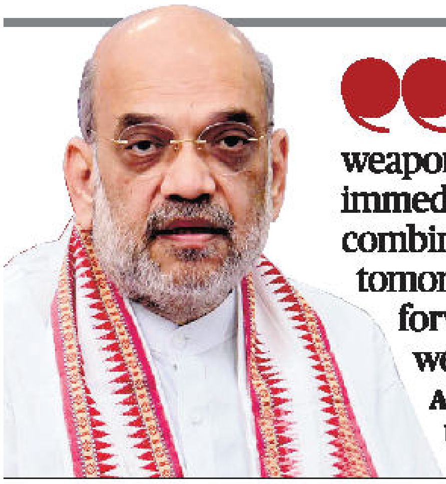
JUDICIAL PANEL TO PROBE MANIPUR VIOLENCE: SHAH



The commission will be headed by a retired High Court Chief Justice, says Minister; CBI will also begin investigation; he warns Kuki militant groups of stern action if 2008 agreement is violated

VIJAITA SINGH
NEW DELHI

Union Home Minister Amit Shah on Thursday said that a judicial commission would be set up to conduct a probe into the violence in Manipur. The commission, headed by a retired High Court Chief Justice, would find the "causes" of violence and "fix responsibility", he said.

Addressing a press conference in Imphal on the fourth day of his trip to Manipur, the Home Minister termed the ongoing tension in the State as "ethnic violence". Mr. Shah said that the Central Bureau of Investigation (CBI) would also conduct its own probe. Of all the cases registered so far, the CBI would select five and register a general case of conspiracy. "The special CBI team will probe the cases without any bias," he said.

More than 2,000 first information reports (FIR) have been registered since the violence broke out on May 3.

With many security agencies now at work in Manipur and to bring them on a common ground, an inter-agency unified command would be set up, Mr. Shah said. It will be headed by retired Central Police Reserve Force Director Kuldiep Singh, who was appointed security adviser by the Manipur government soon after the violence began.

Warning to militants

The Minister warned Kuki militant groups of stern action if the terms of agreement of the Suspension of Operations (SoO) were violated. The SoO was formalised in 2008 with two Kuki umbrella bodies — theUnited Peoples' Front and the Kuki National Organisation —which represent 24 insurgent groups. They had 2,200 armed cadres whose weapons were to be surrendered at designated camps as per the pact. However, it is being alleged that the Kuki groups used those weapons against the Meitei community when the clashes began.

"I want to send a strong message to SoO groups that any kind of violation of SoO pact will be taken sternly, terms of agreement will be strictly monitored," Mr. Shah said.

The Kuki groups, on their part, have accused Meitei radical groups such as the Aarambai Tenggol and the Meitei Leepun of looting arms from police armouries to attack tribal communities.

As many as 1,420 weapons have been looted from police camps since May 3. The Home Minister called for all of them to be surrendered to the police. "I want to appeal to those who have the weapons to surrender them immediately. Police will start combing operation from tomorrow; they should come forward and surrender the weapons to the police. If they fail to do so, strict action will follow. We know the people who possess the weapons," Mr. Shah said. Asked how the police allowed the arms to be taken in the first place, the Minister said, "Many arms have been recovered, [but] when a mob comes, police hesitate to fire at them."

Appealing for peace from "either or side" and cautioning people not to fall for rumours, Mr. Shah said that a peace committee comprising eminent personalities and civil society groups would be set up under the chairmanship of Governor Anusuya Uike.

'HC's hasty verdict to blame'

Mr. Shah said that the peace established in Manipur over the past six years had been disrupted in May due to a court judgment, adding that "there has been some misunderstandings" since then. "I can say without any hesitation that on account of a hasty decision of the Manipur High Court, a situation of ethnic violence between two groups erupted," Mr. Shah said.

On March 27, the Manipur High Court had directed the State government to submit a recommendation for inclusion of Meiteis in the Scheduled Tribe list, preferably within four weeks. This was opposed by Manipur's existing 34 Scheduled Tribes, which comprise 41% of the State's population and predominantly live in the hill districts. A tribal solidarity rally was organised in Churachandpur and other areas on May 3, following which violence erupted. Many parts of the State remain under curfew.

With some sections blaming the violence on illegal migrants from Myanmar, Mr. Shah said that fencing has been completed on a 10 km stretch along the Manipur-Myanmar border.

"The biometrics — iris scan and thumb impression — of people coming from

GST COLLECTIONS CROSS ₹1.5 LAKH CR. FOR THE FIFTH TIME, UP 11.5% IN MAY

VIKAS DHOOT
NEW DELHI

Gross Goods & Services Tax (GST) collections grew 11.5% in May — the slowest uptick in six months — to cross ₹1.57 lakh crore, with revenues from domestic transactions rising 11% and imports yielding 12% more taxes than a year earlier.

Sequentially, May's revenues were the lowest in three months, and 16% below the record ₹1.87 lakh crore collected in April. This was the 14th successive month that GST revenues exceeded ₹1.4 lakh crore and the fifth occasion that they surpassed the ₹1.5-lakh crore mark.

