Cosmetic repair

It will now be easier for banks to sell stressed assets, but other tricky issues remain

Indian banks trying to sell their troubled assets now have one less hurdle to cross. A group of banks, including public sector, private sector and foreign banks, signed an inter-creditor agreement on Monday to push for the speedy resolution of non-performing loans on their balance sheets. According to the agreement, a majority representing two-thirds of the loans within a consortium of lenders should now be sufficient to override any objection to the resolution process coming from dissenting lenders. Minority lenders who suspect they are being short-changed by other lenders can now either sell their assets at a discount to a willing buyer or buy out loans from other lenders at a premium. The inter-creditor agreement is aimed at the resolution of loan accounts with a size of ₹50 crore and above that are under the control of a group of lenders. It is part of the "Sashakt" plan approved by the government to address the problem of resolving bad loans. Over the last few years, Indian banks have been forced by the Reserve Bank of India to recognise troubled assets on their books, but their resolution has remained a challenge. According to banker Sunil Mehta, who headed a panel that recommended the plan, disagreement between joint lenders is the biggest problem in resolving stressed assets. The government hopes that the holdout problem, where the objections of a few lenders prevent a settlement between the majority lenders, will be solved through the inter-creditor agreement.

Such an agreement may persuade banks to embark more quickly on a resolution plan for stressed assets. This is an improvement on the earlier model, which relied solely on the joint lenders' forum to arrive at a consensus among creditors. It is, in fact, logical for joint lenders who want to avoid a deadlock to agree on the ground rules of debt resolution prior to lending to any borrower. But the obligation on the lead lender to come up with a time-bound resolution plan can have unintended consequences. Banks may be compelled to engage in a quick-fire sale of stressed assets due to arbitrary deadlines on the resolution process. This will work against the interests of lenders looking to get the best price for their stressed assets. Also, it is often in the interest of the majority of creditors to take the time to extract the most out of their assets. Meanwhile, the biggest obstacle to bad loan resolution is the absence of buyers who can purchase stressed assets from banks, and the unwillingness of banks to sell their loans at a deep discount to their face value. Unless the government can solve this problem, the bad loan problem is likely to remain unresolved for some time to come.

Özil's burden

The German footballer has been tragically bruised by the politics-sport interface

Mesut Özil's withdrawal from the German football team on Sunday came as a shock to many. One of the most gifted midfielders of his generation, Özil has been a mainstay of the Die Mannschaft – as the national squad is called – for almost a decade, as his 23 goals and 40 assists from 92 appearances attest. But when he released an explosive statement, with a declaration that he could no longer wear the German shirt with "pride and excitement" because of "racism and disrespect", it caused many a football fan to shudder. The turn of events has its roots in Özil and fellow footballer İlkay Gündoğan meeting Turkish President Recep Erdoğan in London and presenting him with shirts just before the World Cup. Both Özil and Gündoğan are Germany-born players of Turkish origin and their act was perceived as an endorsement of the Turkish leader, who is widely derided for leading his country down the path of autocracy with rampant human rights violations. Germany's surprise first-round exit from the 2018 World Cup in Russia produced a convenient brickbat to target Özil with, and it was compounded by the vitriol directed at him. From DFB (German Football Association) president Reinhard Grindel to sections of the media, the Arsenal playmaker spared no one as he alleged they had "disrespected his Turkish roots" and "selfishly turned [him] into political propaganda."

