

*If the only tool you have is a hammer, you tend to see every problem as a nail*  
Abraham Maslow

## Trump and tragedy

Donald Trump is as good as his words. During his election campaign he had made it plain that if elected he would rescind the Paris Agreement on climate change as scientists were unnecessarily presenting an alarming picture of the consequences of global warming. Indications are that he is going to do exactly that. As the US is responsible for the highest amount of carbon emission, the main reason of global warming, Washington walking out of the Paris climate agreement would mean disaster for man – and all life on this planet.

The march of industrial civilization depends on higher and higher consumption of energy generated primarily by burning fossil fuels. As the US is the most industrially advanced country in the world, it consumes the highest amount of energy and is the main culprit for global warming. At the present rate of global warming, by 2100 world temperature would rise by eight degrees Fahrenheit – enough to destroy the ecosystem which includes us, the mankind. Only a lunatic can say that global warming is a bogey conjured up by the scientists for no apparent reason. But the series of comments made by Trump on a wide variety of subjects do raise questions about the sanity of his judgment. Sea level will rise, inundating large parts of the world. There will be irreversible climate changes. Unpredictable floods and droughts will become the rule.

The US will not escape either but that thought does not seem to worry Trump at all. He has now, reportedly taken the final decision to walk out of the Paris agreement, throwing the future of the world in great danger. Trump thinks lower energy consumption will be against the interests of US economy and be an impediment to job creation – one of the major promises on which he won the election. His vision is certainly myopic. No country or no individual, however powerful, has the right to endanger the Earth and those who live on it. But Trump can be prevented from pursuing his disastrous course only by the American people and the democratic institutions in their country. The effects of climate change are already being felt all over the world including India. The severe drought affecting the country now is an ominous foreboding for the future. If Trump persists in his perilous course, the world has to find out ways to stop him in his track. Otherwise, tragedy will befall this planet.

# Functioning of RBI, Govt

## REFLEX ACTION

Nantoo Banerjee

The autonomy of the Reserve Bank of India, which, for the first time, came under severe pressure from the government during the UPA regime, especially during the period of Palaniappan Chidambaram as the finance minister, now stands officially diluted under the BJP-led NDA regime. Not only a new era of monetary policy formulation has dawn, under the Monetary Policy Committee, after 82 years, but, at the government's behest, the banking regulator is now being involved in the decision making process of commercial banks to expedite resolution of their huge bad debt through restructuring and moving insolvency proceedings, if necessary.

The centre asked RBI to issue directions to banks with large NPAs to initiate an insolvency resolution process in respect of a default. The question is: why did the government feel such an urgent necessity to use the central bank in the affairs of the management of NPAs of majority state-owned public sector banks? The government could set up an expert committee to help resolve the issue. Thanks to the lack of strict supervision by the government and political indulgence, the public sector banking system grew up to be extremely corrupt over the last four decades that might have principally led to the accumulation of such large NPAs. Honestly, the real reason behind using RBI for such a tricky operational function of commercial banks at this stage is not quite clear. But, this, along with new system of monetary policy formulation, substantially diluted the key functions of the central bank.

Similarly, it is not clear why the governor of the Reserve Bank should openly sound alarm on an age-old pre-poll political practice of promising bank debt waiver to marginal farmers. Despite contributing substantially to the country's agricultural production every year, millions of debt-hit marginal farmers live in utter distress themselves. It has been a matter of concern of the society and the government. Unable to return debts to banks and private money lenders, hundreds and thousands of

such farmers choose to commit suicide every year to escape the debt burden. The country's political masters are left with little alternative but to waive part of their debts from time to time. Highly agriculture-based economies in states such as Uttar Pradesh, Maharashtra, Punjab, Telangana, Tamil Nadu, Karnataka and Madhya Pradesh are also home of some of India's poorest farmers. It is none of the business of RBI Governor Urjit Patel to be upset with the newly elected UP Chief Minister, Yogi Aditya Nath's announcement of a Rs.36,000-crore farm loan waiver even if it, in Patel's words, "undermines honest credit culture, impacts credit discipline, and plugs incentives for future borrowers to repay. In other words, waivers engender moral hazard."

