



Time for caution

As the world looks to end the era of easy money, India must be prepared

India's external balance sheet may have improved significantly since the infamous taper tantrum of 2013, but there are now signs that warrant more caution from policymakers. Last week, the current account deficit (CAD) widened to a four-year high of \$14.3 billion in the first quarter of the current financial year, standing at 2.4% of gross domestic product, compared to 0.1% last year. The widening CAD was driven by a greater increase in merchandise imports than exports. A strong capital account surplus, however, has helped the country pay for its import bills without much trouble. Foreign investors starved of yield have been stepping up their investments in India, which remains one of the few places offering higher yields. Compared to last year, net FDI almost doubled to \$7.2 billion in the first quarter, while net portfolio investment jumped about six times to \$12.5 billion. The strong inflow of foreign capital has also led to a significant increase in foreign reserve holdings, thanks to the Reserve Bank of India which has been busy buying dollars to weaken the rupee. Forex reserves were at an all-time high of \$400.7 billion for the week ending September 8, while the rupee has appreciated by over 6% against the dollar this year. Low global oil prices over the last two years have also helped contain a good portion of its import bills.

All this might change with the impending tightening of monetary policy by the U.S. Federal Reserve and other central banks. After all, emerging Asian markets have been the biggest beneficiaries of loose monetary policy in the West, so any change in stance would most definitely affect them. Indian companies, for instance, have aggressively tapped into the market for rupee-denominated foreign debt, which can work against them if the flow of foreign capital turns volatile. The RBI has been regulating the amount and quality of such borrowings, so it may seem like things are under control for now. Further, India's total external debt declined by 2.7% during the financial year 2016-17, standing at \$471.9 billion, driven by a fall in external commercial borrowings and deposits by non-resident Indians. The World Bank, in fact, has said that India's external dynamics remain very favourable given the size of its economy and foreign reserve holdings. But a prolonged period of unfavourable trade balance when combined with volatile international capital flows can lead to unsavoury macroeconomic situations. According to a report by India Ratings & Research earlier this year, a 10% depreciation of the rupee combined with a 50 basis point interest rate hike can severely affect most Indian borrowers. It added that as much as 65% of foreign debt exposure of Indian companies may be unhedged. As the world looks to withdraw from an era of historically low interest rates, it would be wise for India's policymakers to be ready with an emergency plan to tackle a period of significant volatility.

Confrontational path

Bangladesh's legislature draws the battle lines against the judiciary

Bangladesh's Parliament raised the stakes in a stand-off against the judiciary last week by passing a unanimous resolution to take "proper legal steps" over a Supreme Court verdict nullifying the Constitution's 16th amendment. The amendment, passed in 2014, had empowered Parliament to remove judges of the Supreme Court found incompetent or guilty of misconduct, based on a two-thirds majority. This amendment had in a way restored the power of Parliament to impeach judges and was in line with the original Constitution of 1972. The Supreme Court had in July this year scrapped the amendment, suggesting that it was antithetical to the independence of the judiciary and restored the Supreme Judicial Council, headed by the Chief Justice, with powers to remove errant judges. The Parliament, dominated by the Awami League, not only resolved to reverse the Supreme Court's decision, but also found fault with Chief Justice S.K. Sinha's comments in this regard. He had said that the Constitution was a product of the collective will of the people and not just one individual, which was interpreted as an affront to "Bangabandhu", Sheikh Mujibur Rahman, by the ruling Awami League. The largest party in opposition, the Bangladesh Nationalist Party, is not represented in Parliament as it had boycotted the elections held in 2014. The BNP had welcomed the Supreme Court decision but its position seemed to be guided more by Schadenfreude and less by a clear-cut position on the judiciary's independence.

It is difficult for the polarised polity in Bangladesh to debate any issue without political overtones, let alone one that pertains to separation of powers between the judiciary and legislature. The Supreme Court's contention is that Bangladesh's political system is unlike the parliamentary systems in the United Kingdom and India, for example, where legislators are empowered to impeach judges. Bangladeshi MPs do not have the freedom to vote on conscience on issues including impeachment, bound as they are by Article 70 that prevents legislators from voting against their party's decision on any matter. This prevents a dispassionate deliberation over any prospective impeachment, giving political parties, and those in the executive undue influence over appointments in the judiciary. Instead of taking a course of confrontation against the judiciary, Bangladesh's parliamentarians and its attorney general would be better off proceeding with a review petition to the Supreme Court and presenting their position dispassionately. The Supreme Judicial Council might have had a legacy connecting it to the country's authoritarian past, but the arguments of the Supreme Court that it is seeking to protect judicial independence from the executive in light of other laws that bind legislative work in Bangladesh need to be contested by the government point by point – not by a mere resolution.