The episode has unravelled at a time when Germany is at a crossroads – over whether to move forward and forge a more cosmopolitan, open society or retreat into its nationalistic past. Özil, apart from his immigrant background, is a practising Muslim, and when Germany won the 2014 World Cup he was the poster boy of the DFB's efforts to make football inclusive. That one international failure – which could be explained purely in footballing terms – can lead to such a vile debate clearly indicates the fault lines. "I am German when we win, but an immigrant when we lose," lamented the 29-year-old. To have his loyalty questioned even after he gave up his Turkish passport in order to play for Germany must have been distressing. However, Özil has unwittingly walked into an unnecessary controversy over a sensitive issue. Meeting President Erdoğan may have been "about respecting the highest office of his family's country", but he should have been mindful of the fact that Germany and Turkey shared a tenuous relationship, with the Turkish President having accused Angela Merkel's government of being stuck in Germany's Nazi past. And when a minister in the Turkish Cabinet termed Özil's move to quit as the "most beautiful goal against the virus of fascism", it hit Germany where it hurt the most. When Özil said he had "two hearts, one German, one Turkish," he was attempting a delicate balancing act, favouring integration – a cherished modern-day value – over assimilation. Little did he expect that it would be so rough a ride.

Proving the hardliners in Tehran right

The cornerstone of Donald Trump's West Asia policy is Israel's security. The containment of Iran is the subplot

STANLY JOHNY

America's Iran policy has come full circle with U.S. President Donald Trump's recent open threats against Tehran – from historical hostility towards post-revolutionary Iran, to engagement during the Barack Obama era, it has now flipped back under the new administration.

The Trump road map

The cornerstone of Mr. Trump's West Asia policy, as it appears, is Israel's security, and the containment of Iran is a subplot of this approach. America's traditional allies, Israel and the Sunni Arab world (read Saudi Arabia), were upset with Mr. Obama's outreach to Iran. His approach was focussed on restoring some balance in the region, which was shaken up by revolts in the Arab world and civil wars. The Obama administration could persuade Iran to give up its nuclear ambitions in return for the lifting of international sanctions. The 2015 nuclear deal with Iran had at least opened new avenues for both Washington and Tehran to reimagine their relations. Those avenues have been closed, at least for now.

Interestingly, it's not Iran which is responsible for the current escalation. Iran, as the UN atomic watchdog has certified, has been fully compliant with the terms of the nuclear accord. Other signatories of the deal, including the European Union, still stick with it. But Mr. Trump, who has called it the "worst deal ever" in American history, withdrew from it unilaterally this May, thereby manufacturing a new crisis. If the Obama administration had a nuanced view of Iran's leadership – it engaged with Iranian moderates such as President Hassan Rouhani – in the Trump team's perspective, there's no statesman-like figure within the Iranian government. A few hours before Mr. Trump warned Mr. Rouhani late on Sunday of unprecedented consequences if Iran threatened America, U.S. Secretary of State Mike Pompeo addressed a group of Iranian diaspora in California, and called the regime a kleptocracy akin to the mafia.

Anti-Iran bloc

Why this U-turn? Besides his urge to undo every achievement of his immediate predecessor, Mr. Trump sees Iran through the establishment's foreign policy prism. He wants U.S. policy to swing back to America's traditional allies, Israel and the Sunni Arab world. They saw the nuclear deal and the subsequent opening up of the global economy for Iran as further helping Tehran consolidate its position in West Asia at a time when it's already spreading its influence through a Shia corridor. Mr. Trump doesn't have a broader regional stabilisation strategy. Rather, in his worldview, Iran has to be rolled back for the U.S.'s traditional allies to assert themselves even more strongly in the region. He dumped the nuclear deal not to force Iran to renegotiate it, but to provoke and isolate it instead.

The plan is to deny Iran the economic benefits of the nuclear deal, incite Iranians against the regime and scuttle Tehran's influence within Syria using Russian help.

The Trump-Vladimir Putin agreement in Helsinki (which was pre-endorsed by Israel) to keep Iranian-trained militias away from the de facto border between Syria and the Israeli-occupied Golan Heights and sustain the relative freedom Israel enjoys within Syria to target Iranian assets at will suggest that Moscow is ready to cooperate to a certain extent.

