

BusinessLine

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After Ayodhya

Post the SC verdict, decency and restraint alone can heal the wounds of dispossession

The Supreme Court's settlement of a centuries old dispute in Ayodhya may continue to be debated for years to come, but what it has brought about is a sense of closure to an issue which has been dogging Indian politics for decades. In handing over the title of the land where Babri mosque once stood to the deity of Ram Lalla, held by the law as a juristic person, the five-judge Constitution bench has paved the way for the construction of a Ram temple in Ayodhya. Even while doing so, the judges admit that the justice would not be done if the Muslims' claim to the land is overlooked, because they were dispossessed through means unacceptable in a secular nation — first by desecration of the mosque on the intervening night of December 22-23, 1949, when idols were placed inside the central dome and then by demolition of the mosque on December 6, 1992. The Supreme Court is of the view that an act of restitution by way of allotment of five acres of land to the Muslims must be done because a wrong was done to them.

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The judges decided that the Sunni Central Waqf Board was unable to prove evidence of possessory claim over the mosque in Ayodhya whereas

the Hindus worship of the idols of Ram in the land they believe to be the deity's birthplace has continued uninterrupted since the 12th century. Despite the existence of the mosque that was built in 1528, the Court found evidence of Hindus having continued their worship at the same site till the communal clashes that erupted in 1855 and continued till 1857. At the same time, Muslims were unable to prove that any prayers were being offered at the Babri mosque for a period of 325 years between 1528 and 1857 when a grill-brick wall came up between the outer courtyard of the mosque where the Hindus worshipped and the inner courtyard where the three domes of the mosque stood.

The documented construction of this wall within the precincts of the Babri mosque was held to be neither a sub-division of the site nor a determination of title by the Colonial administration. The Court's decision is that while Muslims can prove that they started offering prayers from 1857 onwards and were forcibly stopped and evicted in 1949 when a group of 50-60 miscreants placed the idols of the deity inside the mosque, they do not have sufficient evidence for possession of the land title. This would hardly qualify as soothing balm to a community which has been at the receiving end of majoritarian politics since 1990. The Court has proposed five acres of land by way of restitution. Prime Minister Narendra Modi was quick to tell the nation that the verdict should not be seen in terms of victory or loss. The only way is forward.

Enable MSMEs to grow and create jobs

Apart from easing labour laws and providing a social security net, a focus on clusters with access to land and capital will help

AJAY SHANKAR

Getting micro, small and medium enterprises (MSMEs), who employ 92 per cent of the workforce, to grow more rapidly should be one of the pillars of any strategy for job creation. This year's Economic Survey does candidly state that "Our policies must, therefore, focus on enabling MSMEs to grow by unshackling them", and that "Job creation in India suffers from policies that foster dwarfs, i.e., small firms that never grow..."

Compliance with the over 40 labour laws becomes mandatory once the number of workers employed by a firm crosses the prescribed threshold. There are different thresholds under different laws. Small firms find the costs of compliance too high and so often prefer to remain small or open a few more units in other names. They lose the gains that flow from the economies of scale. It is with scale that technological modernisation, marketing and advertising, which are necessary for growth, make commercial sense.

Converting the over 40 labour laws into the proposed four codes is an overdue reform. Putting in place a social safety net would make the provision of labour market flexibility easier in the new codes. Such flexibility reduces the risk perception in expanding the workforce.

Regulatory burden

Regulation of enterprises for human safety, health and the environment and ensuring compliance with prescribed standards is naturally essential. But the regulatory burden for enterprises is still too high. Overlapping and redundant regulatory requirements need to be scrapped. Detailed work and micro decisions need to be taken across regulatory regimes in

the Centre as well as the States. To illustrate, a good question to ask would be why any permission, once granted, should need renewal. Government inspections for compliance with standards could also be gradually replaced by a credible system of third-party certification. This would go a long way in reducing the transaction costs of compliance, and at the same time lead to better compliance.

