

The next President

With a consensus unlikely, the opposition has no more than a small window of opportunity

residential contests in India are usually tame and predictable, and 2017 does not promise to be any different. To date, the election of V.V. Giri over Neelam Sanjiva Reddy in 1969 remains the only notable exception to the long list of humdrum presidential elections: Prime Minister Indira Gandhi called for a "conscience vote" just before the election, and a sizeable number of Congress parliamentarians and legislators voted against the "official" candidate, Reddy, in favour of Giri. Before and after that, however, the favourites have carried the day, with opposition-sponsored candidates putting up no more than a symbolic fight to prove no more than a political point. At present, the numbers are stacked against the opposition for the July 17 election. The Bharatiya Janata Party, with its regular allies and new-found friends, should be able to see any non-controversial candidate through. Parties such as the Telangana Rashtra Samithi and the All India Anna Dravida Munnetra Kazhagam, which do not see the BJP as a political threat, have indicated their readiness to back a BJP-sponsored candidate. The Biju Janata Dal too might not be opposed to taking such a course, although the BJP has emerged as its main rival in Odisha. Unless the ruling party scares away all its supporting parties by projecting a polarising candidate, the opposition cannot expect to put up anything but a token fight.

Much might revolve around the BJP's choice of candidate. There have been instances when allies have switched sides to vote for or against a particular candidate. Regional considerations have weighed with some parties, as in 2007 when the Shiv Sena voted for Pratibha Patil against Bhairon Singh Shekhawat, the candidate fielded by its ally, the BJP. The Sena and the Akalis are not entirely happy with the BJP, but they would need a strong reason to break ranks. That can come either in the form of an unacceptable BJP candidate or a really appealing opposition candidate. Ideally, the Congress would like to wait for the BJP to announce its candidate before revealing its own. But the process of reaching out to other parties outside its core alliance has already begun. The Congress can count on, besides current allies such as the Dravida Munnetra Kazhagam, the Janata Dal (United), the Rashtriya Janata Dal and the Samajwadi Party, the Left parties and the Trinamool Congress. But just as in the case of the BJP, an alliance can be built or broken on the basis of the Congress's choice of candidate. The party might have in mind some eminent people not directly involved in politics in order to appeal to a broader political spectrum. What is certain is that there will be no consensus candidate. For the BJP to not get its person of choice through as the next President, 2017 will have to throw up an unexpected twist or a complete surprise.

Terror in Tehran

Heightened Iran-Saudi Arabia tensions put regional security in West Asia at further risk

Tednesday's attacks in Tehran targeted the two most significant symbols of the 1979 Revolution – the Parliament and the tomb of Ayatollah Khomeini, the founder of the Islamic Republic. The terrorists clearly wanted to send a message to the Iranian state, and they retained the element of surprise. Though it is involved in the fight against the Islamic State in Iraq and Syria, Iran has so far largely remained insulated from the regional crises. The attack, the first major terror incident in Iran in many years, suggests that even the formidable security cover put in place by the elite Revolutionary Guards can be breached by terrorists. The IS immediately claimed responsibility for the attack that killed 12 people. For the IS, Iran is the main adversary in West Asia, for both ideological and strategic reasons. The IS has thrived on anti-Shia sectarianism and persistently attacked Shia Muslims, mainly in Iraq and Syria. For it, Iran is the embodiment of Shia power in the region. Further, Iran is directly involved in the anti-IS fight - in Iraq, Iran-trained Shia militia groups are in the forefront of the battle for Mosul which has almost liberated the second largest city from the IS; and in Syria, Iran is propping up the regime of Bashar al-Assad which the IS wants to overthrow.