ICRA chief economist Aditi Nayar said GST revenue growth was likely to hover in the 10%-11% range in the coming months, with revenues seen between ₹1.55 lakh crore and ₹1.65 lakh crore.

Revenue from imports

An ongoing drive against indirect tax evasion, as well as higher consumption spending through the withdrawn ₹2,000 currency notes which will remain legal tender till at least September 30, could still bump up collections.

The 12% growth in revenues from goods imports marks a turnaround from a three-month streak of slowing growth capped by a 4.5% contraction in April, and could indicate a recovery in discretionary domestic demand.

Revenues from goods imports were up 29% between April 2022 and January 2023, while taxes from domestic transactions and services imports were up 22%. However, February and March had only recorded a 6% and 8% uptick in taxes on goods imports.

GST compensation cess collections, which had also hit a record high of ₹12,025 crore in April, remained robust at ₹11,489 crore in May, and included a little over ₹1,000 crore from goods imports.

"While the collections in absolute terms are lower than the previous month — which had an embedded year-end [compliance-led] impact, it reflects a continuation of the inherently good economic performance across States witnessed since last year," said M.S. Mani, partner at Deloitte India. Overall domestic revenues grew 11% in May and 16 States recorded higher revenue growth, led by Mizoram (52%), Arunachal Pradesh (47%), Delhi (25%) and Meghalaya and Madhya Pradesh, whose revenues rose 23%. Revenues grew 11% in Odisha, Kerala, and Andhra Pradesh, 12% in Karnataka and 13% in Tamil Nadu and Telangana.

Revenues contracted sharply in strife-torn Manipur, dropping 17% year-on-year, while Chhattisgarh also reported a 4% decline in revenues. Eight States recorded slower revenue growth than the national average, including Rajasthan (up 4%) and Gujarat, Punjab, West Bengal and Jharkhand, each of whom saw a 5% rise in GST inflows in May.

"The total revenue of Centre and the States in the month of May 2023 after regular settlement is ₹63,780 crore for Central GST (CGST) and ₹65,597 crore for the State GST (SGST)," the Finance Ministry said in a statement. The government has settled ₹35,369 crore towards CGST and ₹29,769 crore to SGST from the Integrated GST (IGST) collections of the month, which amounted to ₹81,363 crore. A little over 51% of the month's IGST collections came from taxes on imports of goods.

"The GST collections are bound to increase further due to the special two-month drive for detection of fake registrations and strict action against unscrupulous elements," said Parag Mehta, partner, indirect tax at N.A. Shah Associates.

RIDING MOMENTUM

Fiscal, monetary measures must remain growth supportive in coming quarters

The National Statistical Office's provisional estimates of national income for the 12 months ended March and quarterly GDP estimates for the fourth quarter posit a picture of an economy that sustained momentum last year despite headwinds. Gross domestic product is estimated to have expanded by 6.1% in the January-March quarter, helping lift full-year growth to a marginally higher-than-projected 7.2% pace. Gross value added numbers for the fourth quarter point to a broad-based uptick in growth from the preceding three months, with the umbrella utility services sector (including electricity, gas and water supply) and the omnibus services category of trade, hotels, transport, communication and broadcasting being the only two of the eight GVA sectors posting decelerations in expansion. While construction led the cross-sectoral growth, expanding 10.4%, collectively the services sectors buoyed GVA, with trade, hotels and transport still posting 9.1% growth, notwithstanding the slowdown from the third quarter's 9.6% pace. The sector, which has the largest share in GVA, expanded by a healthy 13.1% sequentially as travel demand rebounded in the wake of COVID-19 fears receding. Manufacturing was also a silver lining, rebounding from the December quarter's contraction to log a 4.5% expansion. And sequentially, manufacturing GVA surged 20.4% from the third quarter reflecting the sustained expansions reported in recent months by S&P Global's survey-based purchasing managers' index.

In fact, the latest PMI reading, showing factory orders having risen in May at the fastest pace since January 2021, is a welcome augury and a buffer for an economy facing stronger headwinds this year from a global economic slowdown and increased uncertainty, including heightened financial sector risks. The NSO data also point to gross fixed capital formation, a proxy for investment activity, having regained vigour in the fourth quarter. GFCF expanded by a healthy 8.9% year-on-year, and an even more robust 20.8% sequentially, aided in large measure by the government's increased capital spending on infrastructure and other big-ticket public works. Given its overall multiplier effect and job creation potential, the improvement in investment spending bodes well for this year's outlook. To be sure, the same GDP data also underscores the fact that private consumption spending — a key bulwark of demand — is yet to regain a firm footing. Private consumption expenditure is estimated to have actually contracted 3.2% from the preceding period in the March quarter, with its share of GDP shrinking to at least an eight-quarter low of 55%. With the chance of a potentially rainfall deficit-inducing El Niño almost a certainty, the outlook for farm output and related rural spending is also now under a cloud. Policymakers must therefore ensure that fiscal and monetary measures remain growth supportive in the coming quarters.