RAKESH SOOD

In history, defining moments like 9/11 that can be identified as markers of change are rare. More often, there are trend lines of slow-moving geopolitical changes which come together at a particular moment in time resulting in an inflexion point. Reading the tea leaves indicates that 2017 may well be the year which marked the re-ordering of the Asian strategic landscape.

Two trend lines

The two slow moving trend lines clearly discernible since the Cold War ended a quarter century ago are the shift of the geopolitical centre of gravity from the Euro-Atlantic to the Indo-Pacific region and the rise of China. The U.S. 're-balancing' announced in 2011 was a belated recognition of these changes, driven home by the impact of the 2008 financial crisis. Most of the rivalries are being played out in the crowded geopolitical space of the Indo-Pacific, and Asian economies now account for more than half of global GDP and becoming larger in coming years.

China's rise is reflected in a more assertive China. According to President Xi Jinping's 'two guides' policy announced in February, China should guide 'the shaping of the new world order' and safeguarding 'international security'. Much has changed during the last quarter century when Deng Xiaoping advised China 'to observe calmly, secure its position, hide its capability, bide its time and not claim leadership'.

Today's China is not just willing but eager to assume leadership and expects other countries to yield space. China has suggested 'a new type of great power relations' to the U.S. Its assertiveness in the East China Sea with Japan and in the South China Sea with its Association of Southeast Asian Nations (ASEAN) neighbours sends a signal that while multipolarity may be desirable in a global order, in Asia,



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China is the predominant power and must be treated as such.

Even though China has been a beneficiary of the U.S.-led global order, it is impatient that it does not enjoy a position that it feels it deserves, especially in the Bretton Woods institutions. During the last five years, it has set about creating a new set of institutions (the Asian Infrastructure Investment Bank and the New Development Bank) and launched the Belt and Road Initiative (BRI) to create a new trading infrastructure that reflects China's centrality as the largest trading nation.

The BRI is also complemented by a growing Chinese naval presence in the Indian Ocean. Beginning in 2009, the PLA Navy started rotating three ship task forces through the Indian Ocean as part of the anti-piracy task force off the Somalia coast. Visits by nuclear attack submarines to littoral ports began to take place. In addition to Gwadar, China is now converting the supply facility at Djibouti into a full-fledged military base.

Accelerating the trends

Recent developments have accelerated these geopolitical trends. The first was the outcome of the U.S. elections last year. By invoking 'America first' repeatedly, President Donald Trump has made it clear that the U.S. considers the burden of leading the global order too onerous. American allies, particularly in the Asia-Pacific, are nervous about Mr. Trump's harangues that they are enjoying the

benefits of the U.S. security umbrella on the cheap.

Recent nuclear and long-range missile tests by North Korea have added to South Korean and Japanese anxieties. Japan has been particularly rattled by the two missiles fired across Hokkaido. Given the U.S. push for more sanctions that depend on China for implementation, most Japanese reluctantly admit that North Korea's nuclear and missile capability is unlikely to be dismantled any time soon.

Another significant development was the Doklam stand-off between India and China that lasted from June to August. The Chinese playbook followed the established pattern – creating a physical presence followed by sharpened rhetoric, together becoming an exercise in coercive diplomacy. This worked in pushing the nine-dash line in the South China Sea with the Philippines and Vietnam even as China built additional facilities on reclaimed land in the area. India, however, chose to block China and a few hundred soldiers on the plateau maintained their hostile postures even as Prime Minister Narendra Modi and President Xi attended the G-20 summit in July amidst heightened rhetoric recalling the 1962 war.

Differences with China did not begin with Doklam. It was preceded by the stapled visa issue for Indians belonging to Arunachal Pradesh and Jammu and Kashmir, growing incidents of incursions along the disputed boundary, blocking of India's bid to join the

Irrationalism in city planning

It is better to go back to the drawing board in designing Amaravati

TARA MURALI

Andhra Pradesh Chief Minister N. Chandrababu Naidu has reportedly sought further improvements to the design by the international architectural firm Foster + Partners for the Amaravati start-up area. It is further reported that he has suggested certain changes and favoured the direct interaction of the architects with film director S.S. Rajamouli to seek his inputs to give finishing touches to the plans.

No explanation is to be found of the suggested "certain changes" or "finishing touches".

There are two issues in the Amaravati city project – one of professional integrity and the other of public interest. Both are important, and the reason that they are interlinked in this article is that the lack of the former has made possible irresponsible and improper administrative action of major public expense and serious consequence.

