

**Be not ashamed of thy virtues
honor's a good broom to sweep
a man's feet in all things**
— Ben Jonson

Re-assessing India's neighbourhood diplomacy

Prime Minister Narendra Modi is visiting China to have a one-to-one meeting with President. The visit has been officially described as 'informal' where only the two interpreters will be present; no joint statement will be issued after the meeting; no notes will be taken, no papers will be exchanged and no press briefings will be held. The meeting takes place at a time when satellite pictures show that China is busy increasing its military presence in Doklam in a number of ways, when Chinese incursions in Arunachal have increased and Chinese naval vessels are increasing their footprints in the Indian Ocean. To counter the Chinese threats, both the Indian army and the air force have recently held huge exercises. The IAF held what it called "Gaganshakti" to test its ability to hit targets within a two thousand kilometer radius of India.

In the circumstances, the exact purpose of the Modi-Jinping meeting can only be speculated upon. Taking the overall situation into account, it is doubtful if the meeting will yield any positive results – positive, that is, for India. The Chinese influence is growing on our immediate neighbours – from Nepal to Sri Lanka to Maldives to Seychelles. There are disturbing reports that Bhutan, which India has virtually treated as its protectorate, is keen on establishing direct diplomatic relations with China, that it is in a mood to settle its boundary disputes with China (as in Doklam) by keeping the Chinese in good humour, that pro-China sentiments are growing in Bhutan and that the young generation of Bhutanese is in favour of forging closer economic relations with China.

The Prime Minister is now the de facto Foreign Minister of India. The Ministry of External Affairs works directly under the PMO. Therefore, if India's neighbourhood diplomacy has failed to prevent China's growing influence in the neighbouring countries, the Prime Minister will have to shoulder the responsibility. China's ambition is to establish itself as the world hegemony, supplanting the United States in another five decades or so. In Asia, the biggest challenge to Chinese hegemony is India. Seen in this long term perspective, China's attitude to India can never be anything but confrontationalist. Any diplomatic move on the part of India that China thinks is an indication of weakness will only harden Chinese attitude toward India. India will have to craft her foreign policy taking a long-term view of the likely co-relationship of major Powers and India's place in it fifty years from now.

India, China trade issues-too many them

REFLEX ACTION

G. Srinivasan

India's Prime Minister Narendra Modi and China's President in perpetuity Xi Jinping summit parleys sans aide but with interpreters in Wuhan on April 27/28 to take advantage of their mutual chemistry in cementing bilateral relations have not come a day too soon. Soon after Modi's ascension to the premiership in 2014 he made no bones about his globe-trotting intentions to befriend as many nations as possible during his tenure, though many a critic poured scorn and bile at cultivating friendship across the board in the universe and at enormous expense. In his initial days, Modi showed exceptional warmth to Xi and ensured that the first visit of the Chinese leader to India a great success by taking him to his own state Gujarat to hold a sort of retreat talk where both them and their entourage were on a swing at the park on the Sabarmati's riverfront.

The world saw the amazing bonhomie of the leaders of the two giant nations of Asia, which captured the imagination of more than a billion people in their respective country by promising to usher in the pride and heritage of their country's studded history and glory of the bygone centuries.

Despite the exceptional warmth and amity established between the two strongly individualist leaders, subsequent developments in both the countries did not help blossom the cooperative spirit and carry forward what their combined might could demonstrate to the world, which already construed the current century as Asia's, much ahead of the last decade of the last century! There remains no dearth of issues to keep the relations hot that have no doubt led to tensions or what diplomats elliptically dub perpetual pinpricks to spoil the party. They range from boundary tensions, the Nuclear Suppliers Group membership issue or India's opposition to the Belt and Road Initiative (BRI) as the latter impinges on the sovereign concerns of participants without providing them any respite.

