival at the present remains heavily dependent on external demand. Despite the limited recovery in exports in the last few quarters, the possibility of sustained economic recovery relying exclusively on the export channel appears to be bleak at the present as different countries have already started pursuing fiscal consolidation.

What the Indian economy lacks at the moment is an effective policy instrument that can boost labour income and aggregate demand.

Zico Dasgupta is an Assistant Professor at the School of Arts and Science, Azim Premji University, Bengaluru and Kavya Menon is Research Assistant at Azim Premji University, Bengaluru

IN THE LIMELIGHT

The artist's manifesto

Understanding the dilemmas facing an increasingly dystopian world through a prescient Italian film that won the Oscars in 1971

AWANISH KUMAR

THE GIST

■ The rise of populist and authoritarian figures have drawn much critical attention from experts in the fields of social and political psychology. They try to understand why such figures get such little collective reaction from citizens, especially those supporters of the regime who otherwise may have joined protests, voted against the regime or at least turned vocal. A film that bridges this gap and best describes the psychology of such regimes and the personalities of their leaders, is Italian filmmaker Elio Petri's Oscar-winning feature film, *Investigation of a Citizen Above Suspicion* (1970).

■ The movie presents to us a dystopian world where every person is a suspect and possibly an enemy, not only of the state but of the entire social order. The lead character 'The Inspector' is sick, self-obsessed, vindictive and insecure. He murders a woman and gets away with it despite overwhelming evidence against him. His actions bear complete impunity because of his powerful position in a tightly-knit security state and his subordinates' absolute and meek capitulation to authority and to him.

■ An interesting aspect of the film is that authoritarianism is shown as a psychological and mental illness that needs to be recognised as such. The Inspector's refusal to freedom and free individuals as a collective political hatred for free individuals and his personal vindictiveness become indistinguishable from each other.

Global democracy appears to be in decline with the rise of populist, majoritarian, neo-fascist, or right-wing authoritarian governments across the world. Experts from the fields of social and political psychology have theorised the inner workings of authoritarian minds. Essentially speaking, such personalities are bullies, but they are bullies with political power at their disposal. Recent events have shown that many of the newly elected authoritarian leaders, apart from being undemocratic in spirit and anti-minority in orientation, also deliver poor quality of governance. Yet, why is there such little collective reaction from citizens, especially those supporters of the regime who otherwise may have joined protests, voted against the regime or at least turned vocal?

A piece of art that bridges the gap and best describes the psychology and the pathology of such regimes and their tactics, exemplified in the personalities of their leaders, is Italian filmmaker Elio Petri's Oscar-winning feature film, *Investigation of a Citizen Above Suspicion* (1970).

The plot

The film opens with an unnamed police officer (later identified only as "Inspector") committing a murder and planting, very carefully, a number of clues at the site of the crime. Throughout the movie, multiple flashbacks also tell us that the Inspector is a loner and in a relationship with the murdered woman. The two of them are shown to be indulging in playful enactments of famous murders and torture games. The woman taunts him about his sexual prowess, and his authority as a policeman. During one of the later flashbacks, it is revealed that he suspects that she is sleeping with a young radical from the same building. This fills him with rage and he kills her on the last day of his job as the head of the homicide unit. The next day, the Inspector takes over as the head of political/security affairs while he continues to assist the new chief of homicide in the murder. He directs the investigation repeatedly to the clues left by him, and admonishes his former colleagues for not following through the trails found during the process. This entire exercise is his way to assure himself that he is 'above suspicion' and despite clear evidence against him, he cannot be touched by the law enforcement.

In the climax, the Inspector enters a dream sequence where he is confronted by his colleagues and subordinates in the crime. Interestingly, in this surreal dream sequence, his colleagues and superiors deny his involvement in any crime. The Inspector appears to possess a different body language during this entire episode – he approaches his colleagues and seniors in complete submission starkly contrasted with his masochistic and overbearing personality throughout the film. Similarly, his colleagues and seniors treat him like a child, even caressing and patting him. All the evidence that he presents against himself is rejected by his colleagues and they go on to celebrate this event. While they leave, the Inspector comes back to his true self again and warns them about the intimate enemy that they need to fight together. The movie ends with him regaining his senses and the actual arrival of the superiors of the establishment to interrogate him, while the tension builds.

The climax of the movie is open-ended. In the anticipatory climax from the vantage point of the Inspector he not only finds a 'closure' to his 'experiment', but also sees the superiors regain his towering position among his peers. In an alternative interpretation, the climax is the culmination of his constantly degenerate mental state. The Inspector seems to have lost his authority as well as charisma, and potentially awaits a favourable judgement from the regime for his services.

There are at least three core insights that can be drawn from the movie to understand our contemporary political context.

'A dystopian world'

The movie presents to us a dystopian world where every person is a suspect and possibly an enemy, not only of the state but of the entire social order. The state and its instruments keep an eye on everyone and the distinction between public and

A still from the film *Investigation of a Citizen Above Suspicion* • WIKIMEDIA COMMONS

private lives are increasingly blurred. The political/security department possesses a named file for every person, including its own employees in the police. The Inspector's inaugural address to the political division as its new chief is revealing and disturbing, for its uncanny similarity to the world around us. The Inspector begins by pointing out that he has been chosen as the new chief because, "at this time, political and non-political crimes have become nearly indistinguishable." He goes on to clarify this point in even simpler terms: "underneath every criminal person lies a subversive individual and underneath every subversive individual there hides a criminal." The political question of the times is presented thus: "The exercise of freedom is a constant threat to the establishment... freedom makes every citizen a judge and prevents us from doing our jobs". Therefore, the Inspector asserts, "repression is our vaccine, repression is civilisation."

'Unquestionable leader'

The Inspector is sick, self-obsessed, vindictive and insecure. But he knows that his actions bear complete impunity because of his powerful position in a tightly-knit security state and his subordinates' absolute and meek capitulation to authority and, by implication, to him. During many instances in the movie, all evidence leading to the Inspector, including his finger prints, shoe prints, etc., is sought to be brushed aside or even justified by his former and current colleagues.