Many changes

To summarise the murky happenings of the Amaravati city project: In March 2016, Maki and Associ-

ates were declared as winners of an invited competition for the Amaravati capital complex. The competition was adjudged by a jury of professionals but the jury's report on shortcomings or strengths of the winning design has not been made public.

When the design itself was made public, it was harshly criticised on several counts – that it was similar to the public buildings at Chandigarh; it was too futuristic; it did not display any Indian characteristics, etc. Maki and Associates claim they had made extensive design changes to meet the new demands, but in spite of that, the government decided to reopen the competition and remove the firm from the project. Complaining to the Council of Architecture (CoA) in December 2016, the principal architect of the firm, Fumihiko Maki, a Pritzker Architecture Prize winner, questioned the motivations of the Andhra Pradesh government committee, alleging unfair practice, a lack of transparency and his firm's 'fraudulent' removal from the project.

Whether the CoA has recognised and taken any action on Mr.



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Maki's complaint is not known.

The 'Baahubali' factor

In December, the State appointed the U.K.-based Foster + Partners along with Hafeez Contractor as the new architects for the project. At the same time, it announced that the project would be assisted by three film and art directors of Indian cinema. The reason was that the three had done extensive research on history, architecture,

Nuclear Suppliers Group last year, ensuring that no language relating to Pakistan-based terrorist groups found mention in the BRICS summit in Goa and preventing the inclusion of Masood Azhar from being designated as a terrorist by the UN Security Council by exercising a veto.

Since 1988, India has followed a consistent China policy based on putting aside the boundary dispute and developing other aspects of the relationship in the expectation that this would create mutual trust and enable a boundary settlement. However, the gap between India and China has grown, both in economic and military terms, and with it has emerged a more assertive China. The shared vision of an Asian century with a rising India and rising China is long past. Mr. Modi's personal diplomacy with Mr. Xi has had little influence on changing Chinese attitudes or behaviour. After Doklam, there is finally a consensus that the old China policy does not serve our national interests and a review is long overdue.

A new strategic landscape

It is against this backdrop that Japanese Prime Minister Shinzo Abe's visit to India took place last week. The contours of a new relationship were defined during Mr. Abe's earlier tenure, in 2006-07, when annual summits were introduced, the relationship became a 'Special Strategic and Global Partnership', Japan was invited to join in the Malabar naval exercises and a Joint Declaration on Security Cooperation was concluded. Since then, significant content has been added.

A singular achievement was the conclusion of the agreement for Cooperation in the Peaceful Uses of Nuclear Energy last year. Under negotiation for five years, this was a sensitive issue for Japan given the widespread anti-nuclear sentiment (though Japan enjoys the U.S. nuclear umbrella) and (misplaced) faith in the Nuclear Non-Proliferation Treaty; it would not have gone through but for Mr. Abe's personal commitment.

To deepen strategic understanding, the two sides initiated a 2+2 Dialogue involving the Foreign and Defence Ministries in 2010. A

memorandum on enhancing defence and technology/security cooperation was signed and talks on acquiring the amphibious maritime surveillance ShinMaywa US-2i began in 2013. Trilateral dialogue involving both the U.S. and Japan and covering strategic issues was elevated to ministerial level in 2014. Japanese participation in the Malabar exercises, suspended because of Chinese protests, was restored in 2015. Once the agreement for the 12 US-2i aircraft is concluded with a follow-up acquisition as part of Make in India, the strategic relationship will begin to acquire critical mass.

However the strategic partnership needs stronger economic ties. Today, India-Japan trade languishes at around \$15 billion, a quarter of trade with China while Japan-China trade is around \$300 billion. Therefore, the primary focus during the recent visit has been on economic aspects. The Mumbai-Ahmedabad high speed rail corridor is more than symbolism, in demonstrating that high-cost Japanese technology is viable in developing countries and that India has the absorption capacity to master it. Completing it in five years is a management challenge but the bigger challenge will be to transfer the know-how of best practices to other sectors of the economy.

Another major initiative is the recently launched Asia-Africa Growth Corridor to build connectivity for which Japan has committed \$30 billion and India \$10 billion. This adds a critical dimension to the 'global partnership' between the two countries. However, to make this productive, India needs to change its style of implementing projects abroad, most of which have been plagued by cost and time over-runs.

Ensuring effective implementation and setting up mechanisms for delivery will align Mr. Modi's Act East policy with Mr. Abe's Free and Open Indo-Pacific Strategy. This alignment sets the stage for the re-ordering of the Asian strategic landscape.