In a world where superpowers and hegemonic designs no longer hold sway with many a nation possessing nuclear capability, the absence of maintaining

communication channels to talk to friends and foes through friendly foes is but risky. India and China can no longer remain cut away from each other on the great divide of the mighty Himalaya. A cursory glance at geopolitical theatres of the absurd would demonstrate how fragile relationships are shaping up. With US President Donald Trump showing unrelenting gall at China for trying to sway the whole world through its soft and smart powers, the former made a somersault of sort to woo the Middle Kingdom when it came to dealing with Russia and North Korea.

In spite of singling out Beijing for adverse trade balance against the US and imposing anti-dumping duty on steel and aluminum, with China retaliating with a raft of tariff measures on American goods, both the US and Chinese leadership have kept their bilateral bonhomie and cooperative spirit separate when the chips are down to find a solution to major crisis or problems plaguing the world at large.

Even as the new US legislation, CAATSA (Countering America's Adversaries Through Sanctions Act) to slap sanctions on any company engaging with Russia in the defence or energy sector is exacting pressure on Moscow, the US has gone soft on China with a recent tweet by President Trump appreciating Chinese President Xi Jinping's "kind words on tariffs and automobile barriers and "his enlightenment on intellectual property and technology transfers".

It needs to be borne in view that China's marvelous

growth in recent years has been driven mostly by technology catch-up and investment. As Prof. Kenneth Rogoff wrote in a Project Syndicate column recently, China's gains on the technological domain "still come largely from adoption of western technology and in some cases, appropriation of intellectual property".

Though bilateral relationship does matter for peace and stability in the Asian continent, it is India's interest to be pushing Beijing for more focused trade opportunities so that the bulging trade deficit New Delhi suffers from China could be pruned to a manageable level. As Modi has travelled the extra distance to be amiable with Xi, the trade relationship had not got much of a boost as India's trade deficit with China had been steadily growing up from \$ 48.45 million in 2014-15 to \$ 52.69 million in 2015-16 to \$ 51.10 million in 2016-17 and to a staggering \$ 47.11 million during the first nine months of the fiscal year 2017-18.

As India is wrestling with entering into the Regional Comprehensive Economic Partnership (RCEP) which is a proposed free trade agreement (FTA) centering on ten ASEAN members and includes their six FTA partners viz, India, Australia, China, Japan, New Zealand and South Korea, India needs to be wary of how much reduced dutiable items would deluge the domestic market from the Middle Kingdom once the RCEP is in place. It is time Indian leadership at the highest level demonstrated the potentials to make Chinese purchase more of Indian goods and invest in India by way of repatriation for the skewed commercial relationship that is patently in favour of China right now. Merely reiterating our reservation against BRI as made out by Foreign Minister Sushma Swaraj at the Shanghai Cooperation Organization (SCO) Foreign Ministers meeting would only irritate the Chinese as they deem this initiative and the Asian Infrastructure Investment Bank (AIIB) as their signature projects to build goodwill in the world. Wisdom lies in extracting gains in relationship without effecting any embarrasing by running down the pet projects of one's neighbour. (IPA)



Students of Gurukul tradition displaying various form of Yoga during the Gurukul Conference in Ujjain.

Deficits that affect people

Of important aspects of the economy – revenue deficit and fiscal deficit – finance minister Arun Jaitley has bid goodbye to revenue deficit from budget estimates and Fiscal Responsibility and Budget Management Act (FRBM) is targeted for amendment. For millions of people including a good number of law makers this hardly makes sense. Revenue deficit being incurred due to consumption expenditures exceeding revenue earnings too big a gap here will force the government to take loans from the market to meet the expenses which in the last analysis affect the total deficit measured in terms of fiscal deficit and create inflationary upswing affecting people's living condition.

The government's tax collections under different heads including GST form the revenue earnings. Revenue expenditures take into account government spending on employees' salaries, pensions, subsidies, costs to run various social welfare schemes, interest payments on loans incurred by the State.

These are the government's current

expenditures and are inelastic on paper. These often go up on occasions like farm loan waivers, new schemes, salary hikes and the like. The oft-declared government's aim to balance earnings and spending and bring out a zero deficit revenue budget never materialized. The increased expenditure is met by making fresh borrowings from the market as no budgetary provisions are met for more tax and non-tax earnings.

