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India may need to inject up to 1.5 trillion rupees (US$19.81 billion) into its state-owned lenders.

Politics

India snubs Trump’s offer on China border row

REZAUL H LASKAR, Hindustan Times, 28 May 2020

NEW DELHI: India on Thursday said it is engaged with China at the diplomatic and military levels to end a border standoff involving thousands of troops even as it tacitly ruled out any possibility of US mediation to end the face-off. Since tensions flared along the Line of Actual Control (LAC) after violent clashes involving hundreds of soldiers in Sikkim and Ladakh sectors early this month, both sides have deployed additional soldiers, especially in Galwan Valley in eastern Ladakh. India has said it will oppose any unilateral attempts to alter the status quo along the LAC.

Faced with a flurry of questions on the standoff and whether India agreed with China’s characterization of the situation as “stable and controllable”, external affairs ministry spokesperson Anurag Srivastava told a virtual news briefing that both sides are engaged at different levels to address tensions, but New Delhi will make no compromises on sovereignty and national security. Asked specifically about US President Donald Trump’s offer on Wednesday to mediate between the India and China and whether New Delhi had sought such arbitration, Srivastava appeared to rule out any role for a third party.

India and China have established mechanisms at military and diplomatic levels to peacefully resolve situations that may arise in border areas through dialogue, and “continue to remain engaged through these channels”. Srivastava reiterated India’s contention that its troops had not violated the LAC, a charge levelled by China soon after the standoff became public. “India is committed to the objective of maintenance of peace and tranquility in the border areas with China and our armed forces scrupulously follow the consensus reached by our leaders and the guidance provided. At the same time, we remain firm in our resolve to ensuring India’s sovereignty and national security,” he said.

These include five agreements signed by India and China in the past two decades – the 1993 Agreement on Maintenance of Peace and Tranquility along the LAC in the India-China border areas, the 1996 Agreement on Confidence Building Measures in the Military Field along the LAC, the 2005 Protocol on Modalities for the implementation of the Confidence Building Measures in the Military Field, the 2012 Agreement on establishment of a working mechanism for consultation and coordination on India-China Border Affairs, and the 2013 Border Defense Cooperation Agreement.

Srivastava did not give a direct response to questions on Chinese troops establishing a presence on the Indian side of the LAC and the level at which diplomatic engagements were underway, and only said: “Our engagement at the diplomatic level also continues between both sides, both in Delhi as well as in Beijing.” People familiar with developments said on condition of anonymity the envoys of both countries were playing a key role in these engagements. China’s ambassador to India, Sun Weidong, had on Wednesday called for putting ties back on an even keel. Without referring to the standoff, he told a webinar the two sides “pose no threat to each other” and should “never let the differences shadow the overall…bilateral cooperation”. He also said they should seek “understanding through communication”.

Nepal pushes for talks but India wants trust created first

SACHIN PARASHAR, Times of India, 29 May 2020

NEW DELHI: With Nepal insisting on foreign secretary-level talks to address the Kalapani border issue, even while simultaneously pushing through a constitutional amendment to validate its new map, India said it was important to create an environment of trust and confidence for dialogue. After the main opposition party, Nepali Congress, sought more time and the Madhesis demanded that the proposed amendment also address their concerns, the K P Oli government has not been able to table the bill in parliament yet. India said it had noted that this matter was receiving “careful consideration” in Nepal, taking into account its seriousness. India believes there has been no lack of engagement between the two countries in any case.

Nepal has been asking for talks on Kalapani since November last year, after India released its new map following the reorganisation of Jammu and Kashmir. It wants to activate the foreign secretary-level mechanism between the two countries to resolve issues related to outstanding border disputes. The federal working committee of Nepali Congress will now meet on Saturday to discuss the proposal for revising the map in the national emblem, according to Nepal media reports. The party, though, had supported the decision for a new map earlier.

The Ministry of External Affairs (MEA) said it attached great importance to the deep rooted historical, cultural, and friendly relations with Nepal. “Even in these challenging times of Covid-19 pandemic, India has ensured unimpeded trade and supply of essentials including medicines to Nepal, besides providing assistance in terms of medical supplies and other facilitation,” Srivastava said.

Toddler trying to wake up dead mother shocks Indians

Al Jazeera, 28 May 2020

NEW DELHI: A viral video clip shared on social media showing a toddler trying to wake his dead mother lying on a railway platform in the eastern city of Muzaffarpur has shocked Indians. According to local media reports, the family of Arbina Khatoon said she died of hunger and dehydration, highlighting the suffering migrant workers have endured due to the coronavirus lockdown. Local police, however, said that she died of illness.

The 35-year-old is among at least nine migrant workers who have died on trains in recent days while travelling back to their homes, officials and media reported on Wednesday. Local media aired footage of the two-year-old boy pulling at a cloth covering his dead mother at Muzaffarpur railway station in the northeastern state of Bihar. Local police said Khatoon died of illness, with Indian Railways sharing a letter from relatives attesting to her poor health. But those who travelled with her claimed she died from a shortage of food and water during a long train journey from western Gujarat state some 1,800km away.