A good beginning has been made with third-party boiler inspection and certification. This approach can easily be extended to all certification. As with chartered accountancy firms, an effective system of oversight over certifying firms can also be put in place. The key is to improve a firm's perception of the costs of compliance and their associated risks, which need to be brought down to the level of competitive locations overseas.

Labour productivity

Progress is also needed in lowering the factor costs of production for MSMEs. Wages in India are low; they need to rise for poverty to decline. But when it comes to wage costs per unit of production, MSMEs lose on account of the low productivity of their labour. Labour productivity in the modern organised sector with large plants is not an issue, as these firms train their workers and supervisors. MSMEs are, by and large, not able to provide adequate training. The National Skill Mission should accord as much, if not more, priority to training and skill upgradation of the existing workforce vis-a-vis imparting skills to the young people who are entering the workforce.

Skill upgradation would need to be designed and implemented creatively in a way that factors in the natural inclination of the employer and worker, respectively, to not lose any production, or wages. The pro-



Building on success The progress of existing enterprise is the key to getting in new entrants in the industry ISTOCKPHOTO

gramme would need to be designed for industry segments and implemented across industrial clusters after testing and tinkering it for one unit. Spending public money for such skill upgradation would be well worth it. It would increase competitiveness, facilitate growth and create more jobs. Success of existing enterprises is the key to getting new entrants in that area of that industry.

Industrial land usage

Land for MSMEs is a major constraint. It needs to be recalled that, across the world, structural transformation through industrialisation has taken place in cities. Mumbai and Kolkata grew into major commercial and industrial cities over a period of 100 years prior to Independence, with flexible and pragmatic land-use regulations to facilitate growth.

Rigidities have gradually crept into the system to such an extent that recently, in Delhi, the closure of hundreds of gyms that had come up in residential areas to cater to

demand has been ordered. Many micro enterprises emerge in non-conforming areas and then try to stay in the non-formal economy. Nevertheless, they are subject to considerable rent seeking.

Growing into a small and then medium enterprise is difficult for them. Land is not available and prices are too high. A 'plug and play' system is being talked about but needs to be made a reality soon across the country.

In any industrial cluster, there would be enterprises which are successful and would like to set up another larger unit. There is need for a functional system which can quickly identify this need and provide developed land in new industrial parks, with the development done by a state agency directly, or in a PPP mode. Further, there are a large number of usable plots lying idle for years in industrial parks across the country, where units have become sick and gone into bankruptcy. An efficient, quick system for releasing these lands for industrial use by new

units should be put in place by the Central government.

Technological modernisation and competitiveness are essential not only for growth but also for survival. PPPs for such modernisation are worth attempting; this can be done by getting the best technological capability for an industrial segment and taking up one cluster for a turnaround.

After success, scaling up can be done to cover all clusters in that industry segment. Bulk procurement of capital goods and leasing them may be easier than trying to get individual enterprises to make major investments. A much lower GST rate for such leasing would be amply justified.

MSMEs can be made to achieve their full potential and create an increasing number of jobs. But this needs focussed attention with policy changes, additional State interventions and more public funding.

The writer is Distinguished Fellow, TERI, and former Secretary, DIPP

Beyond RCEP: India must focus on exports

India should now reinforce and deepen agreements with its current trade partners, as well as look to enter new global markets

VIKRAM KIROLSKAR

Prime Minister Narendra Modi's decision to opt out of the Regional Comprehensive Economic Partnership (RCEP) reflects that the government has, very correctly, given primacy to India's interests, which were not being adequately addressed by the members of the grouping.

At the eleventh hour, it became apparent that the other 15 members of the proposed mega regional agreement were not about to accede to the concerns and issues of India; therefore, the government had little choice but to pull out.

It is notable that India's warm and cordial relations with the member nations, steadily built over the last 70 years, ensured that they appreciated its stance and understood that this was not the right time for including India in the deal.

