

## Course correction – Home and abroad: On India's rightful place in the world

### *India must take its place in the world by privileging universal rights everywhere*

Prime Minister Narendra Modi's speech at the UNGA catalogued welfare and development schemes that he had initiated. He sounded like a seer in his call for unity of humanity, but it was his emphasis on Indian diversity that stood out for its remarkable departure from the sort of domestic politics he and his party, the BJP, have come to be associated with lately. India's achievements in housing, sanitation, health care, banking and education are significant, as the PM noted. His tenacious public campaign on issues such as water conservation, environment and girls' education has brought these issues to the centre of the development discourse and he deserves full credit for it. Mr. Modi has consistently presented material development as an end in itself, sometimes ignoring that it might be at the cost of other markers of progress such as expansion of freedoms and equity. This idea is also the explanation of his government's policy on Jammu and Kashmir, as reflected in his own pronouncements and those of other officials, during their diplomatic outreach in the U.S. A Prime Minister's use of a global pulpit to showcase India's progress and diversity to a world that is divided, and deliver a message of unity, would have been inspiring for all Indians. But his UNGA speech sits at odds with his campaign speeches at home, and corresponding administrative measures.

The claim that there can be a neat insulation of internal issues of a country from global concerns is antithetical to the rationale of all global institutions, particularly the UN. Populist politics around the world has sought to privilege national sovereignty over universal values and commitments, slacking off efforts to tackle critical challenges that are transnational. Human rights, democracy and liberty are as much global questions as climate change, health and terrorism. Selective globalisation is difficult to sustain or defend. India cannot aspire to meet global best practices in governance, infrastructure and investment climate on the one hand and on the other, choose to overlook soft power attributes such as tolerance, pluralism and diversity. Pakistan Prime Minister Imran Khan's bluster on Kashmir and the implied threat of a nuclear war were irresponsible and over the top, but that is beside the point. India cannot wish away questions regarding Kashmir at international fora. The best — and the only way — to keep domestic issues domestic is to resolve them through internal dialogue and accommodation. Tamil poet Kaniyan Pungundranar's verse Yaadhum Oore Yaavarum Kelir — all places are our own, everyone is our kin — that Mr. Modi cited to underscore India's ancient faith in universalism is a tenet far from fulfilment, but worth striving for. Deviation from it could be detrimental, and would have consequences at home and abroad.

### **Meanings of Difficult Words :**

- **take one's place** (phrase) – take up one's recognized position.

- **catalogued** (adjective) – classified, categorized, systematized.
- **sound** (adjective) – pronounce, voice, say, articulate.
- **seer** (noun) – prophet, spiritualist, wise man.
- **call for** (phrasal verb) – require, necessitate, demand.
- **humanity** (noun) – humankind, the human race, people.
- **stand out** (phrasal verb) – be noticeable, be visible, be obvious.
- **sort of** (phrase) – to some extent, somewhat, moderately.
- **lately** (adverb) – recently, of late, in recent times.
- **sanitation** (noun) – it generally refers to the provision of facilities and services for the safe disposal of human urine and faeces  
(Courtesy: WHO).
- **tenacious** (adjective) – firm, strong, purposeful.
- **at the cost of** (phrase) – at the expense of, sacrifice, at the loss of.
- **outreach** (noun) – the level of reaching out/activity/effort; involvement.
- **pulpit** (noun) – stand, platform, stage.
- **at odds with** (phrase) – inconsistent, at variance, contrary.
- **antithetical** (adjective) – directly opposed to, contrary to, conflicting with.
- **rationale** (noun) – reason/basis; principle.
- **populist** (noun) – the politicians who claim that they are representing the common/ordinary people.
- **seek** (verb) – try, attempt, aim.
- **privilege** (verb) – give a special advantage.
- **sovereignty** (noun) – supremacy, dominion, power.
- **slack off** (verb) – decrease, lessen, slow down.
- **transnational** (adjective) – involving/relating to two/more countries.
- **climate change** (noun) – a long-term change in the Earth's climate, or of a region on Earth (Courtesy: NASA).
- **globalisation** (noun) – the process of making the trade of goods and services equivalent in all nations (Courtesy: VOA Learning English).
- **sustain** (verb) – continue/maintain, carry on, keep going.
- **overlook** (verb) – miss, fail to notice; disregard, neglect/ignore.
- **soft power** (noun) – soft power is convincing & effective power deriving from attraction and imitation and be based on intangible (non-physical) resources such as culture, ideology, and institutions (Courtesy: E-International Relations (E-IR)).
- **hard power** (noun) – hard power is coercive power executed through military threats and economic incentives and based on tangible resources such as the army or economic strength.
- **attribute** (noun) – quality, feature, aspects.
- **tolerance** (noun) – forbearance, liberality, open-mindedness.
- **pluralism** (noun) – (of people) the practice exist in harmony irrespective of various differences.
- **bluster** (noun) – threats, domineering, aggressive talk (with little effect).
- **implied** (adjective) – implicit, indirect, hinted/suggested.
- **over the top** (adverb) – immoderate, extreme, unreasonable.
- **beside the point** (phrase) – irrelevant, pointless, unimportant.
- **wish away** (phrasal verb) – try to stop/eliminate something (problem) just by wishing that it did not exist.
- **fora** plural form of **forum** (noun) – assembly, gathering, conference.
- **accommodation** (noun) – arrangement, compromise, settlement/deal.
- **underscore** (verb) – underline, emphasize, highlight.
- **tenet** (noun) – principle, belief, doctrine/rule.

