



Bureaucracy Affecting Investments?

TOPIC: General Studies 2

- *Government policies and interventions for development in various sectors and issues arising out of their design and implementation.*
- *Appointment to various Constitutional posts, powers, functions and responsibilities of various Constitutional Bodies.*

The role and function of bureaucracy have increased enormously since the British raj. The normal function of the bureaucracy is to execute the policies of council of ministers. Under the system of delegated legislation, the powers of bureaucracy has steadily increased. As India accepted the principle of welfare state, the economic and social functions of the state have also steadily increased. Every increase in the power of government has corresponded in the increase in power of bureaucracy and this has also led to red tapism.

Bureaucracy affects investments in a positive way. Bureaucracy is an enabler of change. In the British era, they were the regulators whose primary role was regulation in accordance with the government's policy at that time. Later on, with independence and current regime, they are perceived as the agents of change as in law also, the government services are considered at par with private sector. So the private citizens are at liberty to choose from private services to government services- for eg. education, hospitals, electricity, civil aviation. So it is imperative for the government functions to also improve the standards of their services in the same level.

Government has taken series of steps to ensure that the bureaucrats are responsible to the stakeholders. Earlier, the promotion was based on annual confidential report by superior. Now there is 360 degree assessment which means that even the stakeholders and the subordinates are able to comment on the performance. So the bureaucrats are cautious of their role and thus more responsive. However, bureaucracy has not been able to function in the way it ought to because of regulatory framework. Prevention of corruption act cannot distance the civil servants from possible action against genuine mistakes. The PCA has to be amended because unless it is done so, there will be very few bureaucrats who are bold enough to carry out the action without the fear of prosecution after retirement. There is a need of a strong bureaucracy which can take strong decisions and doesn't have policy paralysis of decision making. Also, there is a need of proper regulatory framework by which they are protected after retirement or during service.

Challenges for bureaucracy

- The bureaucracy is as good as political masters. As long as communication line, the decision making impetus is clear, the bureaucrat can serve the way he is trained.
- In past few years, bureaucracy is not attracting the best talent as private sector has come up. There is a need to create an environment wherein the younger people are attracted towards the services.



- Bureaucracy should match up with current needs. There should be capacity building of bureaucrats periodically, training and specializing. Technology is a great enabler and bureaucracy has to work along with it.
- There is a greater need for supervision and monitoring with regard to framing of rules on the basis of laws. When it comes to framing of rules, the distortions come in and the bureaucracy wants to do things in a certain way can over run the provisions of the law.

Political will for successful bureaucracy

A decisive government mostly results in a decisive bureaucracy. In past three years, it has been observed that as government wants quick results, the bureaucracy is pushed to deliver that.

Indian bureaucracy has got the competence to deliver results if there is a political will behind those policies.

Conclusion

In a way, the bureaucracy is perceived as an enabler and facilitator. It is a reflection of a confident nation. In terms of relative growth, India has one of the highest growth rate among large economy. So there are many positives which gives India the mindset of control.

For investor facilitation, FDI policy has been liberalized, barring few sensitive sectors such as banking, print media, private security, insurance and multi-brand retail. Minimum government, maximum governance- it is yet to be fully realized. Digital transactions have to be encouraged more as and when the services become institutionalized. Also, there is a need for more sectoral experts who can guide the bureaucracy to perform at its efficient best.

India-Israel Joint Statement

TOPIC: General Studies 2

- *Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests*

It is the beginning of new era of friendship between India and Israel with 9 bilateral agreements signed in diverse fields other than defence. As per Israeli media reports, the discussion of Israeli issues was recognition of Israel's status as partner of India and an increased say in trade and investments in India by Israel. The 9 agreements are in the field of

- ❖ Cybersecurity Cooperation
- ❖ Cooperation in Oil and Gas Sector
- ❖ Air Transport Agreement Amendments
- ❖ Film-co-production
- ❖ Cooperation in the field of Research in Homeopathic Medicine



- ❖ Cooperation in the field of space
- ❖ Invest in India and invest in Israel
- ❖ Metal-air batteries
- ❖ Concentrated solar thermal technologies

The two countries are now exhibiting confidence to provide a profile to the relationship which has developed over 25 years. India-Israel relationship till now was premised only on defence and security cooperation which was a robust one. In major boost to investment environment, India is going to eliminate red tape to allow Israeli companies to invest in India and set up companies. This is important as Israel has technology and India has huge market. Also, leveraging this market with technological capacities can be used to export to third countries. Thus, an attempt is being to provide broad degree of institutional framework for the relationship to prosper.