But the attacks and the Iranian reaction must also be seen in the context of heightened Saudi Arabia-Iran rivalry. The Iranian Revolutionary Guards has said in a statement that Saudi Arabia and the U.S. are involved in the attack. This is a serious allegation to make, and risks escalating tensions between Riyadh and Tehran. The attack is yet another reminder that no country in West Asia is free from the threat posed by terrorists, and that the region has a collective responsibility to fight them. Unfortunately, what is happening is just the opposite. There is a coordinated attempt under way in West Asia, led by Saudi Arabia, to isolate Iran. Saudi Arabia's deputy crown prince, Mohammad bin Salman Al-Saud, had said last month that Riyadh would take the battle into Iran. This anti-Iran approach was endorsed by U.S. President Donald Trump during his visit to Riyadh in late May. The Trump administration has repeatedly called Iran a state sponsor of terrorism, and has openly aligned itself with the Saudis against Iran. Such increasingly hostile rhetoric that is perceived to be playing on a Sunni-Shia face-off is an opportunity for terrorists to exploit. And the Tehran bombing suggests they are at it. Unless such crises are handled with extreme caution, they could ignite regional tensions on sectarian lines. The last thing West Asia needs today is a Shia-Sunni sectarian conflict. Both Iran and Saudi Arabia should stand down from this mutual hostility and join hands in the cause of regional security if they are serious about the public claims they make.

Getting back on the growth track

A big push on private investment is needed. But social harmony is also a prerequisite for faster growth



C. RANGARAJAN

he National Income numbers for 2016-17 have been released. What do they convey? What do they hold for the immediate future? Briefly, this is the picture. Recent revisions in the Index of Industrial Production and Wholesale Price Index do not alter the annual growth rates for the re-

The differences are in one or two decimal points. The growth rate for 2015-16 is estimated at 8%. The growth rate for 2016-17 is 7.1%, which is the same as forecast a few months ago.

Impact of demonetisation

It is the numbers for the fourth quarter of 2016-17, that is, for the quarter January-March 2017, which has attracted much attention. The numbers are being scanned with a critical eve to know what impact demonetisation had on the economy. The overall growth rate of GDP is 6.1%, which is nearly 1% below the growth rate for the previous quarter at 7%. The year-onyear decline is, however, steep.

In analysing the January-March quarter numbers, we need to keep in mind three factors. First, a decline in growth rate has been seen from the beginning of the year. The growth rate of every quarter has been sliding from the previous quarter. Second, during Quarter 4, the only two sectors which have shown strong growth are agriculture and public administration. Public administration, defence and other services have shown a sharp increase of 17%. But for this, the overall growth rate would have

declined steeply. Third, the sectors that have shown a sharp decline are construction and trade, hotels, transport and communication. These are the sectors which use cash extensively. In the case of construction, output actually declined by 3.7% as compared to a rise of 3.4% in the previous quarter. However, the decline in construction should be interpreted carefully.

Obviously the liquidity crunch brought about by inadequate availability of currency consequent upon demonetisation must have halted a lot of construction activity immediately. But the decline is also partly due to 'shock effect'. After all, the construction and real estate sectors are notorious for their cash transactions and dealings which are not above board. There is a paramount need for the participants to adjust.

It is naive to pretend that demonetisation would not have had a short-term disruptive effect which would adversely affect growth. The long-term benefits in terms of a change in mindset and behaviour of people and greater use of technology-driven payments system are in the future. They need further actions.

Fast remonetisation will help to eliminate the adverse effects caused by shortage of currency. The authorities also need to augment the supply of ₹500 notes in a

While decreased use of currency is a desirable goal, the authorities should not proceed on the assumption that it is actually happening and therefore the supply of currency can be reduced. While the adverse effects of demonetisation on GDP are clearly seen, it is difficult to decipher how much of the decline in growth rate in the January-March quarter is due to demonetisation and how much due to the underlying declining

Growth Rates in GDP and GVA

The numbers for the fourth quarter are being scanned with a critical eye to know what impact demonetisation had on the economy