- **far from** (phrase) – not, not at all, nowhere near.
- **strive for** (verb) – undertake, seek, make an effort.
- **deviation** (noun) – divergence/departure, abnormality, irregularity.
- **detrimental** (adjective) – damaging, inimical, dangerous.

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## Course Correction – Fire to fuel: On attacks against Saudi oil facilities

### *India must brace for the impact of oil supply cuts after the drone attacks in Saudi Arabia*

The immediate impact of last week's drone attacks on the Saudi Aramco-owned Khurais oilfield and Abqaiq oil processing facility has been the suspension of more than half of Saudi Arabia's daily crude oil output, thereby affecting contribution to global supply. While the Saudis have restored a portion of the supply that was hit, the sudden disruption resulted in the highest spike (nearly 20%) in Brent crude prices in more than a decade before the U.S. President's statement that America would release some of its strategic reserves resulted in the price easing back to \$66 per barrel (a 10% increase over the day). While the Houthi militia fighting Yemen's Saudi Arabia-backed government in a four-year-long civil war claimed responsibility for the attacks, the U.S. has suggested that Iran was responsible for them. After a belligerent statement that the U.S. was "locked and loaded" to respond to this alleged provocation from Iran, Mr. Trump suggested that he was still trying to draw the Iranians to make a deal over their nuclear programme. Iran's response has been to dismiss the allegations accompanied by a refusal to talk on the U.S.'s terms. Yet, for all his bluster and erratic policy decisions, Mr. Trump has sought to avoid conflict or to engage in new military adventures — an opening Iran must seize and work toward de-escalation through diplomacy. Meanwhile, the Saudis must halt their Yemen intervention and leave it to the UN to broker peace in a battered country. The Saudi-led military campaign, buttressed with logistics support from the U.S. and the U.K., has only brought a stalemate in Yemen, while escalating the conflict to include energy supply targets that the world had imagined to be secure.

The sudden disruption of global crude oil supply is the unintended consequence of the unravelling of the painstakingly crafted P5+1+EU-Iran nuclear deal, the Saudis' reckless adventure in Yemen and the Iranian empowerment of its proxies in West Asia as a response. This development is bound to affect several emerging economies, including India's. The Union Petroleum Ministry has sought to allay fears of a supply cut by relaying messages of assurance from Aramco officials, but there is already an indication that crude prices would rise further due to an increase in the risk premium, leading to increased fuel pump costs. With India importing more than two-thirds of its oil from West Asia, a price surge is expected to impact the current account, and will result in further currency depreciation as was the case on Monday. Higher fuel costs and the imported inflation could also hurt the consumer at a time of a slowdown in the economy. The government should be prepared to handle the fallout with steps such as re-evaluating the excise duties on petroleum products.