CENTRAL ASIAN FOREIGN POLICY MULTI-VECTORISM PAYS OFF

Tatiana Belousova is an Assistant Professor at the Jindal School of International Affairs (JSIA), O.P. Jindal Global University, Sonipat, Haryana

Between May 18 and 19, China hosted what was called the "C+C5 summit", in the city of Xi'an (the first of its kind), which saw the participation of the leaders of five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). The six countries then jointly signed the 'Xi'an Declaration' and issued a blueprint for the future development of China-Central Asia relations. In their discussions, the six countries focused on the 10th anniversary of the Belt and Road cooperation to be a 'new starting point'. In focus also were people-to-people exchanges, a 'Cultural Silk Road' programme, and issues of regional terrorism and extremism.

Importantly, the China-Central Asia Summit mechanism was officially inaugurated, which paves the way for future biennial summits between these countries. The next summit will be held in Kazakhstan in 2025.

Some may view this summit as testament to an ever-expanding Chinese influence in the region, which poses a challenge to Russia's ambitions. Despite being a valid argument, it only partly reflects regional complexities and shifting dynamics. In 2022, the Carnegie Endowment for International Peace said that in the same year, Russian President Vladimir Putin had held more than 50 meetings (both online and in person) with Central Asian leaders. The fact that all five Central Asian Presidents visited Moscow for the May 9 Victory Day parade indicates that these former Soviet republics intend to maintain balanced regional and international engagements.

A successful implementation

To their credit, the Central Asian countries have been able to successfully implement a multi-vectored foreign policy that stretches beyond the Russia-China axis. In the context of the post-Soviet states, this policy has been traditionally associated with their sovereignty vis-à-vis Russia, since it implies stronger economic and political ties with other centres of power.

Notably, in October last year, the European Council President Charles Michel visited Kazakhstan and Uzbekistan, 'sending a strong political signal of the EU's commitment to the region and of the EU's wish to strengthen ties and bolster interregional cooperation'. In the same month, Mr. Michel also attended the first high-level meeting with the Central Asian leaders, that was held in Astana.

The basic parameter of Turkmenistan's foreign policy since its independence in 1991 has been the country's official status of 'neutrality'. After succeeding his father in 2022, Turkmenistan's new President, Serdar Berdimuhamedov, issued a statement, saying his country 'will continue the policy of neutrality based on good neighbourliness, equality and mutually beneficial cooperation with all the countries of the world'.

In the case of Uzbekistan, the main priority of its foreign policy is regional security in Central Asia, which includes the precarious environment in Afghanistan. Other priority directions cover relations with the Commonwealth of Independent States (CIS) member-states, Russia, China, the United States, the European Union (EU), Turkey, South Korea, Japan, Malaysia, Indonesia, Singapore, and Vietnam.

Economic and security concerns have been the decisive factor in formulating the foreign policy strategies of Kyrgyzstan in the post-independence era. After his election in 2021, Sadyr Japarov chose Russia for his first official visit as a new Kyrgyz President, an indication that Russia remains the main security partner for Bishkek, which hosts Collective Security Treaty Organization (CSTO) troops at the Kant military airbase. In terms of multilateral engagement, Kyrgyzstan is a member of the Eurasian Economic Union (EEU), the Shanghai Cooperation Organization, CSTO, and the Organization of Turkic States.

The foreign policy of Tajikistan is 'open doors' and a peace-seeking policy, indicating the 'country's readiness to build friendly relations with all countries and recognize shared interests based on reciprocal respect and equality'.

Lessons for broader post-Soviet space

The brief overview of the foreign policy trajectories in Central Asia highlights their common characteristics, i.e., multi-vectorism. This pragmatic approach certainly pays off, as it provides the benefits of maintaining friendly ties with multiple players, including Russia.

In this sense, the Central Asian republics could serve as a relevant example for other post-Soviet countries, e.g., Georgia and Moldova. Their long-term aspirations for EU/North Atlantic Treaty Organization membership should not be fulfilled at the expense of workable relations with Russia. If anything, this prospective membership would hardly guarantee absolute security due to the spread of unconventional warfare, which is more difficult to detect and counter.

On May 21, tens of thousands of Moldovans rallied in the capital Chisinau to support the pro-western government policy. Moldova intends joining the EU by 2030 — which its President, Maia Sandu, describes as 'the chance for our people to live in peace and prosperity.'

Regardless of this 'pivot to West', 'belligerent' Russia will geographically remain where it is. Though Georgia and Moldova have legitimate reasons not to trust their neighbour, a multi-vectored foreign policy should be viewed as the only optimum solution for a lasting peace in the region. Anything short of this would perpetuate an unstable environment, with the constant threat of escalation and a greater sense of insecurity.

WHO SHOULD OWN THE WORLD'S LITHIUM?

New gold: The lithium stones in the Reasi district of Jammu & Kashmir. PTI

What has the Supreme Court said on the ownership of land? How big is India's electric vehicle market? How are the South American countries of Chile and Bolivia managing their lithium reserves? What lies in India's future with respect to the lithium industry?

PRAKASH KASHWAN
EXPLAINER

The story so far:

The news of potentially significant reserves of lithium, an element needed to manufacture batteries used in electric cars and other renewable energy infrastructure, in Jammu and Kashmir has been welcomed universally. Commentators have called this a boost for national prosperity and security without dismissing concerns about the potential social and environmental impacts.