The nine deaths highlight the plight of Indian migrants in the pandemic, during which millions lost their jobs and are struggling to return home under the country's lockdown. The deaths occurred on special trains organized by the Indian government to help transport stranded workers home. Critics say the special trains have been delayed, leaving migrants waiting or in trains in scorching hot weather for days, and that there had been a shortage of food and water on the journeys, charges that Indian Railways and the government deny. Dozens of trains did not arrive, according to local media reports, but railway officials said the trains had to be diverted to ease traffic.

The Press Trust of India (PTI) reported another five migrant workers had died on train journeys between Monday and Wednesday. Indian Railways said on Twitter that "no such deaths due to hunger have been reported". The Railway Ministry has also faced criticism for charging migrants for tickets. The opposition Congress party, which accused the government of apathy towards migrants, had offered to pay for tickets and provided buses to ferry migrants stuck in cities across the country.

Millions of India's poor, including migrant workers, have suffered from the strict lockdown, with many in cities losing their jobs, going hungry and struggling to return to their home villages. More than 100 million Indians have been rendered jobless due to the strict lockdown imposed on March 25 by Prime Minister Narendra Modi to check the spread of the virus. Critics have accused the Modi government of imposing the lockdown without much planning that has caused havoc on the economy and created the worst migrant crisis since the country achieved independence in 1947.

Faced with mounting criticism, the government announced to provide free food grain to millions of migrant workers as well as offer employment under a rural jobs program. The government will spend 35 billion rupees (UD$463 million) on food for nearly 80 million migrant workers over the next two months, Finance Minister Nirmala Sitharaman said earlier this month.

Locust attack highlighting fight between India and Pakistan

SHUBHAJIT ROY, The Indian Express, 29 May 2020

NEW DELHI: In 1993, as swarms of locusts started coming into Jaisalmer, Anil Sharma, a locust warning officer, was asked by a senior official, “How locust can come to India when we have fencing on the (India-Pakistan) border?” Sharma politely replied that locust is an insect and knows no barriers. As another locust swarm comes from Pakistan, the spotlight is again on the India-Pakistan dynamic that has come into play. The Ministry of External Affairs says it has reached out to Pakistan for cooperation and is awaiting their response. Despite the ups and downs in the bilateral relationship, cooperation on the locust warning system has survived the wars, terrorist attacks, and political turmoil.

According to history of the Locust Warning Office published by the UN Food and Agriculture Organization (FAO), there were “serious invasions” of locusts in India every few years during the 1900s. A “five-year invasion” from 1926 to 1931 is estimated to have to have damaged crops worth about US$100 million at today’s prices. The princely states and provinces had their own structures to deal with this, but there was no coordination. After the 1926-32 “invasion”, the British Indian government sponsored a research scheme, starting 1931, which led to the permanent Locust Warning Organization (LWO) in 1939, with its headquarters in New Delhi and a substation in Karachi. In 1941, a conference of princely states in desert areas and provinces affected by locusts was held. Its role was expanded in 1942, and in 1946 a bureaucratic structure was put in place.

In the 1950s, India and Iran cooperated, and Pakistan provided two aircraft for locust surveys in Saudi Arabia. Following another attack during 1958-61, a decision was taken to group Iran, Afghanistan, Pakistan, and India together and the FAO Desert Locust commission was formed in 1964. The commission held annual sessions, skipped in 1965 and 1999 but held in 1971. Even in the last six years when the relationship between India and Pakistan has deteriorated, it has been held in 2014, 2016 and 2018. The meetings are attended by locust control experts, with no diplomats. In 1977, the two countries began to meet on the border. From 1991 to 2003, special border surveys took place during the summer, undertaken by locust control officers in their respective countries. Joint border meetings have taken place every year since 2005 till 2019, except in 2011. This has been despite every diplomatic strain, including the 26/11 Mumbai attacks.

Monthly meetings are held between June and October-November at Zero Point, west of Barmer, Rajasthan and east of Chor, Tharparkar. Three to four officers from each country normally attend. Each country takes turns at hosting the meeting on its respective side of the border. Arrangements are made in advance and protocols are followed for crossing the border. The meeting is held in the morning. “Fortnightly bulletins, FAO bulletins and maps showing survey locations, locust infestations, green vegetation and rainfall in each country are exchanged and discussed,” the report on their activities said. While politics and diplomacy are kept out of the technical discussions, locust control authorities feel that one of the more difficult challenges faced by the commission is that of “insecurity and sensitivities” in the region.