We get further clues about the megalomaniac character of the Inspector during one of the flashback sequences where the woman and him are role-playing and enacting police torture. The Inspector tells the woman: "I represent power, the law." At another instance, he tells one of his colleagues, "I want to affirm the concept of authority in its purest form". What about the outside world, then, one may ask? The Inspector mocks a former colleague when the latter talks about arresting the ex-husband to assuage public sentiments: "You are a bureaucrat, public opinion frightens you."

There is an almost complete unanimity about who the enemy is: the young radical, who is sought to be implicated in the murder of the woman, and others like him, are described as "socially and politically dangerous, subversive and fanatical". It is as if for the entire department, and clearly in the case of the Inspector, personal vindictiveness and collective political hatred for free individuals become indistinguishable from each other.

In one of the rare moments of self-reflection during the derisory climax, the Inspector shares his motivation to kill the woman: "Each day in her company revealed my incompetence as a human being."

The climax is farcical but an opportunity for the Inspector to clarify his deep motivations. In the dream sequence, his superior tells him, "you have had a dissociation, a neurosis".

It is important to appreciate the Inspector's considered response:

However, it is a contracted illness due to the prolonged use of power. It is an illness common to a lot of powerful persons."

'Service to the nation'

The Inspector's self-aggrandisement project is intertwined with grand conceptions of his purpose as the chief of homicide, and later political/security divisions. The personal and the political for him meld into one as he commits the murder out of spite for the woman and her suspected young radical lover. But this very murder is crucial for his understanding of himself and the system he deeply believes in. For the system to work in the way he imagines it, his actions must be above question. Since he is the embodiment of power, his position must be completely beyond and above any suspicion. Questions are not only detrimental to the institution of power, they are its death-knell. If there is even a little doubt in the minds of those who work under it, the institution of power breaks down.

On the other hand, the evidence is always in front of the entire department but rather than following the leads, his colleagues find excuses to exonerate him. When he is unable to bear it anymore, he confesses his guilt in writing and gives it to the new chief of homicide division. Finally, he waits to be rewarded for his "mistakes" so that he can get back to punishing the enemies of society and the state.

Dissent against dystopia

An interesting aspect of the film is that authoritarianism is shown as a psychological and mental illness that needs to be recognised as such. The Inspector fantasises about killings, violence, and absolute domination, and is, in fact, disappointed when his "experiment" as part of a part-real, part-fictional fascist utopia runs counter to his expectations. He is a person who hates free individuals and freedom as an active concept.

The Inspector, in the eyes of the viewers, keeps giving in, with more grave mistakes at every turn. For the protagonist, however, these are neither gaffes nor careless slips but well-considered series of actions to resolve the classic dilemma facing an authoritarian individual and/or a system: will someone rise up, implicate the leader for his crimes and call his bluff? That single action by an ordinary citizen can be disastrous for the regime. Since this is always a possibility, shall the leader leave this open or shall he take it on, face-to-face by actually conducting a live experiment? The film shows how it is done by authoritarian leaders and that they do still win the game, just like our Inspector in his anticipated climax. Can we blame the Inspector alone? Please note that the entire edifice of this fascist dystopia is built upon its definition of free and thinking individuals as enemies. The climax also shows the complicity of the entire regime, when it becomes imperative for all the colleagues and superiors of the Inspector to exonerate him from his crimes because the outcome otherwise will be detrimental for the system. The good news is that just like the Inspector, populist authoritarianism or neo-fascism consistently gives clues and possibly incriminating evidence against itself. But who will join the dots to see through the vacuity of the regime and especially its leader?

Awanshi Kumar is British Academy Newton International Fellow, University of Edinburgh



FROM THE ARCHIVES

Know your English

"Good morning sir"
"Good morning"
"Sir, how do you pronounce bury and beer?"

"Bury rhymes with merry, ferry, cherry and very. Most people mispronounce this word. Beer rhymes with dear, hear, fear and here."

"Thank you, sir. I thought the 'u' in bury was pronounced in the same way as the 'u' in much. Now I understand that bury is pronounced exactly like berry."
"Busy and bury are pronounced differently. Busy rhymes with dizzy and Bury rhymes with merry. You must refer to a good dictionary for the correct pronunciation of words."

"Sir, what is the difference between 'people' and 'persons'?"

"In colloquial language, these two are used synonymously. But there is a difference between the two. 'People' is not used to refer to persons individually."

"I saw a large number of people."
In this context you don't use 'person'. If the number is small or if you want to be exact you use 'person'."

There were 12 persons in the group.
People often criticise the government for its policies and not 'persons often criticise the government'.... 'Such measures often please people. You don't say 'such measures often please persons'."

"Sir, can I say it is ten years ago since my friend died?"

"No, you can't. You use ago when you want to refer to a point of time in the past."

I met him ten years ago.
He left five minutes ago.
Long, long ago there was a king.
It was ten years ago that my friend died.
Ago and since are not used together.

It was ten years ago that my friend died. It is ten years since my friend died."

But it is incorrect to say it is ten years ago since my friend died."

"I must go to the market now, sir, to buy some vegetables. Vegetables are very costly these days, sir."

"Vegetables are rather dear during summer. You don't use the word 'costly' with ordinary things. A thing is costly when it is very expensive."

It is a costly diamond necklace.
The word costly should be used only for things that are very expensive."

"Thank you, sir. I must go now to attend a meeting. It commences at ten o'clock."

"Does it? I hope it begins at ten sharp. 'Commence' is a word used on formal occasions. Normally we use 'begin' or 'start'. 'Begin' and 'commence' can't be interchanged in all contexts. 'Commence' would be inappropriate in the following sentences:
Let us begin from the beginning.
This is how the quarrel began.
After working for eight hours I began to feel tired.
He began to show signs of anger.
I hope I have made myself clear."