What is the status of India's lithium industry?

India's electric-vehicle (EV) market was valued at $383.5 million in 2021, and is expected to expand to $152.21 billion in 2030. India imported 450 million units of lithium batteries valued at $929.26 million (₹6,600 crore) in 2019-2020, which makes the development of the country's domestic lithium reserves a matter of high stakes. Scholars have argued that the ongoing global transition to low-carbon economies, the rapid expansion of artificial intelligence (AI), and 5G networks will greatly reshape global and regional geopolitics. The access to and control over rare minerals, such as lithium and cobalt, will play a crucial role in these epochal changes.

Who should own these minerals?

In July 2013, a three-judge bench of the Supreme Court of India ruled that the owner of the land has rights to everything beneath, "down to the centre of the earth". Yet, large areas of land, including forests — which make up more than 22% of India's landmass — hills, mountains, and revenue wasteland are publicly owned.

The Supreme Court also recalled that the Union government could always ban private actors from mining sensitive minerals, as is already the case with uranium under the Atomic Energy Act 1962. In today's context, lithium is as important as, if not more than, uranium.

How do other countries manage lithium reserves?

The stories of two South American countries, Chile and Bolivia — which have the largest known reserves of lithium — are particularly instructive.

In Chile, the government has designated lithium as a strategic resource and its development has been made the exclusive prerogative of the state. The state has licensed only two companies — SQM and Albemarle — to produce lithium in the country. In April 2023, Chile's president Gabriel Boric announced a new "National Lithium Strategy", which many in the corporate sector took to be a declaration of his intention to nationalise the industry. On the contrary, Mr. Boric has clarified that his government would honour existing contracts. As a supplement, the new strategy calls for public-private partnerships for future lithium projects, which will allow the state to regulate the environmental impact of lithium-mining, distribute the revenue from lithium production more fairly among local communities, and promote domestic research into lithium-based green technologies.

Bolivia's new constitution, developed under the leadership of former president Evo Morales and approved by a popular vote in February 2009, gave the state "the control and direction over the exploration, exploitation, industrialisation, transport, and commercialisation of natural resources." The Morales administration nationalised lithium and adopted a hard line against private and foreign participation. This is believed to be one of the factors for the country's failure to produce any lithium at a commercial scale nearly 20 years after the industry was nationalised. Bolivia's current president, Luis Arce, seeks to change that. However, instead of handing over lithium resources to the private sector, Mr. Arce wants to join hands with other Latin American countries to design a 'lithium policy' that would benefit all their economies.

Mexico's president Andrés Manuel López Obrador also nationalised lithium in February this year, declaring, "Oil and lithium belong to the nation, they belong to the people of Mexico."

In general, the countries in Latin and South America are thinking through ways and means to pursue a multi-pronged strategy. While the national governments of these countries exercise a significant degree of control, the nature of private sector participation varies between these countries. The actions of these governments are also a response to the mobilisation of Indigenous Peoples in the region who want to hold corporations as well as governments to account.

What next?

As India explores and develops its own lithium reserves, it is notable that the appropriate development of this sector will require a very high level of effectiveness on the part of the Indian state. Much of India's mineral wealth is mined from regions with very high levels of poverty, environmental degradation, and lax regulation. Effective and careful management of the sector should be paramount if India's rare minerals development is to meet its multiple goals — social wellbeing, environmental safety, and national energy security.

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WE AIM TO INSPIRE YOU

HOW HAS DHAKA REACTED TO THE U.S. THREAT ON VISAS?

Why has America adopted a new policy to restrict visas to Bangladeshis who undermine the election process at home? How has the Sheikh Hasina government reacted?

KALLOL BHATTACHERJEE

The story so far:

On May 24, the U.S. Secretary of State Antony Blinken announced a “new visa policy” which threatens to restrict visas to Bangladeshis who undermine the democratic election process at home. The notification said the restriction would apply to current and former Bangladeshi officials, members of pro-government and opposition political parties, and members of law enforcement, the judiciary and security services. There were allegations of rigging in elections held in 2014 and 2018, which the government of Prime Minister Sheikh Hasina had denied. Bangladesh responded immediately to the U.S. threat, with the government saying it would take steps to prevent any interference in elections. The U.S. is the largest foreign direct investor in Bangladesh followed by Japan and China, according to top official sources in Dhaka.

What does the notification specify?

The new visa policy specifies that actions that undermine the democratic election process include “rigging, voter intimidation, the use of violence to prevent people from exercising their right to freedoms of association and peaceful assembly, and the use of measures designed to prevent political parties, voters, civil society, or the media from disseminating their views.”

What is the status of relations between the U.S. and Bangladesh?