India ninth worst-hit country by Covid-19 in the world

The Telegraph, 29 May 2020

NEW DELHI: The number of Covid-19 cases in India has climbed to 1,65,799, making it the world's ninth worst-hit country by the coronavirus pandemic. The health ministry said the death toll due to Covid-19 rose to 4,706 in the country, while the number of cases climbed to 1,65,799, registering an increase of 175 deaths and a record jump of 7,466 cases since Thursday 8 am. According to Worldometer, India has now overtaken Turkey as the ninth worst-hit country in terms of total number of cases. The health ministry said the number of active Covid-19 cases stood at 89,987, while 71,105 people have recovered, and one patient has migrated.

The total confirmed cases include foreigners. Of the 175 deaths reported since Thursday morning, 85 were in Maharashtra, 22 in Gujarat, 15 in Uttar Pradesh, 13 in Delhi, 12 in Tamil Nadu, eight in Madhya Pradesh, seven in Rajasthan, six in West Bengal, four in Telangana and one each in Jammu and Kashmir, Andhra Pradesh and Haryana. Of the total 4,706 fatalities, Maharashtra tops the tally with 1,982 deaths followed by Gujarat with 960 deaths, Madhya Pradesh with 321, Delhi with 316, West Bengal with 295, Uttar Pradesh with 197, Rajasthan with 180, Tamil Nadu with 145, Telangana with 67 and Andhra Pradesh with 59 deaths.

The death toll reached 47 in Karnataka and 40 in Punjab. Jammu and Kashmir have reported 27 fatalities due to the disease; Haryana has 19 deaths; Bihar has 15 while Odisha and Kerala have reported seven deaths each. Himachal Pradesh has registered five Covid-19 fatalities, while Jharkhand, Uttarakhand, Chandigarh, and Assam have recorded four deaths each so far. Meghalaya has reported one Covid-19 fatality so far, according to the ministry data. According to the ministry's website, more than 70 per cent of the deaths are due to comorbidities. The highest number of confirmed cases in the country are from Maharashtra at 59,546 followed by Tamil Nadu at 19,372, Delhi at 16,281, Gujarat at 15,562, Rajasthan at 8,067, Madhya Pradesh at 7,453 and Uttar Pradesh at 7,170.

A Rajya Sabha (Indian Parliament Upper House) secretariat official tested positive for Covid-19 on Friday, the fourth such case reported in the Parliament complex so far, sources said. Out of the four, three were found to have contracted the infection after Parliament resumed operations on May 3 when lockdown 2.0 ended and were on duty. The director-level officer, who attended work on May 28, was found positive for the infection along with his family members, they said. Two floors of the Parliament's Annex building have been sealed; the sources added. This is the second case of an official posted in the building testing positive for the infection.

A minister in West Bengal has tested positive for Covid-19, making it the first such case in the Mamata Banerjee-led state cabinet, a well-placed source in the government said on Friday. State fire services minister Sujit Bose has been advised to undergo home quarantine after his test results came out positive, the source said. A domestic help at the minister's residence was diagnosed with the disease, following which samples of Bose and his family members were sent for examination.

The reports, which arrived on Thursday night, showed Bose and one of his family members have contracted the virus, the source added. West Bengal on Thursday registered the biggest one-day spike with 344 people testing positive for Covid-19, taking the total number of confirmed cases to 4,536. As many as 223 people have succumbed to the disease in the state so far. Earlier, the government had attributed the death of 72 coronavirus patients to comorbidities.

Business

Government and regulators provide more liquidity measures

Financial Express, 29 May 2020

NEW DELHI: The Financial Stability and Development Council (FSDC), headed by finance minister Nirmala Sitharaman (*picture left*), on Thursday acknowledged that the COVID-19 pandemic "poses a serious threat to the stability of the global financial system", and pledged further appropriate measures to bolster the liquidity and capital base of domestic financial institutions.

"While decisive monetary and fiscal policy actions aimed at containing the fallout from the pandemic have stabilized the investor sentiment in the short-run, there is a need to keep a continuous vigil by government and all regulators on the financial conditions that could expose financial vulnerabilities in the medium and long-term," the finance ministry said in a statement after the 22nd meeting of the FSDC, held through video conference, on Thursday.

The crisis is unprecedented, and its ultimate impact and the timing of a recovery are uncertain now, the Council noted. The government and the federal bank have announced various fiscal and monetary measures (under the US$278 billion relief package) "to pre-emptively limit the economic damage and would continue to address the liquidity and capital requirements of the financial institutions", according to the statement. Both the federal government and the regulators have stepped up focus on "avoiding a prolonged period of dislocation in financial markets", it added.

Having extended US$93 billion to state-run banks (including the Industrial Development Bank of India) in FY20 and US$39.7 billion in the past five years, the government had refrained from providing more capital in the Budget for FY21. However, its fiscal calculations have gone haywire due to the pandemic. The latest US$278 billion package, however, contains mostly liquidity-related measures. The government has already stepped up the focus on enhancing loan flow to critical sectors of the economy to help a quick recovery. Under the relief package, it has already announced up to US$39.7 billion collateral-free, extra loan for MSMEs with full official guarantee, US$9.9 billion liquidity facilities for shadow lenders and a US$26.47 billion loan facility for farmers who don't have KISAN credit card (a government scheme launched in 1998 with the aim of providing short-term formal credit to farmers), among others.