A comparison

Conventionally, Iran is not a great military force. It spends far less on defence than what Saudi Arabia, its regional rival, does. In 2016, Iran spent $12.7 billion on defence, compared to Saudi Arabia's $63.7 billion. Even in terms of percentage of GDP, Iran, at 3%, is behind even Jordan, which spent 4% in 2016, not to mention Saudi Arabia's 10% and Israel's 6%. It's to overcome this asymmetry in its conventional might that Iran has adopted a 'forward defence' doctrine, empowering militias and proxies in other countries, such as the Hezbollah in Lebanon, mobilisation units in Iraq and Syria, and the Houthis in Yemen. This upsets both Israel and the U.S. In the event of a war, Iran could activate these groups, unleashing havoc in its neighbourhood and targeting both American and Israeli soldiers. This doctrine draws from Iran's insecurity, not from some revolutionary zeal. Iran is basically a pragmatic power with revolutionary rhetoric. It's also a country that has a complex system with multiple power centres that requires a nuanced approach – a message completely lost on the Trump administration.

In the past, there have been different attempts, from both Iran and the U.S., for a rapprochement. In the last leg of the Bill Clinton presidency, the administration had ended a few of America's sanctions on Iran and made a commitment to take steps towards ending two decades of hostility. After the 9/11 attack, Iran offered cooperation to the U.S. in its war against the al-Qaeda and Afghanistan. But the George W. Bush administration reversed the Clinton-era policy and even ignored the goodwill Iran showed after the 9/11 attack; it clubbed Iran alongside North Korea and Iraq as part of an "axis of evil". Within a few months Iraq was invaded and there was talk of an imminent Iran invasion. The election, in 2005, of Mahmoud Ahmedinejad, a hardliner, as Iran's President only made matters worse.

Dashed hopes

What's happening now is a repeat of history. After Mr. Rouhani became President in 2013, there was a climate for engagement, which Mr. Obama seized. Mr. Rouhani ignored or overcame the warnings and pressure tactics from hardliners within the regime and went ahead with negotiating the nuclear deal. In 2015, they made history. Mr Rouhani's bet was on the economic benefits the deal would bring, which helped him secure a re-election last year. It had both global and domestic ramifications. Globally, checks were introduced on Iran's nuclear ambitions without coercion. It was a triumph of diplomacy. Domestically, it strengthened the hands of the moderates in Iran's power dynamics. A U.S. administration with a rational policymaking machine would have appreciated the deal and consolidated it, by retaining the checks on Iran while sharpening the contradictions within Iran's power games. Continued normalisation should have been the key, which would have allowed both sides to address lingering concerns such as Iran's support for militias. It would also have set a global example for non-proliferation and new rules to check countries with nuclear ambitions.

Instead, the Trump administration has demolished all these possibilities with its irrational, if not ideological, hostility towards Iran. Look at these two examples: Iran is a country which had an active nuclear programme and came forward to negotiate a deal with world powers. But the deal has been jettisoned by the U.S., which is now threatening Iran with force. North Korea, on the other hand, went ahead and built nuclear bombs and missiles, threatened the U.S. and its allies and is living in a permanent state of war in East Asia. The U.S. President travelled to Singapore to meet the North Korean leader and is seeking an agreement with him, with assurances of economic benefits in return. In other words, the Trump administration is punishing the country which agreed to scuttle its nuclear programme and engaging with the country that built nuclear weapons. The U.S. President is proving Iran's hardliners right. How will they trust America again?

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India needs smart urbanisation

Cities require a renewal that factors in rural-urban migration

FEROZE VARUN GANDHI

Residents of Bhavanpur, a village about 15 km outside Ahmedabad, have been protesting against their inclusion in the city's urban area by the local urban development authority. Similar protests have been observed in villages elsewhere in Gujarat. It's a strange trend, the fruits of urban development seemingly rejected. Meanwhile, pollution in India's urban areas seems to have sparked off a reverse migration. Farmers from Haryana who had migrated to Delhi and Gurugram for work to escape an agricultural crisis are increasingly going back to their farms during winter, unable to take the toxic pollution. And it's not just big cities. India's urbanisation template is clearly ripe for change.