"Thank you, sir. Somehow I tend to use 'commence' rather than 'begin'. Hereafter I will use begin. Goodbye sir."
"Goodbye."

For feedback and suggestions for Text & Context, please write to letters@thehindu.co.in with the subject 'Text & Context'

THE DAILY QUIZ

Sri Lanka is celebrating its 74th Independence Day today. A quiz on our island neighbour.

1 The first noted use of this word was for an unplanned fortunate discovery was by the writer Horace Walpole in January 1754 and comes from an old name for the country. Name the word and what does it mean?

2 Colombo is the de facto economic, executive, and judicial capital of Sri Lanka, then what is the official administrative capital?

3 Name the two children of Emperor Ashoka who spread the teachings of Buddha in Sri Lanka at the request of King Devanampiya Tissa?

4 What do the vertical stripes in flag represent?

5 Luckyland Biscuits, one of the top five biscuit makers on the island, has achieved fame because of a sporting great. Who?

6 What is the native name for the geographical formation which has a depression that is venerated by Buddhists, Hindus, Muslims, and Christians alike and is also the source for some major rivers in the island?

7 The Roman author and naturalist Pliny the Elder wrote that 250 grams of this spice native to the island as being equal in value to over five kilograms of silver. 'Zeylanicum', a part of the scientific name of this spice, is said to have been derived from Ceylon, one of the traditional names for the place. Name the pungent, aromatic spice.



◀ For what crime was Taldewe Somarama Thero, the person being escorted by policemen, sentenced to death? • THE HINDU

Please send in your answers to the dailyquiz@thehindu.co.in

Answers to the previous day's daily quiz: 1. Rafael Nadal; 2008 (singles), 2016 (doubles), 2. Pete Sampras, 2001, 3. 356, 4. 103, 5. Robin Soderling, 2009, 6. Alexander Zverev (Olympics) and Daniil Medvedev (US Open), 7. Australian Open final 2012, longest Grand Slam final in men's singles tennis

Only respondent to get all the answers correct: Amrutha

The Indian EXPRESS

FOUNDED BY
RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

THE DIGITAL RUPEE

RBI must proceed cautiously, remaining mindful of design considerations, wider implications and challenges

IN THE UNION budget 2022-23, Finance Minister Nirmala Sitharaman proposed the introduction of a digital currency to be issued by the Reserve Bank of India (RBI) in the coming financial year. The announcement follows reports of central bank officials informing the central board of the RBI of a pilot project for the introduction of a Central Bank Digital Currency (CBDC). Some countries have already introduced CBDCs in some form or the other. For instance, in 2020, the central bank of Bahamas issued a digital currency. More and more central banks across the world are beginning to explore the viability, usefulness and value of digital currencies. Countries like Japan, China, Singapore, Sweden are currently examining the various facets of such a transition. A few days ago, the US Federal Reserve also released a report outlining the costs and benefits of issuing a central bank backed digital dollar.

CBDCs are essentially fiat currencies issued in the virtual/electronic form. Their appeal or the interest in issuing them has gained traction with the rapid surge of cryptocurrencies, the increasing popularity of blockchain technology, and the benefits that many argue stem from its adoption. Among the likely benefits claimed by advocates of CBDCs are the acceleration of financial inclusion, lower costs for financial transactions, especially in the case of cross-border transactions, the advantages of an alternate payments system, the creation of another instrument in the monetary policy arsenal of central banks, the likely adverse impacts on corruption and money laundering, among others. However, to what extent these benefits actually materialise will vary from country to country depending on its specific economic scenario. On the flip side, though, there are several possible risks associated with the introduction of CBDCs. In the case that retail CBDC accounts are interest bearing, there are obvious implications for the banking system. It is also possible that during periods of extreme uncertainty, depositors may choose to migrate away from commercial banks, causing financial upheaval. Then there is also the question of whether CBDCs will offer the same degree of anonymity as cash does.

Recently, RBI Deputy Governor Rabi Sankar has said that the central bank is "working towards a phased implementation strategy" and will examine the CBDCs in the "whole-sale and retail segments. However, as several economists have pointed out, while some benefits may accrue at the wholesale level, the real transformation, and the challenge as well, lies at the retail level. Considering the wider economic implications, the central bank must carefully weigh the pros and cons. It must proceed cautiously, remaining mindful of the various issues, the design considerations and the implications surrounding the introduction of the digital currency.

NOW YOU SEE IT

Mayawati breaks a long silence. Her party may need to say and do more to make a fight of it in UP

FOR A PARTY that has been in office several times and holds a vote share of about 20 per cent, the BSP's prolonged absence from public action and visibility in UP, where the first phase of voting is scheduled for February 10, seems mystifying. On Wednesday, BSP Chief Mayawati broke a long silence with her first major public meeting of the poll season in Agra and claimed that she has been busy plotting her party's electoral strategy. She blamed the media for writing off her party and claimed that it would spring a surprise when the votes are counted, as happened in the 2007 assembly election, when the BSP won a simple majority.

The fact is that the BSP's political model is different from other parties. It relies on its loyal base among the Jats, and works to add to this core vote by reaching out to other communities. The party has in the past made tactical alliances with Brahmins and Muslims, with mixed outcomes. The shift in focus, from the Bahujan Samaj, as conceived by party founder Kanshi Ram, to Sarvajan Samaj, has helped the party to expand beyond its niche and make itself acceptable to a broader cross-section of the electorate, but it has not proved to be enduring. At the same time, the party seldom undertakes street mobilisations even on issues that impact Dalits. It was absent from the anti-CAA/NRC protests, and even from the public agitation that followed the rape and death of a Dalit woman in Hathras. However, this approach may be coming up against new challenges in times when the BSP's rivals, especially the BJP, see politics as a 24x7 activity and work themselves up into perpetual electrification. With the rise of social media, old forms of political association are being tested and there is continuous political messaging on virtual platforms. Even among the Dalits, newer and younger voices have emerged who are more willing to mobilise on the ground rather than wait until elections. Parties such as the Bhim Army of Chandrasekhar Azad Ravan are no match for the BSP yet, but the rise of these outfits suggests a churn that could dent the prospects of the party that most successfully laid claim to represent the Dalits.