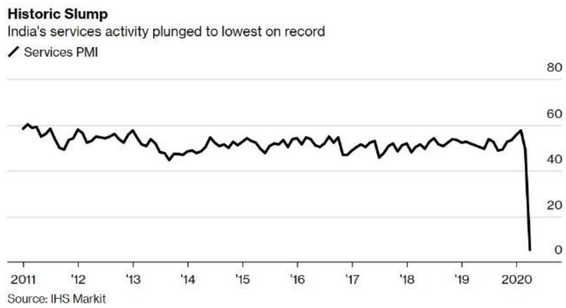
But lenders are also staring at massive losses, especially in the first half of FY21, due to the Covid-induced lockdown, which is set to erode their capital position substantially. So, infusion will be critical, especially in the September and December quarters, if the pace of the credit flow is to be maintained to help the economic recovery. The Reserve Bank of India (RBI) has already forecast a contraction in FY21, while some analysts have warned of GDP shrinking by up to 6.8%, thanks to the pandemic-induced lockdown. Apart from the finance minister, minister of state for finance Anurag Thakur and top officials of the finance and corporate affairs ministries, financial-sector regulators — RBI governor Shaktikanta Das, Securities and Exchange Board of India (SEBI) chairman Ajay Tyagi, Insurance Redulatory and Development Authority of India (IRDAI) chief Subhash Chandra Khuntia, Insolvency and Bankruptcy Board of India (IBBI) chairman MS Sahoo, and Pension Fund Regulatory and Development Authority (PFRDA) chairman Supratim Bandyopadhyay —were present in the meeting.

India’s key growth engine grinds to a halt

VRISHTI BENIWAL & P R SANJAL, Bloomberg, 29 May 2020

NEW DELHI: From call centers to hotels to airlines, India’s key services industries have come to a standstill during the coronavirus outbreak, dragging the economy into possibly its worst recession on record. Businesses providing services of everything from technology to travel and trade were the first to be hit when the government took unprecedented steps to lock down a nation of 1.3 billion people to stem the pandemic’s spread. Unlike manufacturing-heavy economies like China and South Korea, in India, the services sector accounts for 55% of gross domestic product -- and the slump in output has had ripple effects on jobs and economic growth.

GDP data on Friday will probably show growth cooled in the three months through March to 1.6% from 4.7% in the previous quarter. With services taking a knock, banks like Goldman Sachs Group Inc. see the economy contracting a record 5% in the current fiscal year that began April 1. At 5.4, India’s main services index had the world’s worst reading in April, an “astonishingly low” figure, said Priyanka Kishore of Oxford Economics. “The hit to services might end up being similar to manufacturing, as opposed to previous episodes of demand shocks when services remained largely unscathed.”



The pandemic poses a challenge for companies such as Infosys Ltd. and Tata Consultancy Services Ltd., who are part of India’s $181-billion IT services industry that builds software and provides services to some of the world’s biggest banks and retailers. While Infosys and smaller rival Wipro Ltd. refrained from projecting full-year revenue, TCS reported a 1% slip in quarterly profit. Kishore sees sectors that rely more on social interactions, such as hospitality and entertainment, enduring the most pain.

Services emerged as the key employment growth engine before the crisis hit, with the sector even outperforming agriculture and industrial expansion when the economy was slowing last year. The lockdown though has forced businesses offering services like ride-hailing, food delivery, hotel bookings and real estate to cut jobs in recent weeks. About 122 million people were out of jobs in April alone, according to estimates by the Center for Monitoring Indian Economy Pvt. “The tourism industry will witness an unprecedented scale of job losses,” said Patanjali Govind Keswani, chairman and managing director of Lemon Tree Hotels Ltd. “Currently 60% of branded hotels in India are shuttered while the remaining 40% are operating with less than 10% of revenues.”

While a new set of daily activity gauges from Bloomberg Economics suggest the worst may be over as governments ease lockdowns, there’s no strong rebound yet. India has allowed businesses to begin gradually reopening since April 20, but a shortage of workers has made it difficult to resume operations fully. The lockdown left millions of migrant workers stranded around the country without access to incomes, while millions more fled to their villages and are reluctant to return to the cities. Within the travel industry, the aviation sector is expected to lose $3.6 billion in the three months to June, according to CAPA Centre for Aviation. Restaurants will probably operate at 25%-30% of their monthly service levels in the first 45 days after the lockdown is lifted, and are on course for a 40%-50% drop in revenue this fiscal year, said Crisil Ltd. Care Ratings Ltd. estimates 5 trillion rupees (US$66.22 billion) of revenue losses in the travel and hospitality industry and 35-40 million job cuts.

