



Welcome clouds

The forecast is optimistic, but changing monsoon trends are a challenge

The most recent assessment put out by the India Meteorological Department, that the southwest monsoon will be “normal” after a short break, comes as a relief. At the end of two months the total rainfall has met the criteria for ‘normality,’ although there are wide variations in the patterns of showers, leaving some districts hit by drought as others face floods. Official data show that the realisation of 384.7 mm of rain as of July 25 is only a 3% negative departure from the Long Period Average. Yet, within this phase of the monsoon, some districts of Uttar Pradesh, Uttarakhand, Bihar, Assam, Meghalaya, Arunachal Pradesh, Gujarat, Telangana and Vidarbha experienced deficits ranging from 20% to 59%. In the case of Gujarat, it has been a story of both deficiency and heavy rainfall within the State. As with many previous monsoons, this rainy season has so far witnessed a lot of death and destruction: at least 465 people have died this year. Roads and infrastructure have been destroyed, and it will take massive investments to rebuild them. Thousands of people have had to shift to relief camps as floods have ruined their houses. Such displaced families urgently need relief to resume normal life. The rainfall patterns, with their spatial variations, have major implications for agriculture and groundwater recharge as well.

Water is the key determinant of India’s agricultural output and the National Commission on Farmers chaired by the scientist, Professor M.S. Swaminathan, had several recommendations for its optimal use. Given that 60% of the 192 million hectares of gross sown area assessed by the Commission was found to be rainfed, an accelerated programme to harness the monsoon is vital. State programmes must take all measures to expand surface water storage, launch more minor irrigation schemes, and improve the recharge of groundwater. Altered rainfall trends in terms of intensity and variations across regions pose a new challenge. Scientists contend that the alluvial soil of the northern States benefit more from slow precipitation, while the hard-rock geography of the south needs heavy showers for groundwater recharge. Yet, many districts have been receiving short, heavy spells and not steady rain. A future-ready approach should therefore focus on augmented storage and greater participation of the farming community in managing the vital resource. The IMD has issued a “normal” outlook for August, which is encouraging, and there are signs of fresh monsoon activity in Odisha, south Chhattisgarh, north coastal Andhra Pradesh and parts of Telangana. If the forecast is accurate, and the trend of favourable climate conditions in the Indian Ocean continue, a further normal course of the season through September can be expected.

Dissent & diplomacy

The Saudi-Canada spat calls into doubt Riyadh’s seriousness on social reform

Saudi Arabia’s furious response to Canada’s criticism of the arrest of rights activists in the Kingdom once again calls into question Crown Prince Mohammed bin Salman’s professed commitment to reform. Having ascended last June to be second in line to the throne, he had promised progressive economic and political change. Since then, Saudi Arabia has allowed women to drive, cracked down on hardliners among the clergy and projected itself as a moderate Islamic country that respects people’s rights, compared to “extremist Iran”. But when Canadian Foreign Minister Chrystia Freeland called for the release of Samar Badawi, a Saudi women’s rights activist who was detained last week, and her brother Raif Badawi, Riyadh took a series of unilateral steps. Terming Ms. Freeland’s appeal as interference in its domestic affairs, it expelled the Canadian Ambassador, called back its envoy from Ottawa, froze trade with Canada and said it would transfer out some 12,000 Saudi citizens studying in Canadian universities. Ms. Badawi has long campaigned against Saudi Arabia’s guardianship laws that require all Saudi women to have a male guardian. Riyadh is yet to give reasons for the arrest. Her brother, who ran a website critical of the Saudi religious establishment, was sentenced to 10 years in jail and 1,000 lashes in 2014.