Bangladesh and the U.S. share a strong economic bond despite somewhat icy political relations because of legacy reasons. Washington under President Nixon was not in favour of East Pakistan seeking liberation from West Pakistan, followed by the birth of Bangladesh post-December 16, 1971. This particular issue became accentuated as the government of Sheikh Hasina has modelled itself as the defender of the spirit of 1971, and equates its opponents with those who opposed the creation of Bangladesh. The Hasina government has maintained a distinction between economic and political relations between the two sides. The U.S. is the third largest trading partner of Bangladesh and is the largest recipient of the garments produced in Bangladesh. With China taking a keen interest in Bangladesh, the U.S. feels the need to look beyond trade ties. The importance of the Indo-Pacific strategy also makes Bangladesh politically indispensable for the U.S.

What are some of the other hurdles?

Prime Minister Hasina has followed a policy of zero tolerance against terrorism and extremism since being sworn to power in 2009. She has uprooted insurgents of northeast India who had maintained a base in Bangladesh for decades. That apart, Islamist radicals were also consistently targeted by security agencies especially the RAB (Rapid Action Battalion). Her actions, however, have drawn criticism from various quarters including the U.S., which has accused Bangladesh of violating human rights and for enforcing the disappearance of around 600 individuals. In December 2021, serving and former top officials of the RAB were sanctioned by the U.S. Treasury Department.

Additionally, Bangladesh maintains a neutral policy on the Ukraine crisis, with Ms. Hasina repeatedly arguing against interference in the affairs of sovereign countries. On the ground, multiple projects indicate a strong cooperation between Dhaka and Moscow. Russia is building the first nuclear power project in Rooppur which is expected to be operational later this year. Ms. Hasina has also shown her plan to maintain energy independence and announced in the Qatar Energy Forum earlier this month that her government will purchase energy at a “comfortable” price.

What lies ahead?

Ms. Hasina has emerged as an important regional player because of her strong connection with India. Interestingly, India has not responded to the visa restrictions despite the fact that Bangladesh is the largest trade and security partner of India in South Asia. Moreover, Bangladesh has shown some indication to soften its attitude to the U.S. with its April declaration of the Indo-Pacific Outlook (IPO). However, there is no sign that Ms. Hasina would consider a stronger strategic alignment with the U.S. by allowing a naval base for them or by joining the western bloc on Ukraine.

INDIA, NEPAL SIGN PACTS ON ENERGY, TRANSPORT

KALLOL BHATTACHERJEE
NEW DELHI

The border between India and Nepal should not become a barrier, Prime Minister Narendra Modi said on Thursday as the two sides signed a series of agreements on energy and transport, including export of Nepal’s hydropower to Bangladesh through Indian territory.

Welcoming Prime Minister Pushpa Kamal Dahal ‘Prachanda’, who is on a four-day visit to India, Mr. Modi said the two countries should fast-track projects related to the Ramayana circuit.

Prime Minister Narendra Modi with his Nepal counterpart, Pushpa Kamal Dahal, in New Delhi on Thursday. R.V. Moorthy

India to import 10,000 MW of electricity from Nepal, says Modi, who highlights the close cultural link between the two countries; he calls for fast-tracking projects related to the Ramayana circuit

“I remember that nine years ago, in 2014, within three months of taking charge of office, I made my first visit to Nepal. I said at the time that we will establish ties between India and Nepal that would overcome the presence of borders. Today we signed the Transit Agreement. It will help Nepal’s population access India’s inland waterways,” he said.

Mr. Modi said India would take forward the 2022 India-Nepal vision document for cooperation in the power sector that sets an ambitious goal in India-Nepal power trade and transmission. “Taking this forward, a long-term Power Trade Agreement has been signed between India and Nepal today. Under this agreement, we have set a target of importing 10,000 MW of electricity from Nepal in the coming years,” Mr. Modi said. Focusing on energy cooperation, Mr. Modi said that a “new pipeline will be constructed from Siliguri to Jhapa in eastern Nepal”.

The two sides signed a number of agreements, including an MoU between NHPC and VUCL (Vidyut Utpadan Company Ltd.) of Nepal, for the development of Phukot Karnali Hydroelectric Project and a Project Development Agreement for Lower Arun Hydroelectric Project between SJVN (India) and Investment Board of Nepal. Foreign Secretary Vinay Mohan Kwatra said the two PMs agreed to “achieve tangible and time-bound progress on the Pancheshwar multipurpose project”.

The two Prime Ministers participated through a video link in the ground breaking ceremony of the Gorakhpur-Bhutwal Transmission Line — on the Indian side. Mr. Kwatra announced that the two countries signed the revised Treaty of Transit under which Nepal will get to access to India’s inland waterways. He described it as a “once in a generation” pact.

“I appreciate India’s willingness to facilitate export of hydropower from Nepal to Bangladesh through India. We have agreed that the transmission of up to 50 megawatts of power will commence soon,” said Mr. Dahal.The two Prime Ministers jointly inaugurated a cargo train from Bathnaha in India to Nepal Customs Yard. The rail link was built with an Indian grant. They also inaugurated integrated checkposts (ICPs) at Nepalgunj in Nepal and Rupaidiha on the Indian side. They participated in the ground breaking ceremony of ICPs at Bhairahawa and Sonauli as well as Phase-II facilities as part of the Motihari-Amlekhgunj Petroleum Pipeline.