Significance of joint statement

India and Israel have decided to take this strategic partnership on a wider scale. Two countries have decided to move forward and not get stuck on one (Palestine) issue. The UN vote has no significance as India and Israel have chosen to upgrade the relationship in bilateral context. Earlier India had calibrated relationship with Israel based on India's support for Palestine. Very often due to growing relationship with Israel, it was felt that India would completely transform. But this will not happen as India has principled support for Palestinian cause and India supports Palestinian independence, aspirations to be met and their right to be in a separate independent territory. Growing relationship with Israel doesn't mean weakening of political support Palestine. India is keeping its general assertiveness and confidence in dealing with the international issues and is showing greater degree of confidence and pragmatism and deal with issues on their own merits and individualism.

Wider implications

India and Israel relationship has now come out of the closet because of changing geopolitical scenario in the region. If India and Israel would have come out in open before, there would have been reactions across the world. But today majority of countries are with Israel- Saudi Arabia, UAE- they are major trading partners and major interest areas. Apart from relationship with Iran, India doesn't have any challenges vis-à-vis Israel.

Mutual benefits for both countries

- Israel has specialized in precision agriculture. India is now waiting for another green revolution. Hence, India can tap into Israeli technology and support to benefit the states which were not a part of first green revolution.
 - ❖ Tourism is a hit with Israelis as they feel safe in India. But the Indian tourists visiting Israel has been limited. tourism in two decades has grown between both countries which still has fully untapped potential. Though, not same number of tourists in India because
 - Israel has not been marketed well in India
 - There is an apprehension of it being a conflict prone zone



- ❖ Bollywood is India's best soft power. To complement the tourism, there is an air traffic MOU also signed.
- ❖ There is an inherent complementarity between India and Israel- India is producing platforms- aircrafts tanks, ships, Israelis has best sensors to be fitted on it.
- ❖ India has advantage in space research which Israel can take advantage of
- ❖ Israel has second largest number of startups in world after USA. Thus, India can induce the spirit of entrepreneurship in the country by exposing the Israeli startup environment.

Conclusion

India's relationship with Israel has evolved and it has to look at it in bilateral context. Simultaneously, India has to carefully calibrate its relationship with Iran as it is an important pillar in the Middle East approaches. To serve the national interest should be the only context of growing relationship with Israel. And thus, India's relationship with Israel would not impact India's relationship with other countries. However, to improve its relationship with israel, India has to improve its delivery mechanisms else it will difficult on part of israel to maintain high value and high quantity business opportunities with India.

Israel is a reliable friend; it has provided critical support in defence which has to be now extended to defence production areas, agriculture, water management- water harvesting, water recycling, solar energy.

Economy and Employment

TOPIC: General Studies 2

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Rajya sabha took up a short discussion on state of economy, investment climate, job creation and the challenge of unemployment. Macro economic data has mixed news- there is some indication of recovery in the manufacturing sector but the private investment is yet to see any pick up. The corporate sector is moving up but agriculture, investments, MSMEs have not shown much improvement. NPAs are still lingering. The budget can have increased expenditure by the government as it is easy and direct. But the room for it is coming down as if the government goes easy on fiscal target of 3.2% GDP, it would breach 3.5% target which it certainly looks forward to avoid.

Two more macro economic problems are:

- ✓ Under estimation of the deficit impact. Today the deficit of the state is larger than centre.
- ✓ Oil prices have touched 67USD. RBI calculations are based on 55USD. Each dollar difference in the crude oil prices makes the Rs.10000 crore difference as India is the largest importer of crude in the world and every dollar increase means 1.5 million dollars extra expenditures and 10 dollars means 15 million dollars lost.