On overseas visits, Prince Mohammed has dwelt on his plan to improve women’s rights and strengthen the economy. He is also obliquely critical of the guardianship laws, saying they did not exist in Saudi Arabia before 1979 – the year of the Iranian revolution and the siege of the Grand Mosque at Mecca. But despite this rhetoric on rights, the palace has shown little tolerance of political criticism at home. Since May, many women’s rights activists have been detained. In addition, dozens of lawyers, human rights defenders and intellectuals have been arrested since September 2017. Interestingly, while most Western governments refrain from commenting on the crackdown against dissent in Saudi Arabia, Canada has given refuge to Mr. Badawi’s wife and children. For Canada, the spat could prove costly. Saudi Arabia is its second largest export destination in West Asia. The two countries have signed a \$12 billion arms deal, which is still in the works. But despite the aggressive Saudi response, Ottawa had stood by its Foreign Minister, saying it will continue to back “the protection of human rights, including women’s rights”. For Prince Mohammed, the diplomatic crisis is an opportunity to rethink the Kingdom’s approach towards dissent and diplomacy. If he is indeed serious about reform, Riyadh should be lenient towards its advocates. Taking vengeful action against those who stand by rights activists will neither help Saudi Arabia’s image nor attract investment into the country.

The last anchor

The modernising legacy of M. Karunanidhi will continue to shape the destiny of Tamil Nadu



NARAYAN LAKSHMAN

The passing of Muthuvel Karunanidhi, president of the Dravida Munnetra Kazhagam (DMK) and titan of the Dravidian movement, has come at a critical juncture in the politics of Tamil Nadu. On the one hand, he leaves a power vacuum in his party that mirrors the space vacated by the late Jayalalithaa of the All India Anna Dravida Munnetra Kazhagam (AIADMK) in December 2016. On the other, his death heralds a deeply troubling time for Tamil Nadu, which has seen what some describe as a secular decline in governance quality in recent years. Both dimensions of the current scenario must be studied to better understand the prognosis for the State.

Art of politics

Consider first what his passing means for the future of the DMK and the broader ripple effect on State politics. Historically and in the present day, there have always been vast complexities in the political mechanics of the DMK, and Karunanidhi was integral to every turn of its screw. From the early years of the Dravidian movement, when C.N. Annadurai and Periyar E.V. Ramasamy recognised their young protégé’s talent for firing up people through his mastery of Tamil and his fearlessness in pushing back on hegemonic Brahminism, to the later years when after his meteoric rise to Chief Ministership of the State, he was noticed on the national stage for his brilliance as a party organiser, Karunanidhi’s identity was inseparable from his

party’s for half a century.

Yet it was the subtle art of compromise that marked the ascendancy of the DMK for the best part of nearly 20 years in government, ever since it seized control from the Congress juggernaut in 1967. It was compromise that enabled Karunanidhi to hold the party together after the debilitating split with M.G. Ramachandran and the subsequent emergence of its arch-rival in 1972. It was compromise that deepened the DMK’s electoral grip in constituencies across 32 districts, each with a different caste group dominating it, the leaders of each such middle and backward caste group clamouring for a share of the spoils of power. What immense knowledge of local issues and traditions, what a profound negotiating ability, and what a decisive personality it must take to bring together Mudialars, Gounders, Pillais, Chettiars, and a smattering of Dalits and Thevars together into a veritable rainbow coalition of castes.

Effects of compromise

Later, the acknowledged heavy-weight of southern politics made his presence felt on the national scene in a similar manner – with firm moral conviction in his vision of Tamil rights and welfare, but the flexibility to be accommodative toward that end. His most drastic compromise came in 1999, when he entered into an alliance with the Bharatiya Janata Party (BJP), which stood for everything that the radical phase of Dravidianism militated against: Hindu nationalism, North India-based political vision, Hindi roots and hegemony of upper castes. That was a short-lived foray and, some argue, the result of expediency as he otherwise risked having his government dismissed for the third time by the Central government.