The government's decision to rein in only debts and fiscal deficit by tweaking FRBM Act does not obliterate revenue deficit at all. It will be there but the government will not set any target to control it. Public finance experts rightly feel it is a wrong decision. It should be incumbent upon the government to go on earning more revenues by measures like more taxation to reduce the gap between earnings and spending on revenue account.

Because by controlling spending, increasing earnings on this account the government will be free from

FOCUS

Mrinal K Biswas

extra debt burdens. Government will have more money in hand to spend on development works which in any case will have to be buttressed by it by collecting debts through fiscal deficit.

Fiscal deficit is the total debt the government has to incur in the budget period and the objective is to bring it down to 3 per cent of country's gross domestic product, in a phased manner.

But this time it has been set at 3.3 per cent of GDP. This will have some negative ramifications because the government taking more loans from the market will make less of the total money available in the market for the non-government sector i.e., private sector.

In fact, the government's exorbitant market borrowings will crowd out the private sector because

the bulk of the available credit will be acquired by the public sector. Money market will be stiff making debt rates dearer for the non-government sector.

Inflationary pressures arise. This seems unavoidable as the government may need much more than budgeted Rs 2,000 crore for national health insurance scheme and a few more on other social support schemes.

It is understandable that the central government has these social welfare schemes in addition to development works including huge allocation on infrastructure for which budgetary provisions are made. It is not clear that the centre will be able to keep a cap on the fiscal deficit at 3.3 per cent of GDP.

Present scenario may be viewed in the context of the government becoming more interested in an expansionary fiscal policy rather than fiscal consolidation.

(In the money market RBI is going the other way by holding credit rates under leash against government wish).

Some figures may enlighten commoners about present position of the economy.

The centre has allocated Rs 60,000 crore of tax revenue in order to compensate States for loss of tax revenue due to GST implementation, there was dividend income from public financial institutions of Rs 74,000 crore which was a low figure because of RBI slashing dividend pay by 50 per cent to the government due to demonetization and consequent increased cost of printing new notes. Further, the fall in the non-tax revenue had increased the fiscal deficit by over Rs 50,000 crore.

In this financial year (fiscal) between April of 2018 and March 2019 the estimated government market borrowings will go up to 48.8 per cent of GDP.

Conventional Crossword

1	2	3	4	5	6	7	8
9			10		11		
12					13		
	15	16	17				
18			19		20		
21	22	23				24	
25			26			27	
28					29		
30					31		

ACROSS

- Church service
- Infatuate
- Liability
- Kindness
- Kingdom
- Daan
- Gael
- Happening
- Got up
- Mountain lake
- Decorated a cake
- Projecting corner
- American ostrich
- Permit
- Vents
- Seeks charity

DOWN

- Plan
- Copy
- Scene of action
- Chooses by vote
- Part of a shoe
- Sig-shaped
- Fraction
- Ward
- Malignous destroyer
- Agitates
- Kind of coy
- Prolonged pain
- Scottish dance
- Wags
- Limb

SUDOKU : 2181

		2	1	4	3			
	4				6			
1	5		3					
			6	3	5			
5	3			1	2			
7	2		3					
		5		6	1			
8					5			
1	6	4	7					

Yesterday's Solution 2180

4	9	5	2	1	6	7	8	3
7	6	8	9	4	3	5	1	2
3	1	2	7	5	8	6	4	9
8	7	3	4	6	1	9	2	5
9	4	6	5	3	2	1	7	8
5	2	1	8	7	9	4	3	6
6	3	7	1	2	5	8	9	4
1	5	9	3	8	4	2	6	7
2	8	4	6	9	7	3	5	1

Yesterday's Cross Word Solution 189

G	O	O	B	E	S	E	T
I	V		R	A	V	E	
S	P	E	D	R	A	V	E
T	N	A	V	E	E	N	D
S	V	E	N	A	L	S	
O	B	I	E	L	A	N	O
C	R	O	P	S	D	O	W
K	A	L	E	U	L		
S	T	A	G	E	U	N	V

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