Going forward, it may be expected that India's 'Act East' policy would be further reinforced to strengthen the existing trade and investment agreements with ASEAN, Japan and Korea, as well as its bilateral arrangements with Malaysia and Singapore.

It also does not forego future prospects of joining the RCEP, if India's

issues are resolved. India's trade profile shows that nine of the 15 RCEP countries are among its top 25 trade partners. Its trade balance at \$80 billion with all these countries — except Thailand — is negative, accounting for about two-fifths of its total trade deficit.

One reason for this is that many of the partner countries supply vital resources to India, such as coal, which comes from Australia; palm oil from Malaysia; and crude oil from Indonesia.

China accounts for a large proportion (\$53 billion) of the total deficit with these nine nations. Its overwhelming presence in the regional grouping did raise concerns among most industry sectors.

As per a CII study, there are many tariff lines where, globally, China is the predominant import source for India. Concessions to China under the RCEP (as per the current terms) could have further contributed to our trade deficit and may not have provided adequate market access for India's goods.

Recent experience has shown that China has not adequately addressed India's concerns for market access on a bilateral basis in key areas of interest, such as pharmaceuticals, auto-



Export strategy Time to diversify ISTOCK

motives, agricultural products, etc., despite prolonged discussions over the years.

Offensive interests

The new export strategy of India needs to give higher attention to offensive interests, highlighting the key products for which tariffs in partner nations should be cut to boost India's exports.

In fact, this applies to the RCEP itself, and the CII has been an advocate for furthering India's offensive interests with this grouping as well, obviously on terms which do not compromise any sections of Indian industry or agriculture.

It is also important to raise attention towards marketing Indian products to existing favourable markets, as well as other countries where

India has a low export presence. ASEAN accounts for 11 per cent of India's exports, the EU over 17 per cent and the US 16 per cent. The Indian industry, which has business in these markets, can benefit from targeted promotional strategies given that Indian products are competitive and favoured there.

India can also increase its exports in Africa, a rapidly growing continent which enjoys almost 9 per cent of export share, as well as Latin America, currently at a low 3 per cent. West Asia has also been an expanding market where India enjoys synergies.

The export strategy for India requires a two-pronged approach, focussing on both enhancing domestic competitiveness and undertaking targeted promotional activities. For domestic manufacturing, the way ahead is well known: lowering costs of doing business, building the right infrastructure, ensuring faster and more efficient trade facilitation at the borders, etc. Deeper economic reforms — particularly in factor markets of land, labour and capital — will provide much-needed impetus to overall manufacturing investments.

On targeted export promotion, there are models in different countries that can be emulated. Several

countries have governmental departments tasked with providing information on markets to their manufacturers and exporters, especially small enterprises, and assisting them with marketing efforts.

Others have created dedicated agencies that undertake export promotion. India, too, should set up an overarching export promotion institution, converging several different agencies. This should be equipped with professional marketing expertise and establish offices overseas to link buyers with Indian exporters.

The RCEP was one of the many components in India's external integration strategy, albeit an important one. At this moment, it was important for the country to keep its interests on the table and not accede to the agreement.

The road to further expansion of its exports to RCEP member nations is very much still open, given that India already has trade and investment agreements with 12 of them. Utilising existing agreements better while proactively exploring new opportunities in other geographies will diversify both our markets and our export basket.

The writer is President, CII

FROM THE VIEWROOM

Crisis in WTO, breather for India

Adverse ruling against export schemes not easy to implement

The legal team in the Ministry and Commerce and Industry is busy preparing an appeal against the judgment given by the World Trade Organisation's dispute panel which ruled that several of India's export incentive schemes go against multilateral trade rules. The team has time till about the end of this month to appeal before the WTO's Appellate Body.

But what is interesting is that the apex decision-making body may not be in a position to decide on the dispute anytime soon. Yet, when a decision is challenged by an appeal by the member-country concerned it cannot take effect.