Incidentally, Bharatiya Janata Party (BJP) in the UPElection campaign, spearheaded by Prime Minister Narendra Modi and party president Amit Shah, was said to have promised loan waiver to the state's poor debt-hit farmers. The onus is now on Yogi Aditya Nath to stand by the party's election promise. One would expect the RBI governor to keep shut on such a sensitive political issue though he may not be wrong to call for a consensus on such practices to avoid damaging the national financial balance sheet. The RBI governor's outburst may have something to do with the banking regulator's new role of a decision maker directing commercial banks to expedite resolution of their huge bad debt already running into some around Rs.9 lakh crore. The RBI governor may be worried that soon the governments of BJP-led Maharashtra and Congress-ruled Punjab will follow the example of UP. This will, indirectly, make RBI's new task more difficult. The RBI governor has said:

"if on account of this, overall government borrowings go up, yields on government bonds are also impacted. Thereafter, it can also lead to the crowding out of private borrowers as higher government borrowing can lead to an increase in cost of borrowing for others." Urjit Patel would have probably avoided such a public reaction to political decision of farm loan waivers if he was not asked by the government to wear a different hat to tackle the bank NPA issue. Normally, the country's central bank has little to do with decisions on farm loan waiver, government subsidies, freebies and bailouts, which are political.

The functions of a country's central bank are broadly limited to ten key areas. They are: issue of currency; money supply and credit control; inflation control and bank rate fixation; acting as banking regulator; banker to the government; foreign exchange control; custodian of foreign exchange and gold reserves; clearing house function; lender of last resort and collection and publication of statistical information relating to banking and other financial sectors of the economy. However, they seem to be undergoing a change, especially after the exit of Raghuram Rajan as RBI governor, last year. While the government is now partly controlling a key RBI function of monetary policy formulation, it has legally entrusted the central bank with the role of directing banks on their NPA management. In the process, the RBI may slowly turn akin to a government department. Ironically, such a trend is being witnessed within months after the exit of a more resilient Raghuram Rajan to the autonomy of the central bank, which is vital for the country's economic stability. Government-controlled weak central banks were responsible for the collapse of many economies around the world. The government and RBI would do well to avoid overstepping into the functions of each other and follow the well-established global norms that benefited India and its people over the years since independence. (IPA)



Men hold their palms together after Friday prayers along a road during the Muslim holy month of Ramadan in Karachi, Pakistan. REUTERS

# Impact of flagship project

## FOCUS

Subrata Majumder

In presenting three years' report card of NDA government (Times of India, dated May 17) NITI Aayog Vice Chairman Arvind Panagarya was euphoric on Modi's dynamic challenges to reinvigorate the economy. But, he was suspiciously silent on Make in India – the flagship project of Modi's new India vision.

Presenting successes in coping with the challenges to decision making paralysis, slow progress of infrastructure projects, decimating corruption and ensuring no return of retrospective tax terrorism, Dr. Panagarya endeavored to paint a success story of the Modi government. Times where did Make in India figure. Has Make in India failed to achieve the goal? If statistics is the true reflection, Make in India failed to make any headway in the country's manufacturing growth, which continued to be crippled by slow pace, hovering around 2 percent – though later perked up to 5 per cent growth based on new index. Even then, the growth was much below the GDP growth of 7 percent. New employment opportunities – the direct benefit of manufacturing growth – continued to be in slumber. Private investments were at gridlock; export growth was flat. In other words, against the hope of Make in India, which warranted a significant growth in manufacturing, the initiative belied with poor performance. The main reason

for the lackluster performance was the policy framework, which was not amenable to the Make in India initiative. Given the world market reeling under recession and the domestic market crippled by inflation, marketability lost its vitality – even though the domestic market is buoyed by demographic. In these perspectives, "Buy India" initiative will give a new lease of life to Make in India.

'Buy India' is predicated on an initiative to boost domestic market, which is enforced by regulatory measures. Two components of Buy India concept – government procurement and import substitution – play important role in triggering domestic market.