In the current scenario, the BSP's reticence in the public sphere in between elections, and its reliance on an air-tight, centralised model of decision-making within the party, has costs. As the only state where the party has managed to leverage its core vote to win power, UP is crucial to its survival. Another election defeat could marginalise the party even more in the state as well as in national politics.

JUST LET GO

The concept of 'life members' in Indian institutions would have made both the ancients and Karl Marx angry

THE ANCIENTS WOULD have been disappointed with the Uttar Pradesh Cricket Association (UPCA). Millennia ago, they laid down a fairly simple HR policy that ensured timely retirement of upper management, ensuring that new blood entered organisations. After having their day in the sun, rulers and householders were expected to gradually withdraw from daily responsibilities — the *vanaprastha ashrama* — and begin the process of renouncing the world. The UPCA, though, appears to have a renunciation problem.

The list of "life members" — including BCCI official and Congress leader Rajeev Shukla's brother, a family member of Shukla's one-time office assistant Akram Saif, the son of a UPCA director and corporates linked to cricket in UP — has caused some disgruntled members to approach the courts. But, then, who in India wants to retire? Politicians don't retire — unless they are forced to, by sending them to *margdarshak mandals*, for instance. Bureaucrats often jockey for government sinecures and it is the rare business magnate who leaves the company to a capable executive over less-than-capable children.

But spare a thought for the young and the ambitious, and those born without a high-achieving family member. Their struggle to even enter and then to "make it" in the many feudal bastions — politics, administration and yes, even business — will only get more bitter if the venerable and the powerful don't consider the way of the forest or *margdarshak mandal*. Even Karl Marx, that hater of capitalist free enterprise, saw feudalism — when power and position come from family and are permanent — as so much worse than the economic inequality of free enterprise. So, a message for the patriarchs at the UPCA, and at so many other institutions across India: Just let go.



JAHANGIR AZIZ

WHILE THE 2022-23 budget is being heralded as a "growth" supportive budget, under the hood it delivers quite a complicated message. To see that one needs to unpack the budget and that means (with apologies to the readers) wading through numbers. But patience has its rewards.

Let's start with the current year's deficit. The budget estimates it at 6.9 per cent of the GDP. Even with the lower privatisation receipts, unless tax revenue — having grown 44 per cent year-on-year till December — suddenly plunges this quarter, the deficit is likely to be lower at 6.6 per cent of GDP in a replay of the end-year dynamics in 2020-21. Against such an eventual outcome, the 2022-23 deficit target of 6.4 per cent of GDP isn't much of a consolidation.

But isn't this what a "growth" supportive budget should do? Prima facie, yes, but not when one parses the message it delivers. If the budget is an indication, then the overall public sector borrowing (Centre, state and PSUs combined) will likely decline from 11.5 per cent of GDP to 11 per cent of GDP next year. This will need to be funded by the private sector's net savings (household and corporate savings less private investment) and foreign borrowing (the current account deficit). The arithmetic for this year goes something like this: The Centre and state governments' fiscal deficit of around 11.5 per cent of GDP is being funded by 10 per cent of private net savings and 1.5 per cent of GDP of foreign borrowing (the current account deficit).

So, for the next fiscal year, private consumption and investment combined can rise only 0.5 percentage points of GDP without increasing foreign borrowing. Put differently, if India's private consumption and investment are to grow more than 0.5 percentage points of GDP, then foreign borrowing — the current account deficit — will necessarily have to increase. This has little to do with economics. It's just the tyranny of arithmetic.

In normal times, India has found it hard to fund a current account deficit of more than 2.5 per cent of GDP without facing serious cur-

Budget emphasis on public sector-driven growth raises concerns about sustainability of such a strategy

The RBI will be tested. The gross borrowing by the government next year will be a whopping Rs 14.2 trillion, up from Rs 10.5 trillion this year. If the private sector is to revive even a bit, it will need to borrow more. In which case, it is very unlikely that the government can raise such a large amount without interest rates rising sharply unless the RBI purchases a substantial amount of bonds. This means that the RBI will be forced to add more liquidity exactly when it should be reducing the high and excessive amount already in the banking system.

rency depreciation pressures. Doing so in a year when global financial conditions are poised to tighten sharply as the US Fed embarks on raising interest rates and removing quantitative easing, will be that much more challenging. This arithmetic must have been obvious to the government. So, by limiting the effective consolidation to just 0.2 percentage points of GDP, the message being sent is that the private sector is not yet ready to lead India's recovery and that for the fifth year in a row, growth will need to be driven by the public sector.

Why does it matter whether growth is driven by the public or private sector? It matters for two reasons. First, the need of the hour is to generate not just growth but also employment. And the public sector doesn't create many jobs and neither do the corporates, start-ups, or infrastructure investment. The bulk of employment is created by SMEs. And, it is the SMEs who have been battered over the last five years. First by the demonetisation, then the troubled implementation of the GST, and now the pandemic. But the budget does not provide any meaningful support to this sector. It extends the ECLGS for one more year, which, for all practical purposes, is just forbearance for banks that have provided loans to SMEs. It is unlikely that this will make SMEs, whose balance sheets have been seriously impaired over the last few years, start investing or expanding employment.

The second reason is that growth via public spending has a high cost and it isn't sustainable beyond a few years. The pressures are already building with the sharp rise in government debt over the last five years to close to 90 per cent of GDP at present. This rise in debt costs continued upward pressures on interest rates and makes the task of keeping the government's interest payments under control (currently 3.5 per cent of GDP) that much harder without substantial bond purchases by the central bank. This, in turn, seriously complicates monetary operations and communications as it becomes difficult to untangle the central bank is targeting inflation or bond yields.