GDP accelerated to 6.3% in September quarter of 2017-18 after dropping to 5.7% in June quarter. The economists expect sustained recovery in next two quarters and expect the Indian economy to grow in 17-18 at 6.8%.

The immediate requirements

- ✓ Spurring of private investments in India is critical. Generation of quality jobs through better social protections is one of the surest means to attract more private investments.
- ✓ The external demand, particularly the export demands in global markets are down. As a consequence of which, there has to be increased sustenance of internal demand. The domestic demand has to be spurred up for encouraging the private investments and growth of industrial sectors. For this, quality employment is the essential.
- ✓ Demand generation development in India depends on bringing money to hands of people who spend. This includes focus on rural economy- farming sector as well as non-farm jobs and others non-low grade sectors. The crucial need is to create decent work in unorganized sector. Revival of work in unorganized sector, up gradation, modernized, integrate with the economy is the key to bring sustainable growth in economy.
- ✓ Most of the increase in working population is going to take place in northern states- Rajasthan, UP, Bihar, Jharkhand and MP. The real challenge is to generate this type of dynamism in non-agricultural growth in these states. South is getting into opposite state of maximum development whereas western and eastern India will get there in a decade. Thus, there is a need to work hard to galvanise, upgrade, modernize maximum population in northern India and ensure decent well paid jobs on a larger scale.

Resent cause of concerns

1. The wage income shares in organized manufacturing- during last 4 decades, the percentage of wage has declined from 40% to 10-12% and the corresponding increase has happened in profit shares. Thus the people were getting shares in value added are not necessarily spending it in economy. Today, the formal sector has also seen growth but the money is going to people who are not spending it. According to a report, the top Indian management gets 300 times of what average Indian worker gets paid. The expenditure is done by the ordinary worker. For higher aggregate demand, the incomes of workers have to be increased in the formal sector as well as informal sector.
2. The open unemployment may be low. But the unemployment figures among the educated young people are rising which is a cause of concern. That can be tackled through coherent education employment policy and that policy coherence is critical. India is categorized into 'Not in employment, education and training category'. This is called as NEET category. **NEET is a relatively new concept.** According to the OECD, youth inactivity presents the share of young people (age 15-29) not in employment, education or training (NEET) as a percentage of the total number of young people in the corresponding age group. The inactivity in India needs to be found out- what is



causing it? Is it the job search assistance that is provided to young people is weak, the job aspirations are not being resorted to or little incentives or face too high constraints to be in the education and training systems.

3. The third cause of concern is in respect to quality- universalization of social security. India has a distinctively different employment structure. There are 51% self-employed in India and thus tough labor regulations is not the sole answer.

Way forward

- ❖ Get MSME sector back on it's front foot and modernize it.
- ❖ Agricultural focus has to be increased.
- ❖ No unpredictable measures for economy in the remaining term of government.
- ❖ Stability, growth in terms of taxation side as a policy.
- ❖ Labour intensive manufacturing to be encouraged- leather, food processing, handicrafts give special status.

Conclusion

There is a cruel disruption in the Indian growth story of almost a decade. Soon after 2008 global financial crisis, there were expectations that there would be resurgent India growing fast at double digit or more on a sustained basis for 30 years. So by 2030, India becomes world's top 3 economies. However, due to policy paralysis from 2011 to 2014 and unprecedented structural changes from 2014 till present has not allowed the economy to grow as expected.

However, in last three years, India's economy has been among the fastest growing at the global level. The reforms to address the structural issues faced by the economy had resulted in an upgrade in India's credit ratings as well as an increase in India's rankings to 100 in World Bank's ease of doing business index. The government is getting good signals on the investment climate and there are several initiatives taken on those lines. Slew of measure are in place to help the banks and bulk of NPAs, which are today adversely impacting the banks. More investments in agricultural sector, increased private investments, focus on reviving MSMEs will help to give the necessary filip. Thus, the Indian economy will see an upturn soon thereby galloping towards one of world's fastest growing economy in the world.