Indian banks' balance-sheet risks surges

The Statesman, 28 May 2020

NEW DELHI: Indian Banks are looking at significant asset-quality challenges for at least the next two years despite regulatory measures, said Fitch Ratings on Thursday. The American credit agency estimates that the impact on impaired-loan ratios could be anywhere between 200bp-600bp, depending on the severity of stress and banks' individual risk exposures. It said the "the latest set of measures announced by India's federal bank include an extension of the 90-day moratorium on recognition of impaired loans to 180 days, in addition to several relaxations in bank lending limits including allowing banks to fund interest on working-capital loans."

Fitch believes that the nationwide lockdown to contain the spread of coronavirus – which has been extended for the third time, until 31 May – has taken a severe toll on businesses, supply chains and individual incomes. The impact for many micro and SME sectors is structural, a meaningful revival is unlikely even when the lockdown ends. We assume that both consumer demand and manufacturing are likely to remain tepid until the rising cases of coronavirus patients are brought under control, which is nearing 160,000 (active cases 86,110) as per the latest count. "The stress is occurring across sectors, but SME and retail are likely to emerge as higher risk due to both stressed industrial activity and rising unemployment. Impaired-loans recognition will now take longer, and the more relaxed lending norms for banks could mean rising balance-sheet risks if banks acquiesce under pressure, despite their heightened risk aversion."

The agency said that the "state banks are more at risk due to their weak earnings and limited capital buffers. The state banks also have a much higher percentage of their loan books under moratorium than private banks at about one third, as per reported data." The agency expects this share to rise across banks in the next few months. However, delays in resolution will potentially exacerbate future losses once risks manifest over FY21 and FY22, the agency said.

Speaking about government's action to revive the banks, the agency said, "announcements so far have been conspicuous by the absence of a recapitalization plan for its banks, which are likely to shoulder the maximum burden of lending under various regulatory and stimulus plans. State banks' common equity Tier 1 ratio is nearly 400bp lower than comparable private banks. They also face a higher risk of losses and capital erosion as income buffers ranging between 30bp-90bp are not sufficient even for the 10% provisioning that banks are expected to provide for loans under moratorium."

The agency believes that capital support from the state is therefore critical for state banks – given heightened risks to solvency from future losses, and most state banks' inability to raise fresh equity on their own due to their sharply discounted equity valuations. Several of the state banks also have the added challenge of executing mergers and integrating other weaker banks. Fitch took negative rating action on the Viability Rating of several banks in late April 2020 to reflect the sector's vulnerability to a pandemic-related downturn. Fitch's economic growth forecast for India for the fiscal year ending March 2021 (FY21) was revised downward to -5% in May 2020. The agency gave negative ratings to Indian banks because of the uncertainty surrounding the duration and severity of the impact of the pandemic which will ultimately affect asset quality and earnings.

India may need to pump US$20 billion into state banks

NUPUR ANAND & MANOJ KUMAR, Reuters, 27 May 2020

MUMBAI/NEW DELHI: India may need to inject up to 1.5 trillion rupees (US$19.81 billion) into its state-owned lenders as their pile of soured assets is expected to double during the coronavirus pandemic, three government and banking sources told Reuters.

The government initially considered a budget of around 250 billion rupees (US$3.3 billion) for bank recapitalizations but that has risen significantly, a senior government source with direct knowledge of the matter said, with loan defaults likely to rise as businesses take a severe hit from nationwide lockdowns to tackle the coronavirus.

India’s finance ministry did not respond to a request for comment during working hours on Wednesday. The capital plans were still being discussed and a final decision could be taken in the second half of the fiscal year, a second government source said. India’s fiscal year runs from April 1.

Indian banks were already saddled with 9.35 trillion rupees (US$123 billion) of non-performing assets at the end of September 2019, or roughly 9.1% of their total assets at the time. Reuters reported earlier this month that bad loans would likely rise to 18-20% of total assets by the end of the fiscal year next March, as 20-25% of outstanding loans are considered at risk of default.

A nationwide lockdown entering its third month is expected to lead to a contraction in economic growth in the current financial year, according to several global rating agencies, which have also changed their outlook on the banking sector to negative. Economic recovery is likely to take a long time.

One banking source said it was unlikely the federal government would be able to fund the entire capital injection itself and may rely on indirect measures such as issuing bonds as a means of recapitalization, a method which it has used previously.

“The amount could also be partly funded through monetization of the fiscal deficit by the federal bank,” the first government source said, adding that finance ministry officials were in talks with the Reserve Bank of India (RBI). The RBI did not respond to a request for comment.

The government has already pumped in 3.5 trillion rupees (US$46.3 billion) to shore up state-owned banks in the last five years. India’s federal budget in February for the 2020-21 financial year made no provision for further capital injections, with lenders encouraged to tap capital markets to raise money instead.