WORDLY WISE

IRON RUSTS FROM DISUSE; WATER LOSES ITS PURITY FROM STAGNATION...EVEN SO DOES INACTION SAP THE VIGOUR OF THE MIND. — LEONARDO DA VINCI

Unpacking growth

The RBI will be tested. The gross borrowing by the government next year will be a whopping Rs 14.2 trillion, up from Rs 10.5 trillion this year. If the private sector is to revive even a bit, it will need to borrow more. In which case, it is very unlikely that the government can raise such a large amount without interest rates rising sharply unless the RBI purchases a substantial amount of bonds. This means that the RBI will be forced to add more liquidity exactly when it should be reducing the high and excessive amount already in the banking system. With the US Fed set to raise interest rates aggressively in the coming months, this will test the RBI's ability to juggle its multiple objectives. So far in the pandemic, it has done an admirable job doing so. But this budget makes the juggling act that much harder and higher inflation or financial instability could be the casualties.

There is one area where the budget appears to have built some space to meet potential demands for additional support, although without being very transparent about it. Gross taxes are pegged to decline to 10.7 per cent of GDP from the 11.4 per cent of GDP we expect this year (after adjusting for the underestimation this year as discussed earlier). The effective tax buoyancy (that is, by how much taxes rise for a one per cent increase in GDP) is, thus, just 0.4 versus an expected outcome of 1.8 this year. Consequently, there is a clear upsize to next year's tax projections, and this could be used to either reduce the overall deficit or to offset cuts in excise duties that might be needed to stabilise retail oil prices if global crude spikes, for example, because of geopolitical tensions.

So, while there is some space to meet contingencies, the budget has complicated macroeconomic management and the continued emphasis on public-sector driven growth raises concerns about the sustainability of such a strategy with debt already at such a high level.

The writer is Chief Emerging Markets Economist, JPMorgan. These are his personal views



SHOBHIT MAHAJAN

THE IITS HAVE been in the news lately for all the wrong reasons. This time it is not about the fat pay packets their students have got in the institute placements, but about ghosts and steppe people invading, or rather not invading, Bharatavarsh.

First, the ghosts. The director of an IIT posted a video on social media where he claimed he had exorcised ghosts by chanting mantras and espousing the wisdom of the Bhagwad Gita. Then, IIT Kharagpur, the oldest amongst these venerable institutions, brought out its 2022 calendar. Ordinarily, these things are either harmless propaganda for the institution's great work or contain innocuous photographs of flora and fauna. What made this particular piece of work remarkable was that it claimed to be debunking certain myths about ancient India.

The calendar is supposed to be based on research by the recently created Centre of Excellence for Indian Knowledge System at IIT Kharagpur, which strives to do interdisciplinary research on various branches of the Indian knowledge systems. The areas of interest range from Indian history to advanced archaeological exploration; from Indian language systems to aesthetics systems; from Indian systems of geometry and mathematics to cosmology and positional astronomy; and from Indian constructs of ecology and ethics to systems of welfare economics and planning.

On the face of it, any such endeavor should be lauded. However, if the calendar is any indication, instead of genuine scholarship, the centre seems to be more focussed on fighting ideological battles. Among the many

TRYST WITH UNREASON

Use of academia to promote anti-science, ideological agendas, must worry us all

Anyone familiar with recent scholarship in the fields of paleo-genetics and DNA sequencing of existing populations would find all of this laughable. Several labs around the world have confirmed that there was indeed migration from the Eurasian steppe into north India around 4,000 years ago, around the time when archaeologists believe that the Harappan civilisation was in decline. All of this evidence is well-documented not only in scientific literature but also in popular books like those by David Reich and Tony Joseph, among others.

Why then would a centre that is supposed to carry out scientific investigation in areas related to ancient India bring out such a blatantly un-scientific document? If recent history is any guide, it seems that the idea was to provide support for the grand narrative which the government has been actively promoting, namely that of the greatness and antiquity of an indigenous Indian civilisation. Bizarre statements by the centre in important positions in the current dispensation regarding mythical scientific achievements of ancient

themes which the calendar explores is the "rebuttal to the Aryan invasion myth". It lays out "evidence" that "the myth is not just erroneous but maneuvered and widely popularised! A large scholarship is needed now to erase the misinterpretation sustained by the colonial hanger!" The claim is that the historians and archaeologists have been wrong in saying that the Vedic period followed the Harappan civilisation. Instead, the claim is that the Vedic era extends far into antiquity and there was simply no migration or invasion from outside Bharatavarsh.

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India, rewriting of textbooks, active support of certain institutions and think tanks, funding of research into pseudo-scientific areas, among others, are part of this exercise. The capture of respectable academic institutions to serve this purpose is only the latest tactic being employed.

The case of the gentleman exorcising ghosts is not something we need to worry about. After all, the private beliefs of individuals are not something which should bother us as long as they are not imposed on others. There is no evidence to suggest that the person's beliefs have impacted his capabilities as a researcher or an administrator. And if people who are superstitious or hold irrational beliefs were to be excluded from important administrative posts, then a large percentage of our bureaucrats and politicians would need to be supernumerary. Even among the scientists, this dichotomy of professional and private spheres is widespread. The case of a famous scientist at a premier research institute in Mumbai throwing away food from his refrigerator after a solar eclipse is only one such example.

The promotion of anti-scientific beliefs and the use of academia to further a particular ideological agenda are things all of us should be worried about. Replacing robust scientific theories with pseudo-science in textbooks and using academic credentials for ideological purposes is the far more insidious exercise. The ghosts can take care of themselves. It is the former we need to be concerned about.