**Meanings of Difficult Words :**

- **brace (for)** (verb) – prepare oneself for something difficult/unpleasant that is imminent.
- **drone** (noun) – unmanned aircraft /missile.
- **spike** (noun) – a sharp rise/increase of something.
- **Brent crude** (noun) –a classification of crude oil produced from the oil platform in the North Sea.
- **strategic reserve** (noun) – the reserve of a commodity or items that is held back from normal use by governments, organisations, or businesses in pursuance of a particular strategy or to cope with unexpected events.
- **militia** (noun) – armed forces, military unit, soldiery (from the civil population to support main forces).
- **belligerent** (adjective) – hostile, aggressive, threatening.
- **lock and load** (phrase) – a command/order to prepare a weapon for battle.
- **alleged** (adjective) – supposed, so-called, purported,
- **provocation** (noun) – prompting, inducement, incitement.
- **allegation** (noun) – charge, accusation, indictment.
- **accompany** (verb) – coincide with, coexist with, go with.
- **bluster** (noun) – threats, domineering, aggressive talk (with little effect).
- **erratic** (adjective) – irregular, unsteady, unreliable.
- **sought** past and past participle of **seek** (verb) – try, attempt, aim.
- **opening** (noun) – opportunity, chance, favourable moment.
- **de-escalation** (noun) – reduction, lessening, decrease.
- **diplomacy** (noun) – international politics, foreign affairs, foreign policy.
- **broker** (verb) – arrange, organize, negotiate (an agreement).
- **battered** (adjective) – attacked, thrashed, pummeled/beaten up.
- **buttress** (verb) – support, uphold, defend/back up.
- **logistic** (adjective) – relating to the commercial activity of transporting goods.
- **stalemate** (noun) – deadlock, impasse, standstill/stand-off.
- **escalate** (verb) – heighten, intensify, magnify.
- **unintended** (adjective) – not planned; ill-advised, ill-considered.
- **unravel** (verb) – resolve, solve, uncover/unfold.
- **painstakingly** (adverb) – with great care & thoroughness.
- **reckless** (adjective) – careless, thoughtless, incautious/heedless.
- **empowerment** (noun) – accreditation, authorization, validation.
- **proxy** (noun) – representative, substitute, delegate, agent; **proxy war** (noun) – a conflict/war between two countries instigated by opposing powers (powerful countries) who do not fight against each other directly.
- **bound to** (adjective) – certain/sure, very likely, guaranteed.
- **alloy** (verb) – reduce, decrease, lessen.
- **relay** (verb) – transmit, broadcast, impart.
- **surge** (noun) – sudden increase, rise, growth.
- **depreciation** (noun) – devaluation, decrease in value, reduction.
- **inflation** (noun) – simply meaning “cost of living”; increase of price level of goods & services and vice versa decrease of currency value.
- **slowdown** (noun) – economic decline, recession, slump/depression.
- **fallout** (noun) – adverse results; after-effects, repercussions.

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## Course Correction – The slow climb to the trillion economy peak

### *There has to be a focus on human capital formation and in addressing the real reasons for the economic slowdown*

On Independence Day, the Prime Minister expressed confidence that India would be a \$5-trillion economy in 2024, a line that has been picked up by ruling party leaders, Ministers and also senior government officers.

However, this is surprising as the impact of economic growth on major development goals — examples being improvement in education, health and overall human development/human capital formation; expansion in productive employment for all and environmentally sustainable development, etc — depends on the nature and composition of growth.

#### **Share in wealth**

The economic growth experience in India in recent decades has shown that growth has had an adverse impact on all these developmental goals. To start with, Credit Suisse, for example, has shown recently that 1% of the wealthiest in India increased their share in wealth from 40% in 2010 to more than 60% in the last five years, and the richest 10% in India own more than four times wealth than the remaining 90%. That is, if we proceed on the same growth path, a large part of the increase in wealth and GDP will be claimed by the top 10% richest population in India. In other words, the top 10% will take away the lion's share of the \$5-trillion incomes if and when we reach the target of \$5-trillion economy.