Prime Minister Dahal will proceed toUjjain on Friday where he will visit the Mahakaleshwar temple. Mr. Modi highlighted India's cultural links with Nepal and said, "The religious and cultural ties between India and Nepal are very old and very strong."

MURAL OF AKHAND BHARAT IN PARLIAMENT STIRS UP ROW IN NEPAL

KALLOL BHATTACHERJEE
NEW DELHI

A major controversy has broken out in Nepal over a mural depicting the Indian subcontinental landmass in the newly inaugurated Parliament building.

The mural has been interpreted as a map of Akhand Bharat or undivided India, which has drawn angry responses from Nepali political leaders across party lines.

The mural shows Lumbini, the birth place of Gautama Buddha, indicating India's claims over the region. Nepal considers Lumbini as one of the major cultural centres on the Nepalese map.

'Trust deficit'

"The controversial mural of Akhand Bharat in the recently inaugurated new Parliament building of India may stoke unnecessary and harmful diplomatic row in the neighbourhood including Nepal. It has the potential of further aggravating the trust deficit already vitiating the bilateral relations between most of the immediate neighbours of India," former Nepali Prime Minister Baburam Bhattarai said in a statement.

The mural drew attention on May 28 when Prime Minister Narendra Modi inaugurated the new Parliament building and dedicated it to the nation.

Parliamentary Affairs Minister Pralhad Joshi was among the first to describe the mural as "Akhand Bharat".

The issue erupted in the Nepalese media even as Prime Minister Pushpa Kamal Dahal started his India tour and held official talks with Mr. Modi on Thursday.

Map controversies

The issue has once again triggered memories of the Kalapani dispute, which erupted in November 2019 when India published a political map showing the Kalapani region as part of Uttarakhand.

Nepal, in response, published a map asserting its control over Kalapani.

Mr. Modi and Mr. Dahal, however, said on Thursday that the dispute would be resolved in a spirit of friendship and through the established diplomatic mechanisms.

INDIA-RUSSIA JOINT VENTURE ON VANDE BHARAT TRAINS HITS HURDLE

MAITRI PORECHA
NEW DELHI

The joint venture (JV) between Russian transportation giant Transmashholding (TMH) and Indian public sector undertaking (PSU) Rail Vikas Nigam Ltd. (RVNL) to manufacture 120 Vande Bharat Express train sets, valued at nearly $3.63 billion (over ₹30,000 crore), has run into problems.

The issue involves sanctions imposed on Russia, following the Ukraine war, by multiple countries that are spare parts suppliers for Vande Bharat trains.

The Indian Railways awarded the JV deal to the TMH-RVNL consortium after it emerged as the lowest bidder in March. But TMH and RVNL are not able to see eye to eye on the majority shareholding issue for the JV, railway officials confirmed to The Hindu.

In the interest of smoother movement of the project, which requires TMH and RVNL to manufacture 120 Vande Bharat train sets, each costing nearly ₹120 crore, officials said that RVNL had requested majority shareholding from TMH. Sources say that TMH has not agreed to this and has also, as a result, not deposited the bank guarantee of nearly ₹200 crore required for the project to get started.

Imported spares

Not all parts of the much-touted 'Make in India' Vande Bharat train sets are manufactured indigenously. "Many of these parts have to be imported from Western European and American manufacturers," a senior RVNL official said. On May 22, the U.S. imposed sanctions on Metrovagonmash, a division of TMH, which specialises in manufacturing rolling stock for the railways. It is also responsible for the maintenance of the rolling stock and spare parts.

While RVNL has a substantial share in the JV, the Indian PSU is vying for a majority stake as a confidence-building measure. "Many international suppliers and bankers are more confident if the Indian company has the majority share as many of these companies are being guided by sanctions imposed on Russia due to the Ukraine war. They are not comfortable dealing with Russia," the official said.

By June 2025, the TMH-RVNL consortium has to ready the first two prototype Vande Bharat trains for testing and trials. After the prototypes are approved, every year, 12 to 18 trains will be manufactured in a tapered fashion. The consortium will also run maintenance services on the trains for 35 years. The railways is spending $1.8 billion for the train sets and another $2.5 billion for their maintenance.

"While the Russians are highly technically capable, the question is only that of comfort in dealing with them, and we will resolve this issue within a few days," the official added.

The Russian Embassy did not respond to a request for a comment on the deal. According to sources, both sides had committed to keeping negotiations on the deal bilateral and not making them publicly available.

MAY'S MANUFACTURING PMI SCALES A 31-MONTH HIGH: S&P GLOBAL SURVEY

Overall business confidence levels about growth prospects continued to improve hitting a five-month high; output levels were the highest in 28 months and pressure on capacities compelled firms to accelerate fresh hiring to a six-month high

THE HINDU BUREAU
NEW DELHI

The S&P Global India Manufacturing Purchasing Managers' Index (PMI) surged to a 31-month high of 58.7 in May, with factory orders rising at the fastest clip since January 2021 and producers accumulating inputs at an unprecedented pace thanks to lower costs. The index stood at 57.2 in April. The latest reading reflects a substantial improvement in operating conditions with order books growing for the 23rd consecutive month, bolstered further by export deals clocking the swiftest rise in six months.