A rising number

Over 34% of India's current population lives in urban areas, rising by 3% since 2011. More importantly, while existing large urban agglomerations (those with a population above 50 lakh) have remained mostly constant in number since 2005, smaller clusters have risen significantly (from 34 to 50 clusters with 10-50 lakh population). By some estimates, India's urban population could increase to 814 million by 2050. And yet, cities look and feel downtrodden, riven with poverty and poor infrastructure, with little semblance of urban planning. With an increase in urban population will come rising demands for basic services such as clean water, public transportation, sewage treatment and housing.

Meanwhile, on the 'Smart City' front, while over 90 'Smart Cities' have identified 2,864 projects, India lags on implementation, with about 148 projects completed and over 70% still at various stages of preparation. Finally, there is still an outstanding shortage of over 10 million affordable houses (despite the government taking encouraging steps to incentivise their construction). The annually recurring instances of floods in Mumbai, dengue in Delhi and lakes on fire in Bengaluru paint a grim picture. While work continues, admittedly slowly, on the Delhi-Mumbai Industrial Corridor project and the bullet train, urban India's challenges remain manifold.

One primary problem is that of the definition of what's urban. Urban development comes under State governments, with the Governor notifying an area as urban based on parameters such as population, density, revenue generated for the local administration and percentage employed in non-agricultural activities. This notification leads to the creation of an urban local government or municipality, classifying the area as a "statutory town". With such a vague definition, discretionary decisions yield a wide variance in what is considered a town. The Central government considers a settlement as urban if it has a urban local government, a minimum population of 5,000; over 75% of its (male) population working in non-agricultural activities; and a population density of at least 400 per sq. km. However, many States consider such "census towns" as rural, and establish governance through a rural local government or panchayat. Consider the case of Dabgram, in West Bengal's Jalpaiguri district, which is classified only as a "census town", while having a population more than 120,000 and located just 3 km from Siliguri.

Another issue is the low level of urban infrastructure investment and capacity building. India spends about $17 per capita annually on urban infrastructure projects, against a global benchmark of $100 and China's $116. Governments have come and gone, announcing a variety of schemes, the Jawaharlal Nehru National Urban Renewal Mission included, but implementation has been mostly inadequate, with exploration of financing options limited as well. For example, Jaipur and Bengaluru collect only 5-20% of their potential property tax – how can urban local bodies be sustainable without enforcing this? Meanwhile, urban institutions also suffer from a shortage of skilled people.

Finally, there needs to be a systemic policy to deal with urban migration. Internal migration in India is very closely linked to urban transitions, with such migration helping reduce poverty or prevent households from slipping into it. Urban migration is not viewed positively in India, with policies often bluntly seeking to reduce rural to urban migration. Preventing such migration can be counterproductive – it would be better to have policies and programmes in place to facilitate the integration of migrants into the local urban fabric, and building city plans with a regular migration forecast assumed. Lowering the cost of migration, along with eliminating discrimination against migrants, while protecting their rights will help raise development across the board. Consider Delhi. While historically, urban policy sought to limit urban migration, this is now changing with a focus on revitalising cities nearby such as Meerut, building transport links and connectivity.

Our urban policymakers also need to be cognisant of the historical context of our urban development. Our cities have been witness to multiple transitions over the last century, with barely any time to recover and adapt – the British creation of three metropolitan port cities, combined with the rollout of the railway network, transformed India's urban landscape, relegating erstwhile prominent Mughal-era towns such as Surat and Patna into provincial backwaters. The creation of hill stations in northern India and the advent of the plantation economy, along with industrial townships (such as Jamshedpur) transformed trading networks. Finally, the creation of cantonments and civil lines areas, along with railway stations, in our major cities led to the haphazard growth of urban areas away from bazaars and towards railway terminals. Transforming them into neatly organised urban spaces will not be easy.

Towards a new model

Perhaps we need a different model of urbanisation. The announcement of a new urbanisation policy that seeks to rebuild Indian cities around clusters of human capital, instead of considering them simply as an agglomeration of land use, is a welcome transition. We need to empower our cities, with a focus on land policy reforms, granting urban local bodies the freedom to raise financing and enforce local land usage norms. For an India to shine, the transformation of its cities is necessary.