Whatever the faults of this



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open-ended approach to compromise, it resulted in a key differentiating factor for the DMK vis-à-vis the AIADMK – the party leadership structure under Karunanidhi did not get eroded to the extent that it did under both MGR and Jayalalithaa. Thus, today, the power vacuum of the DMK is mitigated to the extent that it had a formal succession plan in appointing Karunanidhi’s son M.K. Stalin as working president, even if he remains untested at the helm in State and national elections. Jayalalithaa, contrarily, degraded at least four rungs of leadership beneath her, with the consequence that multiple vectors of contested power – a quelled rebellion led by O. Panneerselvam, a persistent, deep-pocketed challenge by T.T.V. Dhinakaran – have riven her party asunder, and bitter factionalism has filled the space her unvarnished authoritarianism had held captive.

With this asymmetric balance of power in the two major Dravidian parties, the inevitable has happened: the door has opened for opportunistic “outside” parties with long-term ambitions of breaching the Dravidian dam to start meddling in Tamil Nadu’s affairs. For the BJP, this could be achieved by funnelling enormous amounts of money to finance the campaigns and coffers of parties and individuals with whom it could potentially form alliances. Similarly, the long arm of federal

enforcement agencies, such as the CBI and the Income Tax department, may be used to punish and reward as required. Even the office of Governor may not be beyond the pale in a politically fraught climate, where procedural delays or discretionary actions can materially affect power outcomes.

Needs of Tamil people

This politically fluid situation brings us to the second dimension of the broader impact of Karunanidhi’s passing: the needs of the common Tamil man and woman today. It is highly unlikely that they still require the same basket of welfare goods that the Dravidian movement leaders decided to provide them with in the late 1960s. Do they need State autonomy for fear of a distant New Delhi running roughshod over ethnic Tamil rights? Not any more. Do they require an ever-expanding offering of mass welfare policies mimicking the mid-day meal scheme, and giveaways of subsidised rice, colour television sets, bicycles and more? That space has already been saturated, often to the point of bankrupting the State, as it nearly happened around the turn of the century.

What has changed over recent decades, however, is the quality of governance. Under Jayalalithaa and Karunanidhi, benevolent autocracy went hand-in-hand with the relentless pursuit of rent-seeking opportunities. During years of AIADMK rule this meant unheeded grand larceny and extortion of private capital across the State – often at the behest of the rapacious V.K. Sasikala clan. When the DMK governed, it took a slightly less brazen, but equally damaging, form of shadowy nepotism of the “First Family” giving them control over gargantuan resources in telecom and other sectors.

Unsurprising then, that this has

deepened the systemic institutional rot and contributed to a deterioration of the policy environment to the point where numerous industries have fled to other States. Simultaneously the weakening of government institutions has meant that the State’s response to multiple socio-political crises has been lacklustre, if not utterly inadequate. The long list here would include the bumbling approach to the Jallikattu and Sterlite protests, mismanagement of water resources resulting in floods in Chennai and periodic drought-like conditions elsewhere, disparate crises facing sectors such as sand and electric power, and the cloud of collective uncertainty that all of these vagaries engender, putting a question mark on the economic future of Tamil Nadu.

Call for stability

The answer to the question of what the people of Tamil Nadu need today is thus a simple one: stability and the return of good governance. Yet that requires a wounded, limping AIADMK to have the foresight to set aside personal rivalries and hatred and pull itself together under one leader for the greater good; or if that is looking unlikely, it requires an aspirational Stalin to seize the day, infuse newfound energy into his party cadres and mobilise his constituents like never before. He can only steer the DMK ship through the choppy waters of Tamil Nadu’s turmoil if he recasts the Dravidian movement’s commitment to the Tamil ethos in a modern mould, reinventing the very design of his vehicle and charting a new course. It is here that the legacy of Karunanidhi matters most, as he was the last anchor to a political tradition that will continue to shape the destiny of the State.

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Going by the numbers

The complexity of the GST process is hindering collections and diminishing potential economic benefits



PUJA MEHRA

A little over a year after the Goods and Services Tax (GST) rollout, the revenue collections from the new indirect regime are at the centre of a debate. A member of the GST Council estimates a “shortfall” in the April-June quarter of this year at ₹43,000 crore. The Union Finance Secretary reportedly shot off a missive to Central tax officials over the lower number of returns filed under the Central GST (CGST), compared to the number filed under the State GST (SGST).