Government procurement is one of the biggest markets in developing economy like India. Yearly Rs. 12 to 15 lakh crore (about US dollar 230 billion) purchases are made by the government, autonomous bodies and public sector organizations, according to an estimate of Planning Commission. The big buyers are Defence, Railways, Telecom and Healthcare. Defence, Railway and Telecom devote about 50 percent and Healthcare devotes 26 percent of their budget expenditure on purchases. The recent policy of government procurement, which was framed to give preference to Make in India, acknowledges the new initiative to resurrect the programme. It provides ample room to suggest that

marketing challenges, spearheaded by domestic demand, are imperative for Make in India a success. Under the policy of government procurement, preference will be given to local manufacturers. Any purchases above Rs. 5 lakh will prefer local manufacturers.

Similarly, the government initiated the return of import substitution as another important marketing challenge to reinvigorate the Make in India initiative. As per a press note issued by Ministry of Urban Development, the government made it mandatory to procure railway equipment for metro projects from domestic sources.

According to the policy, a minimum of 75 percent of metro coaches and critical signaling equipment are to be procured from domestic sources by the Central and State level metro project authorities. It said that the country would require 1,600 coaches over the three years period, in addition to 1,400 coaches, which are under different stages of procurement. Nine types of signaling equipment were identified for 75 percent mandatory procurement from domestic sources. Besides,

indigenization of several metro functions has been prescribed, relating to communication system, operational and disturbances, time table preparation, control traction power and others. Currently, there are 8 metro rail transport systems under operation. The country is on a metro rail service binge for rapid and environment friendly transport services. About 27 more metro services are under implementation and planning stages, which are to be launched by 2028.

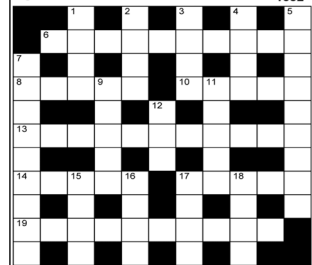
At present, there are three companies which manufacture metro coaches in the country. A fourth Chinese company is setting up plant in Nagpur. Make in India initiative comprised both traditional and modern industries. The challenges and approaches to develop modern and traditional industries are different. While the development of modern industries includes assembly operations and supporting industries such as components and parts, the traditional industries warrant refurbishment of manufacturing process with new machineries to cope with the changing pattern of demand. For example,

challenges for development of modern industries like electronics, automobile, telecommunication are different from the development of traditional industries like textiles, agro-based and handicraft industries.

Make in India initiative was silent on different approaches and policy drives required for the development of modern and traditional industries enlisted in the campaign. While the development of traditional industries requires refurbishment as a first step, such as replacement of old machineries with new machineries, development of modern industry requires creation of technically updated SMEs (small and medium enterprises). To this end, development of traditional industries requires policy support, including fiscal incentives and marketing support and modern industries require policy support for R&D and development of contract manufacturing. Make in India initiative was made based on the existing policies. The lapses were acknowledged by a Parliamentary panel, which assessed the impact of the initiative on SMEs. It said that appropriate approaches should be made for the revival of capital goods industry which is the main pillar for the growth of manufacturing.

It recommended suitable subsidy to be given for the growth of the capital goods industry. (IPA)

## QUICK CROSSWORD 1582



- Across**  
6. Amity, closeness (10)  
8. European country (5)  
10. Sweetest (5)  
13. Power of creative thought (11)  
14. Separated (5)  
17. Kaze (5)  
19. Ad-libbed (10)
- Down**  
1. Region (4)  
2. Disobey (4)  
3. Probability (4)  
4. Hoodlum (4)  
5. Angry lips (angry) (9)  
7. Heart drug from foxglove (9)  
9. Light beer (5)  
11. Remove strings (5)  
12. Printer's fluid (3)  
15. Mountains (4)  
16. Utensil (4)  
17. Den (4)  
18. Opinion (4)

**Previous solution**  
Across: 1. Misery, 3. Loss, 7. Sure, 8. Career, 10. Ukulele, 13. Umpired, 16. Silage, 17. Fair, 18. Rage, 19. Accrue.  
Down: 1. Mesh, 2. Stroke, 4. Obey, 5. Scribe, 6. Tabloid, 9. Plumage, 11. Hower, 12. Repair, 14. Plug, 15. Free.

## SUDOKU: 1869

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

## Yesterday's Solution 1868

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

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