



## A fine balance

The GST's anti-profiteering body must not become a tool of harassment

Over four months into the troubled implementation of the goods and services tax, the Centre has operationalised a provision in the GST law that has been worrying industry. The National Anti-profiteering Authority, whose constitution was approved by the Cabinet last Thursday, is empowered to crack down on firms that fail to pass on the 'benefits' of the tax regime to consumers. The authority can order businesses to reduce product prices or refund to consumers 'undue benefits'; in extreme cases it can impose a penalty on errant firms and cancel their registration as taxpayers. Where the consumers are difficult to trace individually, the amount construed by the authority to be the extent of undue benefit will be deposited in a consumer welfare fund. The authority will have its own bureaucracy – including a screening committee in each State that consumers can complain to; a standing committee in which profiteering allegations with an 'all-India' impact can be taken up; and an investigation wing that will vet complaints 'with prima facie' merit and report its findings to the NAA. More clarity is needed on how the government will ascertain the difference between undue profit and fair play – or the discretionary space available to the NAA could enable rent-seeking.

The trigger for setting up the authority is clearly the recent large-scale reduction in tax rates on more than 300 items, of which about 200 rate changes were to come into effect from November 15. The government is keen on ensuring that consumers have a better perception of the GST's ground-level impact. Union Finance Secretary Hasmukh Adhia has urged companies (especially those in the fast-moving consumer goods segment) to ensure that new maximum retail prices are inscribed on products from November 15, even on existing inventory in the market. While wholesalers can still implement this, reaching every last retailer is a challenge. But firms have been warned that the entire retail chain must reflect revised prices in order to avoid anti-profiteering action; and the expectation is that there will be some exemplary action soon to make industry fall in line. Restaurant chains are also likely to face the heat for retaining price hikes; even though their tax rate has dropped, they no longer get any credits for taxes paid on inputs. Protecting consumer interest is important, but the prospect of the government monitoring prices and asking businesses to justify pricing decisions instead of letting market forces play out is unnerving. The NAA could take a cue from, if not partner, the Competition Commission of India in this, and focus on firms raising prices indiscriminately in markets where they enjoy a dominant position, or forming pricing cartels. The government must ensure that the authority's powers are used transparently and only where there is genuine consumer/public interest at stake. Else, it runs the risk of making profit itself a bad word.

## Falling apart

As talks on a coalition fail in Germany, Angela Merkel faces her career's biggest challenge

The crisis over government formation in Berlin has raised the possibility of fresh elections in Germany and the ripple effect of instability in the European Union. The breakdown in talks between Chancellor Angela Merkel's Christian Democratic Union and potential partners to get the requisite numbers in the Reichstag has dealt a blow to a time-tested post-War model of political compromise and consensus-building. A major sticking point in the coalition negotiations among the three ideologically disparate parties – the centre-right CDU, the left-wing Greens and the pro-market Free Democratic Party – was whether the hundreds of thousands of Syrian refugees who migrated to Germany should be allowed to bring their families. Curiously, the CDU conceded the extension of the current freeze on family reunion, on the insistence of its sister party, the Christian Social Union. This is a substantial concession from a party that backed the government's bold decision to open the doors in 2015 to rescue millions who had risked their lives to reach Europe. The Greens, key allies in a potential Jamaica coalition with the conservatives and the FDP, fell in line, despite their humanitarian stance on refugees. But the FDP dug in its heels, demanding the phasing out of a tax to support Germany's eastern regions. Remarks by its leader that it is better not to govern than govern badly is a measure of the discord during the negotiations.

In this fluid scenario, another general election cannot be ruled out, especially as the centre-left Social Democratic Party has so far foreclosed the possibility of cohabiting with the conservatives in another grand coalition. After it received its worst-ever drubbing in the September elections, the party may be reluctant to revisit its position, lest it risk further erosion of its popular base. But in the unlikely event of it backing the CDU, the Social Democrats may insist on offering support to a candidate other than Ms. Merkel as Chancellor. A minority government led by the CDU is a theoretical possibility, but even the conservatives do not seem to warm up to it. That leaves the President with the responsibility of determining whether fresh elections are the only option. The far right Alternative for Germany, which emerged as the third largest party in the elections, believes it can further consolidate those unprecedented gains – something the mainstream parties will be conscious of during last-ditch attempts to cobble together a coalition. The proof of the efficacy of the German consensus model lay in solidifying the political centre-ground over the decades. The need for a strong middle ground could not be greater than it is at this point. Once the Netherlands and France averted political instability at the hands of populist and eurosceptic parties earlier this year, the outcome in Germany had appeared to be a foregone conclusion. Perhaps not.