	2016-17			
Year-on-year (%)	Q1	Q2	Q3	Q4
Real GDP (market prices)	7.9	7.5	7.0	6.1
Real GVA (basic prices)	7.6	6.8	6.7	5.6
Agriculture	2.5	4.1	6.9	5.2
Industry	9.0	6.5	7.2	5.5
• Mining	-0.9	-1.3	1.9	6.4
Manufacturing	10.7	7.7	8.2	5.3
• Utilities	10.3	5.1	7.4	6.1
Services	8.2	7.4	6.4	5.7
Construction	3.1	4.3	3.4	-3.7
• Trade, hotels, transport, communication	8.9	7.7	8.3	6.5
• Finance, real estate and professional services	9.4	7.0	3.3	2.2
• Public administration, defence etc.	8.6	9.5	10.3	17.0

trend. Now that the disruptive effects of demonetisation are behind us, we need to explore the other factors that may be holding growth back. The most disturbing aspect of the data just released is the continuing decline in the Gross Fixed Capital Formation (GFCF) rate, that is, GFCF as a proportion of GDP. It has been steadily declining and in 2016-17 it fell to 29.5% from 30.9% in 2015-16.

Role of new investment

In the days of high growth, it hovered around 33%. In recent years an attempt has been made to raise public investment. In fact, this effort, combined with some improvements in the efficiency in the use of capital, has led to significant improvements in the output of coal, power and roads. This is necessary and must be continued. But the ultimate answer lies in the pickup in private investment.

There is a general concern that despite reasonably high growth (the average growth of GDP for the three years beginning 2014-15 is 7.5%), job creation has been modest. Growth can happen because of greater utilisation of existing capacity or new investment. Job creation in the first case will only be modest as is happening currently

It is only new investment that will push growth and that will generate greater employment. Obviously, there are many other factors such as technology that play a key role in determining the level of emplovment.

For sustained high growth, we need new investment and policymakers must shift their focus towards this. In fact, foreign direct investment has been very high. Despite this, the rate of growth of fixed capital formation has been weak. The sentiment, it is generally believed, has changed. The reform agenda has been pushed forward. The Bankruptcy Code has become operational. The Goods and Services Tax will very soon come into force. The FDI rules have been considerably relaxed. All these are welcome steps. It will, however, take some time before the impact of the first two is felt on investment and growth.

Burden of debt

Perhaps one of the reasons for investment not picking up is the burden of debt under which Indian businesses are suffering. The banking system is also under stress. The health of the banking system is closely aligned to the health of the private sector business, both corporate and non-corporate.

The sooner we resolve the problems of the banking system, the better for the economy. It is the resolution of the NPA (non-performing assets) problem that will enable the banks to restart their lending programme in a big way and help business to embark on new investment. The macroeconomic stability parameters are in good shape. Prices are under control. The Central government fiscal deficit is adhering to the road map laid out in the Budget. The balance of payments situation is also under con-

The monsoon is expected to be normal in the current year. This is the appropriate time to convert sentiment to firm action with a big push on private investment. Like law and order, social harmony is also a necessary prerequisite for faster growth. Ignoring this will bring to naught all other economic initiatives.

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Clouded coherence

Given India's recent foreign policy fluidity, the sustainability of its SCO membership is in doubt



SUHASINI HAIDAR

he phrase "Where you stand depends on where you sit", also called 'Miles's Law', was coined by Rufus Miles, an American bureaucrat who served as Asstant secretary to three 0.5. Pres idents (Eisenhower, Kennedy and Johnson), essentially to describe how one's policy changes according to one's location and the company one keeps.

As India takes its place as a full member of the Shanghai Cooperation Organisation (SCO) in Astana, many are wondering just 'where' Indian foreign policy stands on the basis of where Prime Minister Narendra Modi is sitting, along with Russia, China, Central Asian states and Pakistan (which is also being admitted this year).