Despite a fall in new loans being made because of the crisis, a senior Indian banker said that the government wanted the banking sector to maintain lending growth of at least 6-7% for this financial year to boost the economy, but raising money from capital markets wasn’t easy in the current environment.

Focus

India needs to change to lure manufacturing from China

RITESH KUMAR SINGH, Nikkei Asian Review, 27 May 2020

NEW DELHI: As China's factories shut down during the coronavirus pandemic, global supply chains running through them collapsed -- and other countries realized they had become too dependent on one country. Now, not for the first time, India is trying to lure global manufacturers to set up shop there so they can spread their risk and cut their exposure to China. India has cheap labor, a large and growing domestic market and globally competitive corporate tax rates, and is planning to approach companies specializing in electronics, automobiles, and health care.

But this will all remain wishful thinking unless New Delhi becomes serious about fixing its unattractive and unpredictable regulatory regime. Changeable rules and difficulties in enforcing contracts are going to deter investors. Now is India's moment to change. New Delhi, through its flagship Make in India initiative, has been trying to raise the manufacturing share of the country's gross domestic product to 25% but with not much success so far -- it was 17.2% in 2013-14 and is expected to be 17.5% in 2019-20.

Many sectoral regulations are problematic for investors. For instance, price controls on medical devices cap manufacturers' profits. India's raw material protectionism, especially related to synthetic fibers and steel, raises the cost of production in downstream industries. And its e-commerce policies discriminate against foreign companies like Amazon and Flipkart-Walmart. Investors should want to be in a country of 1.4 billion people, but first they want to protect their investments from unfavorable regulatory changes.

In July 2016, New Delhi unilaterally sent notices to 58 countries that it would not renew its bilateral investment treaties with them. The treaties allowed aggrieved foreign investors to seek compensation through international arbitration for damage caused by unfavorable regulatory changes. India's new model investment treaty dilutes this crucial provision, making foreign investors vulnerable to regulatory abuse and leaving them at the mercy of India's snail-paced judicial system.

Prime Minister Narendra Modi's government in its six-year tenure has failed to address the problem of tax uncertainties that continue to haunt investors such as telecoms company Vodafone and oil and gas business Cairn. Modi's growing protectionism will make it difficult for companies to manage their supply chains efficiently and, worse, it creates an inefficient industrial infrastructure and hurts exports. This is a lesson India learned the hard way during four decades of License Raj, or the rule of red tape, eventually dismantled in 1991.

New Delhi wants to use these high import barriers and its large domestic market of consumers as bait to lure foreign investors into setting up their manufacturing bases in the country. India has been overplaying its demographic advantage for too long. Even its market is not large or rich enough to allow economies of scale for manufacturers -- unlike China's. Indian wages are low compared to China -- but so is its labor productivity.

India has substantially improved its position in the World Bank's ease of doing business ranking under Modi. However, its performance on contract enforcement, a prerequisite for facilitating entrepreneurship, is much less impressive, and the records of both federal and state governments are bad. Federal government offices often delay clearing vendor dues. Many state governments do not hesitate to renege on their contract obligations while neglecting the impact of this on overall investor sentiment.

If New Delhi is serious about attracting top foreign manufacturers, like China, it must take hard action on enforcing contracts and ensuring predictability with its tax, trade, and investment rules. It must put an end to the practice of tax extraction and behave reasonably on investment protection. It needs to junk protectionism, despite its embrace by countries including the U.S. Winning business from China means India must make those reforms it has been avoiding for decades.

Will Covid-19 lead to a more privatised healthcare in India?

PRATYUSH SINGH, The New Indian Express, 29 May 2020

NEW DELHI: While the world wages a battle against Covid-19, it is disconcerting to see most private health facilities and practitioners sitting on the sidelines as their counterparts in the public health sector fight the burgeoning pandemic. The withdrawal of private healthcare providers has proven particularly catastrophic in India, where they provide 70% of the healthcare. With a few exceptions, as private healthcare either shutters down or refuses care, patients have been hit hard. The market-led healthcare model has never faced such ubiquitous disdain. It seems natural that learning from experience, India will strengthen its public health system and look at private healthcare more critically in the future. However, scrupulous analysis of the nation’s health policy landscape suggests India would continue to promote and incentivize the private sector in healthcare. I base this counter-intuitive prognosis on four interrelated factors.

Investment in healthcare: The Indian government’s expenditure on healthcare is one of the lowest in the world, lower than nations with similar economic growth rates. Though our economy has grown robustly post-liberalization, investment in healthcare has consistently hovered around 1% of the GDP. In the 2020-21 Budget, it was 1.02% of overall expenditure. Although prima facie there was a nominal increase of 3.9% vis-a-vis the previous year, adjusted for inflation it is negligible and funds allocated to the National Health Mission (NHM) were reduced. Additionally, the overall increase was mainly attributed to a significant rise in the allocation towards the Ayushman Bharat Scheme (ABS). Pruning NHM funds to boost ABS will lead to further weakening of the healthcare system.