# Losing the war, winning the peace

Why we need to rethink the narrative that the 1962 war was a catastrophic defeat for India



BÉRÉNICE GUYOT-RÉCHARD

India is not short of memories of 1962. The India-China War ended fifty-five years ago to the day, yet each winter brings back reminiscences of the conflict. The Chinese assault on the Thagla Ridge early in the morning of October 20, 1962, which turned simmering military tensions into open war. The doomed struggle of ill-equipped jawans. Jawaharlal Nehru's awkward radio address to Assam, just as the Chinese seemed poised to enter the plains. The unilateral ceasefire that China announced on November 21, 1962, saving Assam but ending India's chance of recovering the Aksai Chin. And above all, the scar of national humiliation at the hands of a triumphant China.

But is there all there was to the war? One can doubt it. Standard histories of 1962 almost completely ignore a key aspect of the conflict: the way the authorities and people of Arunachal Pradesh – the North-East Frontier Agency (NEFA), as it was then called – experienced it. Look away from the fighting and the India-China War takes on quite a different hue, one where the war does not end at the point of ceasefire and where the roles of winners, losers and bystanders aren't so neatly divided.

### The October shock

When large-scale fighting erupted between China and India, it did not take long for NEFA's civilian officials to realise their entire administration was in jeopardy. By October 23, Tawang had to be abandoned.



LARRY BURROWS/THE LIFE PICTURE COLLECTION/GETTY IMAGES

Meanwhile, Chinese troops were advancing onto Walong in the east. The retreat of the Indian Army entailed that of the civilian administration. Dozens of administrative centres were evacuated, leaving most of northern NEFA unoccupied and open for Chinese occupation. Thousands of Tibetan refugees followed suit, along with many local people (Picture shows refugees fleeing from the India-China border war, in 1962). Evacuee officials focussed on organising relief, and even began considering their permanent rehabilitation elsewhere in Assam. At the time, India's loss of NEFA seemed in danger of becoming permanent.

The war formally came to an end with China's unilateral ceasefire on November 21, but the crisis did not. Gains in the Aksai Chin aside, the People's Republic of China (PRC) now occupied significant portions of NEFA. Officially this was temporary, but everything was done to complicate India's return. Government stores, supplies, equipment, furnishings, weapons and often buildings were systematically damaged, eaten or destroyed. The People's Liberation Army (PLA) pointedly delayed its

departure, keeping Indian troops and officials in the dark about it. On January 17, 1963 the Chinese still occupied Tawang. The local official only resumed his duties a few days later. In military terms, the India-China War had lasted only a month. As an occupation, almost three.

### Battle for hearts and minds

What most worried India's frontier officials was how the inhabitants would receive them back. India's state presence in NEFA was recent. The Raj's eastern Himalayan frontier had barely been administered and remained poorly explored. Civilian administrators had made huge efforts since 1950 to consolidate India's sovereignty over the region; but given the difficult terrain, wet climate, and financial and human shortages, doing so required local inhabitants' cooperation. Gaining the loyalty of the Mishmis, Monpas or Adis was an aim in itself, if they were to become Indian citizens. Winning them over was key. The problem was that Indian officials' state-building per force had to contend with the PRC's own efforts in nearby Tibet. China too faced an uphill struggle to concret-

ise its hold there, and it too needed border inhabitants' cooperation. Yet, in this porous Himalayan borderland criss-crossed by social, cultural or family ties and regular movement, people had ample opportunity to observe and compare what India and China respectively offered – both the good and the bad. The result was a fierce competition for Himalayan hearts and minds, well before military and diplomatic tensions appeared between the two countries.

This struggle for authority and legitimacy did not stop when fighting erupted. On the contrary, the 1962 War offered China a chance to gain the upper hand in it. There is much evidence that the PRC's occupation of northern NEFA was a sort of public relations exercise *vis-à-vis* local people. Indian officials came back to Tawang to find that no women had been molested and nothing taken without payment; houses, monasteries and possessions were intact. Chinese troops had brought in gifts and exotic goods and made every effort to convince people that their religion, customs, and freedom would be respected. In fact, China had one key message for the people of NEFA: it was there to liberate them from India.

The story of NEFA's occupation suggests that, among other things, the 1962 War was China's chance to prove to Himalayan people that it was the better state – whereas a weak India could neither protect nor deliver. The unilateral ceasefire and withdrawal helped preserve the image of Chinese invulnerability and benevolence *vis-à-vis* local inhabitants while preventing an international escalation of the conflict. "Tell us to come back and we'll free you from India," departing troops reportedly said.

In an ideal scenario, Himalayan

inhabitants would do just that. More realistically, a China-supported, anti-Indian uprising might erupt like in nearby Nagaland – and India would stop posing a threat to China's sovereignty in Tibet.