#### **Gaps in education, health**

Our growth experience so far shows that the rate of growth of employment has declined with increasing economic growth; we have now reached a stage where the economy is suffering from the highest ever unemployment rate. With rising population and, consequently, the labour force, India will soon experience demographic disaster rather than demographic dividend. The story of health and nutrition is also quite similar. The literacy rate has grown very slowly and according to the United Nations, India's literacy was 71.1% in 2015. India is now far behind many African countries such as Rwanda, Morocco and Congo in terms of literacy. According to the Annual Status of Education Report (ASER) 2018, about 70-74 % children (in the age group 6-14 years) go to school regularly; far fewer go to secondary school. The quality of education is far from satisfactory, if one is to read ASER 2018.

There is an urgent need for a quantum jump in public expenditure on education in order to fill wide gaps in infrastructure, training and retraining of teachers and to ensure a strong follow up on the quality of

education. However, as against the norm of 6% of GDP, the government spend is around 4% of GDP on education. It is the same when it comes to the story of health, where the decline in malnutrition, particularly among women and children is very slow; against the norm of 3% of GDP, the government spends around 1.5% of GDP on health. Finally, in the process of growth in India, there has been a severe depletion and degradation of environmental resources. A recent Intergovernmental Panel on Climate Change report has warned India of the seriousness of climate change and its severe adverse impact on the environment and the livelihood of masses.

Another major concern about reaching the aim of a \$5-trillion economy is that at present the economy is experiencing a severe slowdown; it would be very difficult to raise the rate of growth to reach \$5 trillion in 2024 unless we focus on human capital formation and address the real reasons for the slowdown. As NITI Aayog has observed recently, the present crisis is the worst crisis India is facing since the Independence. The rate of economic growth, at 5%, is the lowest in the last few years. Also, the rates of savings and investment in the Indian economy have declined, as also exports and total credit. Among the major industries, the automobile industry is experiencing continuous decline, which has led to the retrenchment of 3.5 lakh workers so far. Apart from the ancillaries of the automobile industry, many other industries are declining fairly rapidly too — examples are diamond cutting and polishing, textiles and garments, and several Micro, Small and Medium Enterprises (MSME).

### **Crisis in agriculture**

All this has affected trading and business units. Agriculture is in crisis today on account of rising costs of inputs and low prices of produces, and low public investments in this sector. Again, agricultural real wages are in decline and non-farm wages are constant if not declining; urban wages are also declining in recent years. As a consequence of all these developments, there is a crash in the aggregate demand in the economy.

What is needed urgently is for the government to increase public expenditure in investing in agriculture — in infrastructure, inputs, extension, marketing and storage and training — and in providing profitable prices to farmers. It should also raise funds for the Mahatma Gandhi National Rural Employment Guarantee Act to push up demand by following a Keynesian approach.

It should raise public employment by filling all vacant sanctioned posts in the Central and State governments, which would be around 2.5 million jobs. The government should also regularise contract, casual and "honorary" jobs and make them regular jobs. Increasing additional jobs for ensuring basic health and good quality education up to secondary level to all so that any meaningful skill formation is possible should be another aim. Human capital formation will give a big push to start-ups and MSMEs. And, finally, the government should also focus on promoting labour intensive sectors such as gems and jewellery, textiles and garments and leather goods. The government should not worry about the fiscal deficit ratio as these measures will address the major problems of the economy.

### **Fall in demand**

What we witness, however, is that public expenditure is declining continuously in the last few years, As the Centre For Monitoring Indian Economy Pvt. Ltd. has pointed out, public expenditure has declined to the minimum in the last five years. Steps such as rolling back some budgeted tax proposals, providing a stimulus package to industries, raising foreign direct investment flows, reducing Goods and Services Tax to help industries are not likely to increase much aggregate demand in the economy. Also, reduction in repo rate by the Reserve Bank of India and asking banks to pass on reduced rates to customers, recapitalisation of banks by Rs. 70,000 crore to raise liquidity in the economy and other steps to ease credit flows to the economy are all supply side measures; the real problem is a crash in the aggregate demand.