Feroze Varun Gandhi is a Member of Parliament, representing the Sultanpur constituency for the BJP

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.

Stop the lynchings

Is mob lynching the new normal for India? Is it not necessary that the political class issues a strong message to people not to take the law into their hands? All it needs is a firmly worded message from the leaders who matter. One need not wait for the four weeks for the recommendations of a high-level committee that the government has decided to form ("Alwar fallout: govt. panel to check cases of mob lynching", July 24).

AKSHI ASHOK,
New Delhi

■ In India, this new tyranny of lynching, especially of members of certain minority communities, is increasingly becoming regular, signifying a virtual collapse of the law and order machinery. The recent spurt in hate crimes can be traced to that sense of immunity from the law. What is equally appalling is civilised society's indifference to a growing mob rule. The perception of political impunity among cow protection vigilantes has been further strengthened by a Union Minister's thoughtless act of felicitating convicted lynchers.

PADMINI RAGHAVENDRA,
Secunderabad

■ The nation has been promised 'sabka saath, sabka vikas' and 'acche din', but there only seems to be a growing sense of unease spreading across the country. The 'phenomenon' of lynching, based on the principle that 'might is right', should not be looked at in isolation. It is closely and inextricably linked to the present political climate. The Prime Minister has to do more and protect all citizens, irrespective of religion and livelihood, and demonstrate his commitment to the Constitution.

G. DAVID MILTON,
Maruthancode, Tamil Nadu

Judgment writing

The aspect of concise judgment writing is a matter of critical concern and there is enough literature, both Indian and foreign, on this subject (Editorial page, "The art of writing a judgment", July 24). Judgment writing is part of the syllabus for examinations held to select judicial officers. What the aspirants are expected to know is nothing more than the format of a judgment. No attempt is made to assess their judgment writing skills which include appreciation of evidence and application of the law. The appellate court is the place where only the correctness of a judgment is challenged and it is not the forum to test a judge's writing skills. Since some judicial officers are not fluent in English, the judiciary has permitted judgments in the vernacular. But even this has not enhanced the value of their judgments.
There is a way out. During the selection process, selected candidates should be given factual and legal situations of a litigation and asked to write an entire judgment. Their final selection should be based on this.

V. LAKSHMANAN,
Tirupur, Tamil Nadu

■ The issue raised actually transcends the boundaries of the judiciary and encompasses all fields of higher education in India. Tertiary education has a wrong assumption that a university needs to teach students only "contents and ideas" (legal nuances, technical aspects of engineering) rather than the art and science of communicating them to a specific audience effectively. Writing is a skill that needs to be taught and learned. Universities in North America have writing courses for college students regardless of their specialty. Later on, other writing courses tailored to a student's specialisation are also offered.

RIZWAN AHMAD,
Doha, Qatar

CORRECTIONS & CLARIFICATIONS:

>The Op-Ed page article, "Befriending the neighbour" (July 24, 2018), had erroneously described C. Rajagopalachari as the then *President* of India in the context of the ratification of the Treaty of Perpetual Peace and Friendship signed by Bhutan and India. It should have been *Governor-General*. The same article had misspelled the name of the Queen of Bhutan (now 'Royal grandmother') Ashi Kesang *Choeden* Wangchuck.

>Late corrections: The report, "Ramayana Express from November 14" (July 11, 2018), said 'the tour would be priced at ₹15,120 per person, to cover all meals, accommodation, wash and change facilities in dharmashalas, all transfers, sight-seeing arrangements and a dedicated tour manager." The fact that the Sri Lanka leg of the tour would be charged separately got edited out.

>The story about the Tamil Nadu Agricultural University having no record of trees was wrongly headlined "TNAU has no record of trees on campus: CAG" (some editions, July 11, 2018). It was *not a CAG report* – as the headline and the text said. It was a report of the *Local Fund Audit Department* under the Tamil Nadu Government's Finance Department.

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