This decreased allocation was despite a GDP growth of 6.8% in 2018-19 and 4.5% in 2019-20. The pandemic has now walloped an already tottering economy, with projections of India’s GDP growth reduced to zero in 2020-21. It is unlikely a nation that invested miserably in public healthcare with a robust economy will increase health investments when its economy is hit by an unprecedented crisis. A weakened public system will only make it easier for the private sector to plug the gap and fulfil the huge demand for healthcare in India. Predisposition to privatize: Fiscal distress is known to increase privatization and an overtly pro-privatization policy dispensation will only be too eager to oblige. The National Health Policy 2017 recommends changing the role of the government from healthcare provider to strategic purchaser. NITI Aayog had already rolled out plans to outsource some district hospitals to private players in December 2019. The draft proposal allows private contractors, called ‘concessionaires’, to set up medical colleges attached to these district hospitals: a masterstroke to privatize healthcare and health education simultaneously.

Approximately half of the beds in these hospitals, labelled “markets beds”, would be open to “appropriate charges” by the concessionaire. A similar proposal in 2017 was floated to promote PPPs in treating noncommunicable diseases at district hospitals. The concessionaire could bid for a 30-year lease of ‘reasonably well-functioning’ district hospitals with ‘fair patient load’. Why any government would outsource a reasonably well-functioning hospital is for anybody to guess. So, the post-corona health policy and planning landscape will only embolden the government’s resolve towards privatization. Development finance prefers private partners: The third factor is the binge borrowing India has resorted to, to fight the pandemic. In the last two months, India has borrowed close to $7.4 billion from international lending agencies to battle Covid-19. These borrowings, arguably necessary, also carry significant financial risks. An increased fiscal deficit and high interest payout will worsen the impact of a declining GDP. Global finance institutions prefer private partners for their project implementation as they consider them more efficient and amenable to work. Documents of the World Bank loan and ADB loans propose engaging private partners in diagnostics, research, and healthcare services. A strategy, as argued, also strongly endorsed by NITI Aayog.

Vertical programs as facilitators: Global funding agencies have a penchant for funding specialized health programs targeting a particular disease, known in public health parlance as ‘vertical health programs. Over-reliance on such programs weakens the public health system, increasing opportunities for private healthcare providers. These programs, although effective as an emergency measure, lead to fragmentation of health systems and underutilization of resources in the long run. Though India has relied on targeted programs since Independence, the World Bank-led restructuring of the economy in the late 1980s has provided an impetus to these programs like never before. Other than their failure, one common feature of many of these programs is their dependence on private partnerships, incentivizing them on money initially paid by international institutions and then by Indian taxpayers. A 2019 review found that 36 such programs are currently running in India. In all likelihood, a Corona Control Program would be added to that list. With its top think tank unambiguously advocating further privatization of the health sector and the influence of global funding agencies, it is very plausible that a ‘market-friendly’ government would increase the rate of privatization in the post-pandemic years.

India is a natural US ally in the New Cold War

WALTER RUSSELL MEAD, Wall Street Journal, 27 May 2020

KOLKATA: It has been an interesting week in India. A heat wave took temperatures up to 117 degrees in the sweltering north. An earthquake shook the northeastern state of Manipur as a massive cyclone slammed into coastal Odisha. Swarms of locusts have descended on cities and farms across the northwest. Record numbers of new cases were reported in India’s rapidly escalating Covid-19 epidemic. Meanwhile, villagers in Kashmir spotted and captured a “spy pigeon” with a coded message attached to a ring on its leg. As the code has not yet been broken, the pigeon’s mission remains unknown. Despite both a costly lockdown and a continuing surge in new Covid-19 cases, India’s Prime Minister Narendra Modi continues to dominate the political scene, with approval ratings of 80% or more in recent polls.

With the emerging cold war between the U.S. and China threatening to become the new central axis of world politics, the subcontinent has been pulled into the storm. Chinese and Indian troops have clashed this spring and the standoff continues. Pakistan is among the largest recipients of Chinese Belt and Road Initiative investments. Swallowing whatever qualms, the Islamists among Pakistan's leadership have about the plight of the Uighurs, the country has turned increasingly to China for aid, trade and diplomatic support. That is hardly surprising. With a population of 212 million and a gross domestic product of $325 billion, Pakistan can only maintain its rivalry with India (population 1.35 billion, GDP $2.7 trillion) with the help of a great-power ally.

American strategists, meanwhile, are anxiously—and correctly—keeping a close watch on India's development. A wealthy, powerful and democratic India would help frustrate China's hegemonic ambitions and substantially offset Chinese influence in Central Asia, Southeast Asia, and Africa. The stronger India becomes the less the U.S. must contribute to a balancing coalition of India, Japan, Australia, and Vietnam that keeps Chinese ambitions in check. In that kind of world, the nascent Washington-Beijing rivalry could fade into the background, and the U.S. could enjoy trade relationships with a rich Asia that posed fewer threats to American security. India's emergence as an economic superpower would also strengthen the cause of democracy, demonstrating that people don't have to give up their freedom to thrive.