Output levels were the highest in 28 months and the pressure on capacities drove firms to lift fresh hiring to a six-month high.

While input costs "remained historically mild", S&P Global said its survey of about 400 firms showed that producers raised selling prices at "a solid and quicker rate in May"

that was the highest in a year. "Sustained increases in input costs and a supportive demand environment led them to lift their charges," S&P Global said.
Overall business confidence about growth continued to improve, hitting a five-month high, with firms citing publicity and demand resilience as factors spurring the optimism.
"Heightened demand and previously absorbed cost burdens translated into a stronger upward revision to selling charges," noted Pollyanna De Lima, economics associate director at S&P Global Market Intelligence. "Demand-driven inflation is not inherently negative, but could erode purchasing power, create challenges for the economy and open the door for more interest rate hikes," she cautioned.

RBI SHOULD ADOPT NEUTRAL POLICY STANCE AS INFLATION COOLS: CII'S DINESH

R .Dinesh

THE HINDU BUREAU
NEW DELHI

The Confederation of Indian Industry (CII) president R. Dinesh on Thursday said the time is right for the Reserve Bank of India to move to a neutral monetary policy stance as inflation expectations have cooled, and called for building consensus on critical pending reforms in sectors like labour, land, power and agriculture.

The new president said CII expects GDP growth to be in the range of 6.5% to 6.7% in 2023-24, adding that reforms such as a universal GST with a rationalised three-rate structure and improving contracts' enforcement could spur growth higher to average 7.8% in the 8-year period till 2030-31, compared with the 6.6% average between 2012 and 2019-20.

"We are recommending that the RBI shift its stance to neutral considering that we are better placed than the rest of the world in terms of inflation expectations," Mr. Dinesh said.

As per a CEOs' survey by CII, almost 72% of corporates expect inflation to moderate to less than 5% this year. "While we do understand the necessary actions had to be taken, we believe this [continued pause in the key repo rate and a shift from the hawkish stance] will be a further tailwind for us," he said.

Mr. Dinesh indicated that India's investment rate, as measured by gross capital formation to GDP, which stood at 31.1% in 2022-23, may reach or surpass the five-year high of 33.9% hit in 2017-18 over the near to medium term.

"While headwinds such as the global slowdown, tepid FDI flows, higher borrowing costs could impinge on growth, we believe the tailwinds like the strong public capex and sustained domestic demand will outstrip the headwinds," he averred.

WRESTLING FOR JUSTICE

The Wrestling Federation needs an overhaul in the wake of the allegations

Wrestlers demanding the arrest of Wrestling Federation of India (WFI) president and Bharatiya Janata Party Member of Parliament Brij Bhushan Sharan Singh, who has been accused of sexual harassment, continue to discuss their plans to keep their stir alive. The protest is no longer about the technicality of the investigations. There can be no two opinions on the platitude of the law taking its own course. The fact that an MP of the ruling party faces no political censure in the face of such serious allegations, including under POCSO, is disturbing for probity in public life, and sports administration. The Delhi Police maintain that the cases against Mr. Singh are under investigation and a status report will be submitted in the court. But the fact that the police force had to delete its own social media posts that made this benign claim raises questions about the fairness of its probe. On Tuesday, the stir by the wrestlers (they include international medal winners), took an emotional turn when they gathered in Haridwar to immerse their medals in the Ganga. They stepped back at the last moment, but are unwilling to give up their clamour for justice.

The protest has found support from civil society, and has been noticed by international sporting bodies, including the International Olympic Committee and the United World Wrestling that have condemned the police crackdown on the wrestlers, which happened on the day India inaugurated its new Parliament building. Jat farm leaders in Uttar Pradesh (U.P.) and Haryana have also come out in support of the wrestlers, resolving to strengthen the agitation. Meanwhile, Mr. Singh, far from facing condemnation by the ruling party, appears to enjoy the patronage of its leadership. The powerful MP from U.P.'s Kaiserganj is blaming the protesters and mobilising his supporters. Once accused in a TADA case, Mr. Singh appears to be too valuable in the BJP's scheme of things. There can be no case that anyone should be punished without due process which involves investigation and trial, but the question of probity must have a higher standard. The allegations against Mr. Singh are of a serious nature that diminish his capacity to be at the helm of a prestigious sporting body. While the criminal investigation must not be influenced by street protest, the message has to be clear to all, particularly the victims and the perpetrators, that there is zero tolerance of sexual harassment in India.

AT THE ROOT OF INDIA'S MANUFACTURING CHALLENGE

Pulapre Balakrishnan is an economist

The issue of manufacturing or services as the desirable path for India's economy makes the rounds in public fora periodically. In the early part of this century, when India's software exports were booming, it had been asked why India's services sector should not leapfrog over manufacturing to propel the economy forward. This proposal challenged the standard model of economic development, for, in most successful economies, industrial expansion had come first. The frustration of the Indian economic policy maker can be well understood.