An SCO membership has many obvious advantages: being a part of a major security coalition in Asia, with easy access to the energy-rich 'stans', Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan. It is an important forum on counter-ter-

rorism cooperation, connectivity, and on resolving the situation in Afghanistan. Membership may thus have seemed a good idea when India first took observer status in 2005, and when it applied for full member status in 2014 – but in 2017 so much has changed in India's foreign policy posture that the sustainability of its SCO membership is in doubt.

Contradiction in positions

To begin with, there is a basic conlast month on China's Belt and Road Initiative (B&R) and the SCO's. In a strongly worded statement, the Ministry of External Affairs (MEA) said not only does India have "sovereignty" issues over the China-Pakistan Economic Corridor (CPEC) part of the B&R, it has environmental worries and concerns over the "unsustainable debt burden" for smaller countries, as well as over the lack of transparency from China.

However, all SCO members are a part of B&R and endorse it. In 2015, SCO heads of government in Zhengzhou issued a joint statement fully supporting the B&R (then called Silk Road Economic Belt) as the SCO's vehicle for regional economic cooperation. It remains to be seen how far Mr. Modi



on sovereignty home, given that not just China, but Kazakhstan and Kyrgyzstan are keen to join the

Second, the SCO is a security alliance, not a cultural or geographically based coalition, and its charter in 2001 specifies confidence-building in "military fields". Subsequent statements of the SCO, including at Astana in 2005, commit them to "jointly preserving regional peace, security and stability; and establishing a democratic, fair and rational new international political and economic order".

The 'new order' is a direct reference to a compact led by Russia and China, clearly aimed at the West. As a result, the SCO has been often called the "Anti-NATO", meant to counterbalance U.S. and

Europe power structures. It would seem incongruous to reconcile this with India's close military ties with the U.S. today, or Mr. Modi's stated objective last week during his Europe tour of a closer strategic partnership with the EU to ensure "rule-based international order". and casts doubt over which way India would turn if there were to be an actual conflict, say, between Russia and NATO (North Atlantic Treaty Organization) in the Balkans, or China and the U.S. triiaterai in the South China today. The SCO executive speaks of counter-terror cooperation as a part of its Regional Anti-Terrorist Structure (RATS), with joint exercises among member states, while also being guided by the "Shanghai spirit" of good-neighbourliness. Again, this would square badly with India's objective of "exposing" Pakistan's cross-border terror policy, and derail any progress in the manner India-Pakistan tensions finished off the SAARC (South Asian Association for Regional Cooperation) process.

If anything, India's foreign policy fluidity seems part of a pattern in the past few months, possibly triggered by insecurities over the erratic behaviour of the new U.S. administration. For example, after years of encouraging

"middle-power" coalitions in the Indo-Pacific, the government made an about-turn recently, rejecting Australia's request to join Malabar naval exercises with Japan, India and the U.S. India's West Asia policy of "engaging all" included inviting the leaders of archrivals Cyprus and Turkey to Delhi in the same week in April, but when Mr. Modi heads to Israel in July, he will reportedly not visit the Palestinian side. And after making the Nuclear Suppliers Group membership a singular goal last year the MEA appears to have put its membership bid on a slow burner until China is convinced, a clear reversal from previous strategy.

At a time of flux across the world fuelled by America's capriciousness, West Asia's internal combustion, China's aggression and Russian inscrutability, certainly well poised to be a democratic, dependable leader of an alternative global coalition. The government must, however, be more sure-footed and clear of its own principles of engagement, rather than of 'where it stands' being guided by 'where it sits' or more precisely, where the PM lands

Preserving autonomy

North Block and Mint Street

appear to be on a collision

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$LETTERS\ TO\ THE\ EDITOR\ \ \text{Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.}$

Farmers unwelcome?