### Going back

India's frontier officials had every reason to worry about returning to NEFA. Would people welcome them back considering China's impressive wartime performance? To their own surprise, the answer was by and large yes. Many inhabitants expressed both their disappointment at having been left behind and their support for Indian authorities' return. They made concrete demands to ensure that the disappointment would not re-occur, and that their support would be rewarded. Something strange was happening. China had won the war on both fronts, military and political; yet this had not been enough to win people over, especially since many people had heard of repression in Tibet from refugees passing through. In hindsight, China's demonstration of superiority seems to have been counter-productive. The Indian state might be weaker and less efficient, but from the inhabitants' standpoint it was less of a risk, and offered more chance for negotiation.

On that count, we may need to revise our standard narrative of 1962. The war was not just about winning more territory (in the Aksai Chin) or teaching India a lesson (which it did). It was also about winning over hearts and minds. And if the PRC did win the war, on that front it also lost the peace.

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## It's the real economy

Corrective steps are needed to recover momentum in industrial growth



PUJA MEHRA

Feel-good news about the economy, the rating upgrade from Moody's and, prior to that, the jump in India's position in the World Bank's Ease of Doing Business index, has dominated the headlines. The improvements reflect the increased attractiveness of India to investors and deserve applause. Although it seems out of sync with the reality on the ground, the international recognition doesn't hurt.

### As seen from abroad

The ratings by Moody's are based on its assessment of the trajectory of governments' abilities to service their debt over time. The higher rating for India signals a lower risk grade for the government's debt and can lower the cost of raising it. Other borrowings benchmarked to the government's also stand to benefit. The significance of the upgrade is also in its timing. In 2015, Moody's had changed the outlook for India from 'stable' to 'positive', while keeping the rating un-

changed. That outlook would have been difficult to defend at the upcoming review a few weeks down the line, had the rating upgrade not materialised. India could have been pushed back into the 'stable' outlook grade.

The likelihood of revisions by other rating agencies such as Standard & Poor's has increased, but those upgrades will not be automatic. To bag them, the National Democratic Alliance (NDA) government will have to preserve its fiscal rectitude and encourage States to shun populism and adventurism.

### Not so optimistic

As far as the growth on the ground is concerned, the performance of the economy in the first half of the current financial year will be known next week. The release of growth estimates for the second quarter, ending September 30, is due at the end of this month. Exports data and the quick estimates, the Index of Industrial Production (IIP), for April through September are out. The bellwether indicator for non-agricultural production, investment and consumption in the economy does not present a pretty picture.

News on the industrial output is bad. The growth rate weakened to 2.5%; it was 5.8% a year ago. On the



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manufacturing front, the news gets worse. The growth rate was 1.9%, pale when compared to 6.1% a year ago. It's the same story with infrastructure and construction: the growth rate, 2%, is feeble compared to 4.9% in the first half of last year.

Consumer and investor sentiments haven't got any better. Capital goods and consumer durables output was lower in the first half of the year than that in the same period last year, as production contracted. The only source of comfort have been consumer non-durables, the output of which grew to 7.4%, although at a slower pace than the 10-plus% growth a year ago.

So, the IIP indicates that the industrial sector is on extremely shaky ground. Festive and post-harvest season spending was expected to boost demand, but September remained a weak

month. The hope now is that October, data for which are not out yet, will turn out to be better. The investment climate remains soured. The conditions do not seem conducive for job creation.

The industrial performance this year so far is so tepid that it is weaker than it had been in 2012-13, the worst year growth-wise under the United Progressive Alliance (UPA) government. The GDP had grown at its slowest pace, 5.5%, that year in its 10-year tenure. The annual IIP growth had been 3.3%. It was 2.5% in the first six months of this year. Growth in every single major segment of the IIP – manufacturing, capital goods, consumer durables and infrastructure and construction – this year so far is weaker than it was in 2012-13. If corrective steps are not taken, at the current rate of loss in industrial growth momentum, this year may turn out to be worse than the UPA government's policy paralysis phase.

The IIP's coverage by design is limited to the organised sector. The disruption in the unorganised sector will be measured separately and become known only later. Just how much of a drag the industrial sector was on the economy's overall growth remains to be seen. Other segments of the economy, agriculture and services particu-

larly, are expected to outpace it.

### On the export front

Exports had been showing encouraging signs of recovery, with double-digit growth. August and September were good months. But October notched up a small decline, so more data points are needed before it can be concluded that a sustainable recovery is under way. The decline is sharper in the employment-intensive sectors of leather, gems, jewellery, handicrafts, readymade apparel and carpets.

Exporters blame the break in the trend on a liquidity crunch owing to the infirmities in the goods and services tax (GST) system. They complain that their refund claims were not released for four months. Smaller firms with limited access to working capital have taken a body blow.