Gap in levies

The collection trends revealed evidently defy logic. The SGST and the CGST are applied at the same rate on the identical tax base. Logically, the two levies should yield equal revenue collections. But SGST collections over the past several months have been consistently exceeding CGST collections.

Then, in April, the beginning of this financial year, both CGST and SGST collections dropped and integrated GST (IGST) collections

took off sharply. In each of the months since then, IGST collections have overshoot CGST and SGST collections.

Why is the Centre’s GST collection falling behind that of the States’ and why have the IGST collections shot up? The trends are a symptom of the problem, not the problem itself. First, let’s understand these distinct levies.

Insecure over loss of fiscal autonomy, the States succeeded in pressing a GST that is made of two types of levies, the CGST and the SGST. The Constitution empowers the Centre to tax sales anywhere nationally, but it allows a State to collect taxes only on sales within its territory. So, all 29 States and two Union Territories with legislatures have separately enacted their respective SGSTs. The SGSTs have almost identical features and rates – to prevent tax arbitrage across States – but in effect, they are distinct SGSTs. This complicates the collection and refunds processes and system.

The GST is being levied at the point of consumption, not the factory gate, unlike many of the levies it has substituted. Given the territorially limited tax jurisdictions of States, the collection of the SGST poses a problem every time goods and services get sold outside the State they were produced in. The solution that has been worked out



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to overcome this problem is the IGST. It is imposed on inter-State sales.

Logically, the IGST ought to be imposed as a substitute for the SGST such that the GST equals the SGST plus CGST for intra-State sales and IGST plus the CGST for inter-State sales. In practice, needless complications have been introduced into the IGST.

On inter-State sales, the IGST, at a rate equal to the applicable CGST and SGST, is levied. This means, despite its national tax jurisdiction, the Centre has confined the levy of the CGST to intra-State sales.

A selling dealer in an exporting State collects the IGST from the buying dealer. The GSTN credits it to the IGST account. Of this, the part corresponding to the CGST is transferred immediately to the Centre. The balance is not all SGST

revenue. It includes amounts to be refunded through a settlement process that can take months.

Some of the refunds are on account of input tax credits that the purchasing dealer in the importing State draws from this balance. (Tax paid on capital goods that go into making final products is supposed to be fully set off. This is to avoid cascading taxation.)

Because the IGST collection and refunds system is ungainly, estimating GST revenue cannot be a straightforward exercise. Although it is confused to be so, not all the IGST collected is GST revenue.

By design, the number of refunds required is more than necessary. Such as in case of exports. To avoid exporting taxes, no GST is to be levied on exports out of India. In practice, despite their GST-exempt status, exporters first pay the IGST and then it is refunded back to them. The excuse for this convoluted system is the need for a way to refund the input taxes exporters pay on components.

In effect, the GST system processes a whole set of IGST payments only to refund them – not an international best practice. Suppliers to exporters and SEZs are compulsorily required to register in the GST system even if they do not fall in the GST threshold. This has needlessly increased the working capital and compliance

costs burden on exports. The systemic loss of export competitiveness is showing up in the country’s trade balance.

Letters of undertaking or bonds can be submitted in lieu of IGST payments, but they increase exporters’ vulnerability to bureaucratic rent-seeking.

The way out

The recommendation for introducing a GST had first come in 2004 from a task force formed by the Vajpayee government under economist Vijay Kelkar. The Modi government has consulted Mr. Kelkar on the GST, but has not accepted his recommendations on an alternative IGST system compliant with global norms. By these, the IGST would be simplified as a substitute for SGST in inter-State supplies, and exporters, while not subjected to the IGST, would be truly zero-rated. The NITI Aayog, it seems, concurs with this proposal.