The writer is professor of physics and astrophysics, University of Delhi



FEBRUARY 4, 1982, FORTY YEARS AGO

KERALA CRISIS

THE RULING SIDE and the Opposition fought every inch of the ground as the assembly began its two-day debate on the no-confidence motion against the 38-day old Karunakaran ministry. The debate started immediately after the new Speaker A Jose was elected uncontested and was installed. It progressed through a series of bitter procedural wrangles and arguments over priorities. It's expected to end with the crucial voting on February 4. The Opposition's main point was that the government still did not have a majority, that the governor had committed impropriety in installing it, that the Government was the child of po-

litical immorality propped up by defections and that the casting vote of the speaker could not sustain a government. The government side countered this by saying that the misuse of the Marxist-led government had forced the democratic forces to come together.

OPPOSITION UNITY

REPRESENTATIVES OF THREE Opposition parties — the Janata, the Lok Dal and the Congress — discussed inconclusively the modalities of their merger in an effort to form a national alternative to the Congress (I). The discussion will be resumed on February 7.

The convenor of the coordination party of the three parties, Biju Patnaik, was hopeful that the modalities and policies of the three parties would be finalised in the meeting.

MERCENARY RACKET

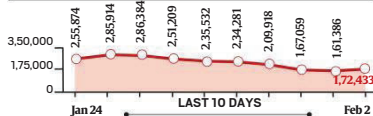
THE INTERROGATION of a group pf Indians who were deported from Lebanon earlier this week has revealed a massive racket to recruit mercenary soldiers from India under the cover of exporting labour to West Asia. Scores of villagers, especially from Punjab, are suspected to have been duped by these agents and sent to Beirut to fight as soldiers for the warring groups there.

TRACKING INDIA'S COVID CURVE

DASHBOARD, AS ON FEB 2

703 DAYS SINCE PANDEMIC BEGAN	New cases 1,72,433	Active cases 15,33,921	Deaths 1,008
Weekly CFR: 0.38% Overall CFR: 1.31% Total deaths: 4,98,983			

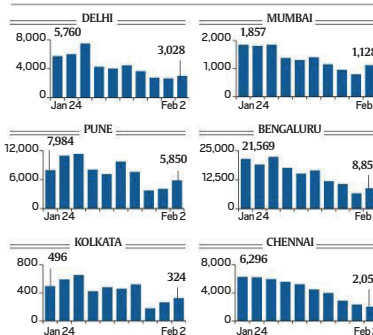
NEW CASES, DAILY



SURGE IN THE STATES

State	New Cases	Active Cases	Deaths	Weekly positivity
Kerala	52,199	4,34,704	500	44.95%
Karnataka	20,505	2,16,413	81	17.40%
Maharashtra	18,067	3,19,915	89	13.68%
Tamil Nadu	14,013	2,15,635	37	15.70%
Gujarat	8,934	79,732	34	8.50%

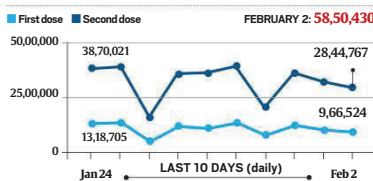
CASES IN THE CITIES, LAST 10 DAYS



TOTAL TESTS	73,41,92,614
TESTS ON FEB 2	17,52,628
WEEKLY POSITIVITY	11.91%
OVERALL POSITIVITY	5.69%

INDIA TOTAL DOSES

167,87,93,137
(Adults 1st dose: 89,73,44,938; 2nd: 71,80,30,613; 15-18 age group 1st dose: 4,77,79,454; 2nd: 21,63,015; precautionary: 1,34,75,117)



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The Pak-China relationship

Rahul Gandhi has accused the government of bringing Pak and China closer; the MEA has responded that the two were always close. A look at their relationship over the years, and what it has meant for India.

SHUBHAJIT ROY

NEW DELHI, FEBRUARY 3

SPEAKING IN Parliament on Wednesday, Congress leader Rahul Gandhi accused the NDA government of bringing Pakistan and China together, noting that keeping the two countries apart has been the "single biggest strategic goal of India's foreign policy". In response, External Affairs Minister S Jaishankar referred to historians and cited instances from the Pakistan-China friendship over the decades. "So, ask yourself: were China and Pakistan distant then," he tweeted.

So, what's the history of the relationship?

The initial years

Pakistan had recognised the People's Republic of China—after India—in the initial years after 1947, and established diplomatic ties in 1951. But, due to Pakistan's membership of two US-led anti-communist military pacts, SEATO and CENTO, it was seen as part of the non-Soviet bloc—and China, under Mao Zedong, was on the other side.

On the other hand, India had a working relationship with China—embellished with slogans like *Hindi-Chini bhai bhai*. The two had the same anti-colonial, non-aligned approach. However, there was a complex layer to this. In Buddha's Warriors: The Story of the CIA-backed Tibetan Freedom Fighters, the Chinese invasion, and the ultimate fall of Tibet, author and historian Mike Dunham wrote that after Chinese troops invaded in 1950, Pakistan provided transit facilities for US aircraft to supply equipment to the Tibetan rebels.

The 1962 war

The India-China war of 1962 led to Beijing developing closer ties with Islamabad. Pakistan got support from China diplomatically in the 1965 India-Pakistan war. In fact, analysts say that Pakistan was emboldened into aggression after India's defeat against China in 1962. In a boundary agreement in 1963, Pakistan ceded the Shaksgam Valley to China. Part of Pakistan-occupied Kashmir, it is a territory claimed by India but controlled by Pakistan. The agreement laid the foundation of Karakoram highway, built jointly by China and Pakistan in the 1970s.