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city planning issues sensitively. As architect A. Srivathsan has written in *The Wire*, "What is of concern are the frequent and opaque changes, the lack of professionalism and accountability. The real danger in the Amaravati story is that a serious, positive planning process has been turned into a flight of whimsy and that public projects remain captive to state caprice."

It is hardly surprising that things have come to a head again. This unscientific and irrational approach to city planning and architecture displays the extent to which the malaise has spread. Public money is being wasted on political hubris and nonsensical notions of public architecture.

It is time that all right-thinking citizens, especially professionals, condemn this situation and demand a more rational, transparent, open and fair process in the foundation and construction. It is better to go back to the drawing board now than to suffer the impact of senseless design later.

Tara Murali is an architect

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.

Bridges with Tokyo

The animus between Japan and China is centuries old as opposed to our misgivings over China built over just 50 years. To that extent Japan has a far greater stake in relations with India. The pact on the bullet train is sizeable in value and Japan would only be too happy to fill up its manufacturing ledgers, thinned by over two decades of economic slack. The agreement could well have come through last year itself, but the timing seems to have been dictated by the Gujarat elections. Perhaps the Doklam stand-off had as much to contribute to this. The train project is but a prologue to greater India-Japan collaboration that would test our mettle to keep the political overtones with reference to China to the bare minimum and focus on bilateral economic ties.

R. NARAYANAN,
Ghaziabad

The hero of 1965

In the passing of Marshal of the Indian Air Force Arjan Singh, India has lost an eminent war hero who played a determining role in the 1965 war. He was the embodiment of dedication, professionalism and commitment. His demise leaves a void that cannot be filled, for Arjan Singh was *sui generis*.

NIRANJAN SAHOO,
Bhubaneswar

Justifying the hike

Union Tourism Minister Alphons Kannanthanam has stirred up a hornet's nest with his blunt assertion that vehicle owners are not so poor that they should be complaining about the increase in fuel prices. To be fair, his statement, notwithstanding its underlying political incorrectness and apparent insensitivity, is not entirely untrue. However, the articulation of

policies and their justifications, especially in respect of those imposing a higher tax burden on the people, need to be carried out in a nuanced and sensitive manner. If taxes and levies can be arbitrarily hiked to exploit a captive market such as that for petroleum products, it not only makes the government guilty of monopolistic behaviour but also undercuts the principle of taxation with representation as the price revisions do not have Parliament's approval.

V.N. MUKUNDARAJAN,
Thiruvananthapuram

Sounding the bugle

Tamil Nadu is among the few States in the country where film actors never shy away from plunging into the world of politics in the hope of becoming Chief Minister of the State one day. However, the successes scripted by M.G.

Ramachandran, M. Karunanidhi and Jayalalithaa cannot be fully attributed to their association with the tinsel world. Their allegiance to the Dravidian movement and its ideology, coupled with a direct connect with the masses at the grass-root level, played a pivotal role in their emergence as forces to reckon with. Now that actor Kamal Haasan has evinced greater interest in joining politics, one cannot say with certainty that people will back him and ensure his success in politics. His criticism of the ruling party may not have gone down well with the people as well. Unlike cinema, electoral politics is a different game altogether where muscle and money have to be taken into account ("I have arrived in politics", says Kamal", September 16).

M. JEYARAM,
Sholavandan, Tamil Nadu

■ The political confusion in Tamil Nadu seems to be spurring those watching from the sidelines to jump into the fray. Forming a new party is an option for Mr. Haasan, but there are bound to be many hurdles. He has a fan following which can be expected to work hard for him in an election. Though he is a fabulous actor, he will have to work on his image, especially among the educated middle class. The Congress has been surviving by joining hands with one Kazhagam or the other. As the old guard has rested its oars, this party offers him an opportunity to take control of it. He should therefore join the party and launch his bid from here.

S. RAJAGOPALAN,
Chennai

■ Kamal Haasan has set the sails of his political boat and it is premature to guess how his vessel would weather

the uncharted territory. His declaration that his party would be funded by the poor sounds immature as that betrays his order of priorities. His celluloid roles seem to cast their spell on his political ambitions if his one-liners, quips, retorts and taunts to questions posed by the media are any indication. No doubt he needs to be given time and space to adjust himself to the demands of his new role, but new entrants should be smart enough to remember the wise counsel of the DMK's patriarch that all the cheers and applause one gets in a meeting may be deceptive as none can gauge how many hands that clap during a speech would actually vote for the party that the speaker campaigns for.

SIVAMANI VASUDEVAN,
Chennai

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