Since the US has scuttled the process of appointment of new judges to the Appellate Body, it is likely to become dysfunctional from December 11, when the number of judges on the panel will fall below the minimum of three. So, India may have the leeway of continuing with the incentive schemes.

This state of affairs may continue for a while, as the US does not seem inclined to let go of its demand that reforms be brought about in the Appellate Body before the new judges are appointed. Attempts by other members to work out an arrangement between themselves to settle disputes are also in a nascent stage.

It is well understood by policymakers in India that certain schemes, such as the popular Merchandise Export Incentive Scheme, undoubtedly qualify as direct export sops which India should not be extending to its exporters, as the country, in 2015, crossed the prescribed threshold of \$1,000 per capita Gross National Income for three consecutive years. It needs to stay on track with its 2020 timeline of replacing the scheme with a new one, compatible with WTO norms.

But for other targeted schemes such as the sops given to Special Economic Zones (SEZs) and the Export Promotion Capital Goods Scheme, where New Delhi believes that it is well within its rights to continue the programmes, it should stay put.

Amiti Sen Senior Deputy Editor

BELOW THE LINE



Jostling for onions

The short supply of onions, on account of heavy rains destroying 50 per cent of the crop in Maharashtra besides other States, has led to prices of the favourite bulb soaring to ₹100 a kg.

The government has pressed into service the Mother Dairy fresh vegetables and fruits retail chain, Safal, to sell onions at a discounted rate of ₹25 a kg.

But, the supply has been running out rather quickly, often leading to most customers returning empty-handed.

Those manning Safal outlets in the capital have been having a tough time managing the crowd. One of the outlets in East Delhi had to be closed down for sometime as skirmishes broke out.

The situation was brought under control by the Safal outlet manager only with threats to call the police.

A customer, who saw each person of a six-member family queue up to buy onions, said it reminded him of the horrible days of demonetisation.

Prasar Bharati is watching you

On Saturday morning, before the Supreme Court's Ayodhya verdict was pronounced, the digital news service of India's public broadcaster, the Prasar Bharati News Services, decided to take on British newspaper *The Guardian* over an article.

In a tweet, it said, "@guardian must desist from provoking com-

munal hatred in India through its slanted reportage that conflates Indian National Interest with Religion."

Earlier last week it had rebuked China's national English newspaper, *Global Times*, on Twitter on its RCEP coverage.

"India is not making any 'last minute demands' at RCEP. India's position on this issue has been consistent and clear from the very beginning," it tweeted, referring to an article in the newspaper.

It's Narendra Damodardas Modi

It is proven time and again that Prime Minister Narendra Modi is popular across all the age groups. At a recent start-up event that took place at Indian Institute of Technology Kanpur, students sitting in audience were asked two questions.

The first was to name the two co-founders of e-commerce company Flipkart; nobody in the audience

knew both the names. However, majority of the people sitting in the audience knew the full name of the PM, which was the second question.

Whose turn is it to say 'let's talk'?

India is now looking at reviving its stalled free trade talks with the European Union, Commerce and Industry Minister Piyush Goyal pointed out last week.

A number of European countries, very recently Germany, have echoed this sentiment and said that they want to go back to the negotiating table.

But the big question is who will take the initiative to re-start the discussions.

Some Indian negotiators say that India has made a number of attempts to carry on the negotiations in the past and the talks would get stuck mostly because of the EU's refusal to budge on certain matters.

By that logic, it is the EU which should propose a date for the talks, they say.

The problem, however, is that if the EU also believes something similar about India, then it may be a while before the two sides actually get down to talking.

Eat healthy

The otherwise unhealthy spread of fast food offered at press conferences took a turn for the better when the World Health Organization had its joint media briefing with the Health Ministry last month.

The Ministry usually serves heavily fried snacks, sandwiches, sweets and brownies, but none of that was to be seen in the WHO meeting.

Instead, there were sprouts, walnuts and grapes, not to mention a basket of apples, for some healthy bites.

Our Delhi Bureau