This is a country of farmers. vet it is not for the farmers, as proved again by the unabated farmer suicides and the latest police firing on farmers in Mandsaur, Madhya Pradesh ("Rajnath asks M.P. govt. to crack down on instigators," June 8). Things have now come to such a pass that farmers can be shot dead for fighting for their rights. It is ironic that they have become expendable under a supposedly 'pro-farmer' and 'farmer-friendly' BJP administration. The protests - a desperate cry for distress mitigation should persuade it to address the problems of crippling debts and price crash and accede to the just demands for loan waiver and fair price for agricultural produce. As M.S. Swaminathan said, "If agriculture goes wrong, nothing else will go right."

The promise of enhancing

(MSP) must be fulfilled by

fixing the price of

the minimum support price

agricultural produce at 50% above the input cost. Farmer-centric schemes have not yet made farming remunerative and sustainable or given farmers an assured basic income. Now, the government has to do more than appeal to voters' religious sentiments to avoid erosion of support. G. DAVID MILTON, Maruthancode, Tamil Nadu

High on image building We have to concede that three years since assuming office, one area where the Modi government has scored extremely high is image creation. It has been able to sell damaging moves like demonetisation as good for the country. While a section of the country lives under the spell of illusions propagated by the government, the rest of the population suffers due to increasing unemployment, a rise in prices of essential commodities and a steep fall in the standard of living. The health-care system has taken a further beating.

Farmer suicides have gone

The fate of electoral promises is well-reflected in the government's absolute failure on the front of job creation. After using the Ram Temple issue for polarisation in the '90s, the BJP is now using the 'Holy Cow' as a symbol of majoritarianism, leading to lynching of Dalits and Muslims. The social scene is dominated by illusory promises and issues related to identity. MOHD. ZEYAULLAH KHAN,

Un-Koranic There is no reference anywhere in the Koran about pronouncing instant triple talaq at one go ("Declare instant triple talaq invalid", June 8). It has been ordained that divorces will be deemed valid only after attempts to save the reconciliation have failed. Marriage in Islam, though not sacrosanct, is a contract binding on both the

husband and the wife, a bond meant to be handled with care and caution, in order to make this contract and marriage subsist till the last breath. This is because not only the future of the husband and the wife, but also the future of children are involved. Issues like instant triple talaq are alien to the tenets and teachings of the Koran. The All India Muslim Personal Law Board (AIMPLB) appears to be defending the indefensible and looks hell-bent on turning a non-issue into an issue, ignoring larger problems like the need to educate and empower women, eschew gender bias and enforce equality. Neither a marriage nor a divorce carried out without the full consent of the woman can be considered valid or legal. M.Y. SHARIFF,

Rahul's elevation Talk of Rahul Gandhi succeeding his mother Sonia Gandhi as the

Congress president has surfaced yet again, and the party has fixed October 2017 as the new deadline. ("Congress clears decks for Rahul's elevation", June 7). The announcement of organisational polls has given rise to fresh speculations about this. However, rumours on this front have been doing the rounds since 2011 when news broke that Ms. Gandhi had gone abroad for treatment for an undisclosed illness. The situation has since worsened both for Mr. Gandhi and the party. Electoral defeats have become the norm for it. Just last year, the Congress lost power in Assam and Kerala. fared poorly in West Bengal and Tamil Nadu. This year, the party suffered humiliating defeats in Uttarakhand and Uttar Pradesh, and setbacks in Goa and Manipur. For Mr. Gandhi, nothing seems to succeed like lack of success. R. SIVAKUMAR,

course yet again with the **RBI-led Monetary Policy** Committee (MPC), which sets up interest rates in the country, declining an invitation from the Finance Ministry for a meeting just before the monetary policy review on Wednesday, amid reports that the ministry was unhappy with RBI governor Urjit Patel for not cutting interest rates more aggressively ("RBI's decision to hold interest rates reveals rift with Centre," June 8). This is not the first time that the Finance Ministry has tried to poke its nose into the working of the RBI. One is sure that the central bank is well equipped to take stock of the current macroeconomic situation and can perform better with the least government interference. N.J. RAVI CHANDER,

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