Let us hope that the government looks at the weaker sectors and sections to get out of the crisis if not to improve their well-being.

### **Meanings of Difficult Words :**

- **climb** (noun) – growth, rise, expansion.
- **address** (verb) – attend to, tackle, deal with.
- **slowdown** (noun) – economic decline, recession, slump/depression.
- **pick up** (phrasal verb) – improve, increase, get stronger.
- **sustainable** (adjective) – valid, legitimate, reasonable, justified.
- **composition** (noun) – configuration, structure, formation, arrangement.
- **to start with** (phrase) – at first, at the outset, at the beginning.
- **Credit Suisse** (noun) – a leading financial services company, advising clients in all aspects of finance, across the globe and around the clock.
- **Gross domestic product (GDP)** (noun) – a measure of economic activity in a country. It is the total value of a country's annual output of goods and service.
- **the lion's share** (phrase) – most, the majority, the larger/greater part of something.
- **so far** (phrase) – until now, up to the present, up to this point.
- **demographic** (adjective) – the statistical study/structure of populations, especially human beings.
- **demographic dividend** (noun) – it is defined as a boost in economic productivity that occurs when there are growing numbers of people in the workforce relative to the number of dependents (or) it is the accelerated development that can arise when a population has a relatively large proportion of working-age people coupled with effective human capital investment.
- **literacy** (noun) – the ability to read and write.
- **far fewer** (phrase) – much less (with a large difference).
- **far from** (phrase) – not, not at all, nowhere near.

- **quantum jump** (noun) – another term for **quantum leap**; a sudden large increase/advance, breakthrough.
- **malnutrition** (noun) – undernourishment, undernutrition, poor/unhealthy/inadequate diet.
- **depletion** (noun) – reduction, decrease, dwindling.
- **degradation** (noun) – deterioration, degeneration, decline.
- **climate change** (noun) – a long-term change in the Earth’s climate, or of a region on Earth (Courtesy: NASA).
- **livelihood** (noun) – source of income, means of support, living, subsistence.
- **retrenchment** (noun) – an act of cutting down or reduction, particularly of public expenditure; spending less money.
- **ancillary** (adjective) – additional, extra, supplementary/subsidiary.
- **on account of** (phrase) – because of, owing to/due to, by virtue of.
- **crash** (noun) – failure, collapse, ruin.
- **aggregate** (adjective) – total, combined, whole.
- **neo-keynesian** (adjective) – relating to the school of thought in modern macroeconomics that evolved from the ideas of John Maynard Keynes (a British economist). Keynesian supporters believe capitalism is a good system. They believe government should play an active role in controlling the economy.
- **fiscal deficit** (noun) – the difference between total expenditure and total income of the government.
- **point out** (phrasal verb) – identify, recognize, designate.
- **roll back** (phrasal verb) – reverse, cancel, repeal/rescind.
- **stimulus** (noun) – impetus, boost, fillip/incentive.
- **foreign direct investment (FDI)** (noun) – Investment from one country into another (normally by companies rather than governments) that involves establishing operations or acquiring tangible assets, including stakes in other businesses.
- **aggregate demand (AD)** (noun) – it is the total demand for final goods and services in an economy at a given time.
- **repo rate** (noun) – it is the rate at which the central bank of a country (RBI in case of India) lends money to commercial banks in the event of any shortfall of funds.
- **recapitalisation** (noun) – it is a type of corporate reorganization involving substantial change in a company’s capital structure, especially by replacing debt with stock.
- **liquidity** (noun) – a measure of activity (i.e. the ability to buy or sell easily) in a market.
- **credit flow** (noun) – availability of credit.
- **well-being** (noun) – healthy state, comfort/happiness, prosperity.

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☞ “DON’T STUDY TO EARN STUDY TO EARN WHAT YOU LEARN TODAY IS WHAT YOU WILL BECOME TOMORROW....”☞