The real diplomatic bonhomie began in the 1970s, when Pakistan ruler Gen Yahya Khan facilitated the outreach between the US-led by Richard Nixon and Henry Kissinger and China's Mao and Zhou Enlai. This paved the way for Kissinger's secret trip to July 1971 and the beginning of the US-China effort to discuss issues



Pakistan PM Imran Khan and Chinese President Xi Jinping in Beijing in October 2020. ANI/File

Nuclear cooperation

Nuclear cooperation was one of the key pillars of the Pakistan-China relationship, especially after India tested its nuclear device in 1974. In September 1986, Pakistan and China signed an agreement to facilitate the transfer of civil nuclear technology. In 1991, China agreed to supply Pakistan with its indigenously developed Qinshan-1 nuclear power plant. The 300 MWe reactor at Chashma Nuclear Power Plant-1 became operational in May 2000, and a second 300 MWe plant C-2, went critical in 1998. After India tested its nuclear device in 1998, Pakistan followed suit—largely due to help from Beijing.

India-China ties

The 1988 rapprochement between India and China with Rajiv Gandhi's visit became a watershed moment. Much to the discomfiture of Islamabad, there was a clear shift for Beijing, where it saw ties with New Delhi from an economic lens and focused on trade, while separately talking to India on the border dispute.

For Islamabad, the biggest job came in 1996 when "the Chinese president Jiang Zemin [then visiting Pakistan] failed to mention Kashmir explicitly... Undersecretary Pakistan's position that Kashmir should be resolved through international mediation, not bilateral negotiations," analyst Andrew Small wrote in *The China-Pakistan Axis*.

During the Kargil conflict of 1999, Beijing counselled Islamabad that they should withdraw troops, and "should exercise self-control and solve conflicts through peaceful means". And in July that year, the Chinese foreign ministry asked India and Pakistan to "respect the line of control in Kashmir and resume negotiations at an early date in accordance with the

The US nuclear deal

The China-Pakistan tussle continued with the turn of the century, as Beijing saw India moving closer to the US. The US-India nuclear deal left Pakistan worried, and the Beijing-Islamabad nexus tried to block the exemption at the Nuclear Suppliers Group.

Since 2013, as China sought to flex its muscle with border stand-offs in Depsang, Chumar, Doklam and eastern Ladakh, Beijing has been wary of the axis with Islamabad.

India's August 2019 move to revoke the special status of Jammu and Kashmir has brought China and Islamabad even closer.

Economic dependence

Pakistan's economic dependence on Beijing too has increased in recent years. The fact that it has been on the grey list of the Financial Action Task Force for terrorist financing, despite Beijing presiding as the chair for a year, displayed China's limitations in helping its all-weather friend.

China had blocked the listing of Masood Azhar several times before yielding in 2019. It is also worried about the East Turkestan Islamic Movement (ETIM) getting emboldened and support from Pakistan-based extremist groups creating trouble in Xinjiang province where

Uighurs have been marginalised.

Islamabad, which speaks for the rights of Muslims across the world including India, has kept a studied silence on the treatment of Uyghur minorities. Imran Khan has said his country believes in China's version.

From Pakistan's perspective, with the US out of the region and Washington losing interest in Afghanistan, Beijing's best bet for its failing economy, which is dependent on external debt bailouts, China's Belt and Road Initiative has manifested in the China-Pakistan Economic Corridor. It has led to investments, but there are voices within Pakistan who have started questioning whether the project will provide jobs for people of Pakistan.

From China's perspective, it offers access to the western Indian Ocean through the Gwadar port in Balochistan.

Closer defence ties

In 2020, China signed a defence pact with Pakistan. Gen Wei Fenghe, China's defence minister, visited Islamabad and signed a memorandum of understanding to enhance defence cooperation between the Pakistan Army and the People's Liberation Army.

The Pakistan Army recently inducted its first batch of Chinese-made VT-4 battle tanks. Pakistan has procured Chinese-made combat drones or unmanned combat aerial vehicles. Pakistan endorses China's position on its core issues including the South China Sea, Taiwan, Xinjiang, and Tibet.

The growing number of China-Pakistan military exercises are a further sign of the deepening military partnership. The two militaries recently conducted a joint exercise close to the Line of Actual Control in Tibet.

The Afghanistan angle

After Kabul fell to the Taliban last year, China has sensed an opportunity to get into Afghanistan for influence and resources with help from Pakistan. There have been several meetings between Chinese leaders including foreign minister Wang Yi and Taliban leaders. China hopes Islamabad will be able to convince the Taliban that Afghanistan would not be used as a base for ETIM attacks, and Beijing would be transitioning towards normalising the Taliban by giving them financial aid.

With Beijing's rise as a global power, India views its partnership with Pakistan as a greater concern than before. For New Delhi, the Indo-Pacific strategy involving the US, Australia, Japan and European partners is a key bulwark against the axis.

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Haryana's law on local job quota and HC stay

VARINDER BHATTIA

CHANDIGARH, FEBRUARY 3

THE PUNJAB and Haryana High Court has stayed the implementation of the Haryana State Employment of Local Candidates Act, 2020, which reserves three of four non-government jobs with a monthly salary of Rs 30,000 or less for candidates belonging to Haryana. While the detailed order is yet to be made available, a division bench of Justices Ajay Tewari and Pankaj Jain ordered an interim stay and sought the government's reply.

A case against a similar law in Andhra Pradesh is pending in the state's High Court.

On whom does the Haryana law apply?

Earlier, the government had said the Act would apply to jobs that offer a gross monthly salary up to Rs 50,000. But by a notification last year, it lowered the ceiling to Rs 30,000. The Act is applicable to employers of private sec-

tor companies, societies, trusts, limited liability partnership firms, partnership firms and any person who employs 10 or more persons for the purpose of manufacturing, carrying on business or rendering any service in Haryana. It came into force on January 15 this year.

What led to the stay?

In petitions to the High Court, the Faridabad Industries Association and other associations submitted that the Act is unconstitutional, discriminatory and violative of fundamental rights of Industries, and sought its quashing. They argued that it would make it binding on them to recruit their workforce from Haryana, irrespective of employability, and would affect their business operations and investments.