The Big Picture – ASEAN-INDIA Summit

Leaders of ASEAN & India discussed ways to boost **maritime security, connectivity and trade** as the leaders of all 10 ASEAN leaders **visited India on the eve its Republic Day** Parade ceremony. PM Modi focussed on India's vision of **Rule based societies** and **Freedom of Navigation** in the region. PM Modi also touched upon **religious ties** that bind all the nations and stressed that ASEAN is at the centre of **India's Act East Policy**.



Analysis:

- There are **huge opportunities that await both India and ASEAN** to strengthen the relations which are going to be **beneficially bilaterally as well for the world in terms of security, stability and prosperity.**
- PM Modi rightly stressed upon **maritime security** which has become important for many ASEAN countries like Vietnam, Brunei, Indonesia and Malaysia. He stressed upon a **Rule of Law** looking upon the **expansionist policy of China in South China Sea** which is now a cause for concern. **United Nations Convention on the Law of the Sea (UNCLOS), 1982** was also stressed upon.
- **Investments and trade** was discussed. In last 25 years India has been able to increase the trade with ASEAN by 25 times. But, the potential for this is still higher.
- **Connectivity** was focussed in terms of **digital, maritime and air connectivity.** India's North Eastern states are being connected progressively with Thailand, Vietnam, Laos and Cambodia. More than thousand years of relations in Ramayana & Buddhism was also talked.
- It is today an interconnected world and many issues have a spill-over effect on other regions as well. **ASEAN which was formed in 1967,** is now trying to bring in a kind of balance by bringing in a big player like India, **as China is creating militarisation upon South China Sea.** India also has its own concern as about 45 % of its trade passes through this region. So, **India which is now a part of the Quadrilateral group** (with Japan, US and Australia) is stressing on **Freedom of Navigation.**
- The coming together of ASEAN and India can provide **Asian economic integration. Historically as well,** Indian subcontinent and South Asia was an economic hub which linked Central Asia, Eurasia & West Asia to S.E. Asia, East Asia and Oceania. This was done through Silk Route, Cotton Route, etc.
- India relations with most of the ASEAN countries are now good. Only Philippines was one vacant space which was filled somewhat as PM Modi attended the ASEAN summit in Manila in November 2017.
- **India's Act East Policy is a successor to Look East Policy.** The Look East Policy launched in 1992 worked well for 20 years, and India's trade with ASEAN increased 25 times. But, it was felt that it had become stagnant and needed a greater dynamism. So, the Act East Policy was launched which apart from economic initiatives, has gained political, cultural and strategic dimensions as well. It has focussed on India's domestic initiatives like **infrastructure, manufacturing, trade, skills, urban renewal, Make in India and other initiatives.**
- But the projects like connecting North Eastern states with neighbouring countries and some other business projects are moving slowly and need to be completed faster.
- Many **ASEAN countries are maintaining very high percentage of growth rate and good HRD profiles.** The labour costs are also lower in ASEAN countries than in India. Clubbing up with ASEAN countries which are rated good by IMF and World Bank as well, can be beneficial economically for India.
- **On the maritime related issues** of ASEAN countries, it is estimated by International Maritime Organisation that **52% of global piracy issues are actually now happening in SE Asia.** Previously, it was off Somalia. Indian Navy has substantial advantages and can be considered for anti-piracy missions. **Bilateral naval exercises** with Malaysia, Vietnam and Singapore has come into the picture.



- A **combination of bilateral and multilateral meetings both are important**. Certain issues can be discussed bilaterally only while some others are regional. So, building good relations with ASEAN as a bloc is also needed. Progress and actions need to be taken up simultaneously at different levels.

Conclusion:

India and ASEAN have **huge potential for cooperation and collaboration** like in **trade, strategic issues** (providing maritime security and cooperation), fighting **counter-terrorism, defence engagements, etc.** ASEAN is the central pillar for India's Act East Policy. **India** has done great efforts in the past to become a **full dialogue partner with ASEAN way back in 1992**. So, this relation needs to be valued upon. Efforts need to be done rightly so that present trade with ASEAN may be doubled by 2025.