The economic reforms of 1991 had almost exclusively focused on manufacturing, but the significant scaling down of tariffs and the dismantling of the 'licence-permit Raj' did not lead to an increase in the share of manufacturing in the economy. Of course, India's manufacturing sector ought not to be seen only in terms of its size. There has been a qualitative change after 1991. The range and quality of products manufactured in India have undergone an impressive increase. The rising quality and variety of the goods produced, without the expansion of manufacturing in relation to the economy, suggests a rising inequality of income.

Unimpressive record

After the economic reforms of 1991, the next time manufacturing came into the government's view was after 2014, when 'Make in India', with its emphasis on foreign direct investment, was launched. More recently, there has been the Production-Linked Incentive scheme, which essentially subsidises production of certain products. Though announced with fanfare, the first within months of the Narendra Modi government assuming office, the record of these schemes has not been impressive.

The first advance estimates of the national income for 2022-23 show manufacturing growth to be 1.3% for the year, less than that for agriculture and all main segments of services. While the data unambiguously point to the role of the demonetisation of 2016 in the slowing of the manufacturing sector, the persistence of low rates of growth in the presence of policy initiatives that were focused on manufacturing point to something 'structural' holding back the sector in India.

This issue reportedly came up for discussion at a private event, where it was agreed that the economy needs a manufacturing push for the creation of jobs and to raise the growth rate. We are told that during the ceremony, the Finance Minister addressed the corporate leaders gathered with the remark, "I am sure the Indian private sector is ready. Are you?" Even on earlier occasions, the Minister has publicly referred to the many policy initiatives favouring the corporate sector. Among them, the tax rate had been lowered substantially in 2019 and the government also claims to have improved the ease of doing business. There is also another factor, namely, public investment. In the last Union Budget, capital expenditure was raised by 18.5%. This unusually high increase should come to the aid of the private sector by raising aggregate demand.

The price of food

Despite the favourable measures undertaken by the government, it would be simplistic to expect industry leaders to achieve a manufacturing push on their own. There is demand to be reckoned with, and this is largely independent of the supply side, which the government has acted upon. Household demand for manufactures inevitably follows the satisfaction of its demand for the necessities of life — food, housing, health and education, none of which can be postponed. For a substantial section of India's households, food occupies a large share. This constricts the growth of demand for manufactures.

The relationship between per capita income and the share of food in household expenditure is strongly negative globally, with the richest countries, such as the United States and Singapore, having low such shares. Of the large economies of the world, the share of food is the largest in India, and its GDP per capita the lowest. Industry leaders have no control over the demand side of the equation. However, the possibility of exporting means that the manufacturing sector of an economy can sidestep a narrow domestic market. After all, the smaller countries of East Asia would never have been able to grow their manufacturing base to such an impressive level had they relied on their domestic markets alone. Taking this route, however, does require that an economy's manufactures are globally competitive.

In a comparison with the economies of East Asia, we can see what is necessary for an economy to be a successful exporter. One is infrastructure and the other is the skill level of the workforce. These determine the cost of production and the type of products that a country can produce, respectively. The export of manufactures is largely by sea. The challenge of reaching the seaports faced by companies located in north India can be imagined. Goods have to first reach the coast by road, and then exporters must deal with the relatively poor infrastructure and practices in India's ports. The competitive disadvantage faced by India's exporters can be seen in the much higher turnaround time for ships in India's ports with that in Singapore. The importance of ports for exports may be seen in a public statement recently issued by a section of Kerala's traders: that they are forced to use ports outside the State as they cost much less to use. While transportation is a big factor, it is not everything yet. Inexpensive power, space and industrial waste disposal services all matter.

Educational outcomes in India

But it is with respect to education that India has fallen most behind the countries that are the manufacturing successes of the world. The ranking of countries by the Programme for International Student Assessment reveals this directly. In a group of about 75 countries, the countries of East Asia are at the very top while India barely manages not to be the last. Now, if we do not wish to rely on tests administered by international bodies, we may turn to our very own non-governmental organisation Pratham, which assesses learning outcomes in India's schools. Its widely publicised findings point to the very low reading ability and numeracy of Indian children in their early years. These tests are for schoolchildren.

While there is no standardised test for university graduates, we have leading Indian employers issue statements on the lack of employability of these graduates. This dismal assessment has extended even to an Indian Institute of Technology. India's universities expanded to serve the aspiration of its middle class who wish to avoid manual work. However, for those headed for a life as a skilled worker, ranging from carpenters to plumbers and mechanics, university is not an aspiration at all. This cohort has been neglected in economic policy-making in India. There is no formal assessment available of the state of the vocational training institutes in India, but we certainly know that they are few and far between. When it existed, the Planning Commission had released data showing that only about 5% of Indian youth have had any kind of technical training. The figure for South Korea was over 85%. It would be naïve to expect India to make a mark on the global stage for manufacturing with such a labour force.

The economic reforms of 1991 were undertaken with a view to raising the presence of manufacturing. To this effect, the trade and industrial policy regime had been overhauled. However, it overlooked the need for an entire ecosystem, including schooling, training and infrastructure for manufacturing to flourish. This has to be built. It cannot be achieved merely through legislation. Liberalising reforms have run their course in India.

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