Ensuring 75% reservation for Haryana residents in private establishments was one of the main planks of the ruling BJP. However, when the Bill was introduced, the BJP's own MLAs opposed it, as did Opposition MLAs. BJP MLA Ram Kumar Gautam called it an "ab-

solutely ridiculous legislation" and said if Haryana implements it, so would other states, resulting in "complete chaos".

Which other states have such a law?

The Andhra Pradesh Employment of Local Candidates in Industries and Factories Bill, 2019, was passed in July 2019. However, after objections from the industry, the government went slow on it. In May 2020, hearing a petition by several persons, the Andhra Pradesh High Court directed the government to file a reply whether the 75% quota for locals is as per the Constitution, and whether the right to work was being infringed upon. The matter is still pending. Industries Minister K Gautam Reddy said that Andhra Pradesh government decided to give three years' time to industries to implement the law, and that they have decided to slow on it due to the pandemic, too.

How has Haryana responded to the stay?

The state argued that during earlier con-

sultations over the Bill, more than 900 industrial units had given their consent. Deputy Chief Minister Dushyant Chautala has said it would open new avenues for employment of thousands of youth from Haryana.

What happens now?

Additional Advocate General Jagbir Singh Malik said Haryana will file a special leave petition in the Supreme Court. Unless the stay is vacated either by the HC Bench or by the higher court, the legislation has to be kept in abeyance. "We are seeking suggestions from lawyers. The points on which it was challenged, and on which apparently the stay was imposed today, had already got the Governor's assent," Dushyant Chautala told *The Indian Express*.

He said they were waiting for a copy of the order. "Once we get it, we shall surely approach the Supreme Court."

INPUTS FROM SREENIVAS JANYALA IN HYDERABAD

EXPLAINED YOUR MONEY

What to make of rising bond yields, for now and the near future



GEORGE MATHEW & SANDEEP SINGH

ON FEBRUARY 1, as Finance Minister Nirmala Sitharaman indicated that the government would borrow more from the market to meet the gap between its income and expenditure, the yield—return or interest paid to the buyer—on the 10-year benchmark bond issued by the central government jumped 17 basis points to 6.85%.

Between December 31 and Wednesday, the yield on 10-year G-Secs has risen from 6.47% to 6.93%. With markets expecting interest rates and the cost of borrowing to rise fur-

ther, there will be implications for debt investors, both existing ones and new.

Borrowings and bonds

Higher government borrowing through issuance of securities, especially when inflation is high, will push up yields on bonds and result in a fall in bond price. A higher yield means the government will have to pay more as return to investors, leading to a rise in the cost of borrowing. This will impact the financial system, and put upward pressure on general interest rates.

If the RBI opts for normalisation of monetary policy and intervenes less in the market, interest rates are bound to go up. However, the RBI has tools like auctions and open market operations (OMO) purchases to keep a check on rising yields.

Higher government borrowing means the market will have to absorb a greater supply of bonds in the coming months. Bond yields have been rising across the world on the back of higher inflation and plans for policy nor-

malisation. The yield on 10-year benchmark bonds has increased almost 110 bps from pandemic-era lows. It has risen by 43 bps in the last one month, and was at 6.89% on Thursday.

Rising crude prices, inflation risks, and signals of interest rate hikes by the US Federal Reserve have also contributed to the hardening of bond yields. A section of the market attributes the rise in yields to the RBI's plan to exit its accommodative stance in the coming months.

Seeing the writing on the wall, buyers of government bonds have been demanding higher yields in the recent past. In the state development loan (SDL) auction, yields on 10-year securities of UP and Uttarakhand were 7.28% and 7.25% respectively.

Could yields rise more?

Analysts expect yields to hit 7% in the near term, and touch 7.5% in the next fiscal. "We expect the 10-year bond yield to rise to 6.97% by the first half of FY23," said Abheek

Barua, Chief Economist, HDFC Bank.

Interest rates are expected to move up in the wake of large government borrowing and supply-demand mismatch in government bonds, removal of monetary support by RBI, and increase in policy rates as the central bank focuses more on inflation management.

Strong intervention by RBI and efficient management of the borrowing programme can stabilise the yield below 7%. The forthcoming RBI monetary policy review will be closely watched for the committee's views on the Budget, and any measures to manage yields.

Impact on investors

Rising yields mean investors expect a rise in interest rates and are, therefore, selling the bond papers they are holding. Since a rise in interest rates would result in decline in bond price of existing bonds (and thereby capital loss on sale before maturity), investors rush to sell in order to limit capital loss.

Debt investors will be impacted by the rise

in yields. When yields rise and bond prices fall, net asset values of debt funds, which hold a sizeable chunk of government securities in their portfolios, will also decline. Corporate bonds, which are priced higher than government bonds, will also be impacted, as will the equity markets.

"We believe the risk to equity market is likely to emanate from the bond market in the near term," said S Naren, ED and CIO, ICICI Prudential AMC.

A rise in bond yield would make relatively less risky debt investments more attractive for investors. Not only can this reduce the funds flow into equities, it could also result in an outflow of funds from equities.

An increase in interest rates in the economy will raise the cost of borrowing for companies and impact net profit margins, which could also hurt the equity markets.

The ways forward

Investors with hold to maturity (HMT) products should not panic seeing the market

market (MTM) impact. Experts say even others should not, because when the bonds mature, mutual funds would buy higher interest rate products. However, some advise that debt fund investors who have to exit over the next one year should move out now—while those who can stay with the product for the next three years should stay put.

For new investors looking to invest in debt funds now, advisors say the approach should be of gradual investment over the next six months, as yields may rise further.

"Either you can hold cash for some time and invest when rates rise, or deploy all the money for the long term. The right approach would be to keep some component liquid and deploy as the rates go up," Vishal Dhawan, founder, Plan Ahead Wealth Advisors, said.

Expecting further hardening of yields over the next six months, Surya Bhatia, founder, AM Unicorn Professional, said, "If you have to invest, do it gradually over the next six months and go for a 3-5-year investment horizon."