The growth crisis is of the NDA government's own making. If demonetisation led to demand destruction, the GST rollout has had disastrous effects on the supply side. The twin shocks have compounded the problems of industry, big and small, that was already struggling with a slowdown. It's time the real economy starts dominating the government's agenda.

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.

### A part of history

It is disappointing that the birth centenary celebration of former Prime Minister Indira Gandhi is being glossed over going by the telegraphic style of messages and statements being issued by the government. Despite her faults, one cannot ignore her dynamism and vision as she was interested in values. She sought to translate her dreams of a prosperous and progressive India by pursuing strong humanism and following systematic and scientific planning. November 19 is National Integration Day, where the aim is to promote unity, peace, love and brotherhood among all. However, it will help if the government showed its support for this cause.

A.J. RANGARAJAN,  
Chennai

One must remember that when Indira Gandhi took charge of the top post, India was facing food grain insecurity and the country's dignity was at stake. Her pledge to save the situation resulted in a sea change in agriculture. She will also be

remembered for her stern policies and her stand on secularism and integrity. Bank nationalisation, a clear environmental policy and many other useful schemes will always be remembered. She won hearts with her ability, competency and knowledge.

The history of Indira Gandhi will not be deleted even by those who are making conscious efforts to obscure it. On her birth centenary, we have every right to honour her by remembering her countless and great achievements.

K.M. ABDUL SALIM,  
Edavankad, Ernakulam, Kerala

### Caving in

The freedom of speech and expression has died a slow death with the makers of the film, *Padmavati*, deferring its launch ("Padmavati to miss Dec.1 release date amid furore", November 20). In this season of elections, the stand taken by some politicians is what has aggravated the situation. Had the protesters been concerned about the "tampering of history" or alleged tasteless depiction

of the legendary queen, they could have sought legal remedy. Instead, by issuing threats and placing rewards to cause bodily harm to the actors cast in the film, they have taken the first step towards the Talibanisation of our society. The government must not give in to these pressure groups. It should provide the necessary security to the actors and the theatres concerned, and deal with those threatening to unleash violence with patience and reasoning. Democracy cannot be held to ransom in order to ensure political and electoral gains.

NISHANT CHOUDHARY,  
Ajmer, Rajasthan

It is quite baffling to see extremely dramatic forms of protest, vandalism and speculation over scenes in a still-to-be released film. The film-makers have already clarified that there are no scenes between the characters of Rani Padmini and Alauddin Khilji, yet members of certain organisations and other allied wings have resorted to threats and demands that

are unlawful and ridiculous. They have changed their initial stance of having an issue with "potentially objectionable scenes" to now having an issue with the entire film itself. It is important to note that when a television series on Rani Padmini ran successfully on private channel there was not even an iota of protest from any quarter. If those championing Rajput pride showed the same zeal in protesting against female foeticide, low female-literacy rates (Rajasthan ranks low), and honour killings, which are still rampant in Rajasthan, the State would have progressed by now.

HIRANMAYI NARAYANAN,  
Thiruvananthapuram

Where are we heading? Is our country becoming a jungle raj with offers being made for the heads of artistes and film personalities only because fringe elements are running riot in the movie? Whether the country distorts history or not can be decided only after the film is screened. But to prejudice its contents and encourage

attempts to provoke the masses in the name of defending 'Rajput pride' is condemnable. The actor only portrays the character he or she is asked to act out. The fact the established artistes are not expressing their opinion and protesting only shows the fear that is taking hold of the film industry. No one is willing to stand up to these monsters. What is being affected is the image of a nation known for its all-inclusive stance.

VARGHESE GEORGE,  
Secunderabad

### More to the raids

Tamil Nadu, which carved a niche for itself on many fronts, is now in the news for all the wrong reasons (Editorial - "Search, seize, cease", November 20). The raids being conducted by investigative agencies in the State, and elsewhere in the country, are a manifestation of a vendetta politics being adopted by the BJP against persons who are on the other side of the fence. It would be naïve to believe that these selective raids are taking place without the knowledge of the respective ministries in Delhi.

While other southern states are competitively zealous in promoting industry and creating employment opportunities, Ministers in Tamil Nadu seem to be bending over backwards to please the Centre to try to escape the noose. There is a governance deficit.

R. KRISHNAMACHARY,  
Chennai

### Safer sanitation

The writer ("More than just a counting game", November 20) has raised a pressing issue of callous development of septic tanks, especially in rural India, which has jeopardised the health of people. This has led to severe contamination of groundwater due to sewage water percolation into aquifers. This could be one reason why non-communicable diseases are increasing in rural India. With sludge treatment facilities largely unavailable in rural areas, the need of the hour is for a holistic and participatory approach.

GAGAN PRATAP,  
Noida, Uttar Pradesh

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