That rosy scenario is a long way away. China's economy is $10 trillion larger than India's. Byzantine land and labor laws concerns about corruption, and rickety infrastructure continue to limit India's ability to attract foreign capital, even as many companies look to diversify their supply chains away from China. Under the leadership of the Congress Party during the Cold War, India's state-led economy slogged along at what observers called the "Hindu rate of growth" of about 3.5% a year—sluggish for a developing country. Starting in 1991, a spate of reforms under Prime Minister Narasimha Rao and his finance minister—future Prime Minister Manmohan Singh—set India on a different course, and India's growth rate accelerated dramatically. India grew faster than China during several years in the past decade. But India must do better to narrow that $10 trillion gap. There were signs even before the pandemic that India's economic progress was slowing. Without a strong push by Mr. Modi and his ruling Bharatiya Janata Party, India's growth could stabilize at a rate that would keep Indian incomes rising but leave the country falling ever further behind China.

That would not be good for the U.S. and Asia, or good enough for the hundreds of millions of poor Indians whose elevation from poverty would be hastened by faster growth. But Indian society is complex and difficult to govern. Reforms that challenge powerful constituencies are not easily imposed. Not since the early Cold War, when promoting economic recovery in Europe and Japan was a critical element in the effort to contain the Soviet Union, has the economic performance of a foreign country mattered this much to the U.S. Helping democratic India lift its long-term growth rate enough to narrow the gap with China should be one of America's top foreign-policy goals.

Achieving it will require working with Indian officials and experts to find regulatory changes and forms of American assistance that could smooth the path of reform. It will mean working to avoid the kind of environmental devastation that followed China's industrialization. Those who rightly urge a "whole of government" approach to countering China should think hard about what such an approach to India's development would look like—and which allies to enlist in the effort to make a more peaceful, prosperous and securely democratic world. America won its most important Cold War victories by helping democracies become rich in ways that advanced its own security and prosperity. It's high time to revive that approach, and India is the place to start.

India must battle the shame of period stain

BBC News, 28 May 2020

LONDON: Discrimination against menstruating women is widespread in India, where periods have long been a taboo and considered impure. They are often excluded from social and religious events, denied entry into temples and shrines, and even kept out of kitchens. On World Menstrual Hygiene Day, award winning photographer Niraj Gera attempts to de-stigmatise periods in this hard-hitting series called Sacred Stains. Given the lack of conversation about periods, according to one study, 71% of adolescent girls in India are unaware of menstruation until they get it themselves. Campaigners say it shows that parents rarely prepare their daughters for something they know is bound to happen. And this unpreparedness leads to so much avoidable fear and anxiety.

The difficulty of accessing sanitary pads is another major issue. India scrapped a 12% tax on sanitary products in 2018 after months of campaigning by activists. Campaigners had argued that menstrual hygiene products were not a luxury and periods were not a choice that a woman could simply opt out of. However, tax exemption is only a small step towards a much longer journey of making menstrual health and hygiene an accessible reality for every woman in the country. According to one study, only 36% of India's 355 million menstruating females use sanitary napkins, while the rest use old rags, husk, ash, leaves, mud and soil and such other life-threatening materials to manage their flow. And menstrual health experts say the current coronavirus crisis has worsened matters further in India. The country is under a strict lockdown which has severely impacted production and supplies of menstrual hygiene products.

Of course, period poverty does not only affect women in India. According to Plan International UK, an international development charity, one in 10 disadvantaged girls below the age of 21 cannot afford sanitary products and uses unhygienic substitutes such as newspaper, toilet paper and socks. From an early age, girls learn to live with the pain and fear and seldom do we see a girl seek help when in physical or mental discomfort due to periods. But with a surge in the use of social media in recent years, women have begun sharing their stories about menstruation too. Yet this freedom is often questioned and those sharing their stories are threatened with bans, while trolls who indulge in moral policing and shaming women go scot-free.

Millions of families across India cannot afford to buy menstrual hygiene products. In the photo on the right, a daily-wage labourer's daughter wants a pad, Mr Gera says, but feels guilty to even ask her family for the money to buy it. For them, it is a toss-up between spending on food for the family or purchasing sanitary napkins. Nearly 23 million girls drop out of school annually after they start their periods, according to a 2014 study by Dasra, a charity that works on issues of adolescent health. Campaigners say the main reasons are a lack of clean toilets in schools and poor access to sanitary products. There is also fear of staining and girls worry about being mocked by their classmates. The study also found that many women considered periods as dirty, explaining why menstruating women are often ostracised from social and cultural activities and are forced to put up with all sorts of restrictions.