The focus on GST collections is narrow. Collections are not necessarily proof of the success, or non-success, of an indirect tax. In truth, the complexity of the GST is complicating collections and diminishing the potential benefits. The economic impact of the GST ought to be the focus.

Puja Mehra is a Delhi-based journalist

LETTERS TO THE EDITOR

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

M. Karunanidhi

The passing of former Tamil Nadu Chief Minister and DMK patriarch M. Karunanidhi signals the end of an eventful epoch in the annals of Tamil Nadu politics. *The Hindu’s* extensive and in-depth coverage of almost all aspects of the leader’s political career and personal life was a collector’s item. Several epithets can be used to describe the multi-faceted personality of ‘Kalaignar’, as he was affectionately known. A shrewd politician, an able administrator, a brilliant orator, artist, man of letters and a master strategist, Kalaignar strode the political arena like a colossus. His indomitable will, steady determination, political decency and never-say-die attitude in encountering and tackling numerous adversities in life

has been duly acknowledged. One wonders whether any other mass leader could have commanded the same awe and respect in contemporary times as Kalaignar did. He restored a sense of pride in the common Tamilian about his rich culture and roots. He was also successful in ensuring social justice to the deprived sections of society. That said, it is unfortunate that there was politics over his funeral and resting place. It certainly sullied the sanctity of the solemn occasion and has shown the Tamil Nadu government in poor light. B. SURESH KUMAR, Coimbatore

that the veteran politician touched a chord in many. The fact that leaders from across the political spectrum paid their respects to the departed leader shows his standing in the political firmament. G.B. SIVANANDAM, Coimbatore

■ It is unfortunate that politics crept into the decision over the final resting place of the DMK leader. The High Court verdict saved the day. The Tamil Nadu government should have desisted from playing politics. V. SUBRAMANIAN, Dombivli, Maharashtra

urbanisation has affected most public places. A pragmatic approach is needed in the use of public places for purposes other than the ones for which they are actually meant for. B. PRABHA, Varkala, Kerala

in Parliament” has irony written all over it. V.N. MUKUNDARAJAN, Thiruvananthapuram

■ The ocean of people who moved to Chennai’s Marina beach to witness the final journey of DMK patriarch M. Karunanidhi is testimony

■ The five-term Chief Minister was successful in using Tamil as an instrument of social and political change. He also played a pivotal role in making Tamil Nadu the fulcrum of national politics on many an occasion. In the end, he will be known for successfully persuading the Centre to acknowledge the vital identity of States within the Indian federation as well as falling to the familiar failing of a long-term politician – promoting dynamic rule. MEGHANA A., Shell Cove, NSW, Australia

■ Against the backdrop of a precedent of “providing space” at Marina beach existing for Dravidian leaders in the past, the position taken by the Tamil Nadu government in trying to deny permission to lay to rest the mortal remains of M. Karunanidhi lacked tenability. Technicalities too do not matter much when emotions run high. But going forward, it is necessary to frame proper guidelines on providing permission to utilise public places as burial grounds to avoid acrimony and bitterness. Rapid

■ TMC-speak Trinamool Congress leader Derek O’Brien’s assertion that picking a Prime Ministerial candidate is unimportant because “you don’t choose a captain and then choose a team” is nothing but clever obfuscation (“The Wednesday Interview,” August 8). The truth is that many Opposition leaders, including the TMC supremo have been nursing Prime Ministerial ambitions. Only a messy compromise can resolve the problem of plenty. The interviewer’s question about the “shrinking Opposition space

Global heating It is surprising that an important subject – heating of the earth – did not make it to the front page (“Life” page, “Planet at risk of becoming a ‘hothouse,’” August 8). The 10 “feedback processes” such as decreasing forest capture of CO₂, increased methane release around the Arctic, decreasing potential of oceans to capture CO₂, and less solar ray reflection because of melting ice are all likely to lead to human devastation in the lives of today’s children – or at least their children. The media should take the lead in highlighting such a crucial issue. CLARENCE MALONEY, Kodakkanal, Tamil Nadu

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