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## FRESH VIOLENCE PUTS MANIPUR ON EDGE

**RAHUL KARMAKAR**  
GUWAHATI

Security forces tightened vigil and curfew was extended after a fresh incident of violence in Manipur's capital Imphal on Monday.

Chief Minister Nongthombam Biren Singh said a former MLA "behind the conspiracy" to trigger another round of unrest was picked up along with two others armed with single-barrel guns after they asked roadside vendors, mostly women, to vacate the New Chekon area of Imphal West district around 10 a.m. The former MLA instigated the armed men, he said.

As the news of the intimidation spread, a mob arrived and torched some abandoned houses, officials said. Army and paramilitary personnel brought the situation under control.

This was the second such incident in less than 12 hours. On Sunday night, three persons sustained minor injuries in Imphal West district when a man wielding a double-barrel gun attacked them. The attacker was arrested.

"Peace was slowly returning to Manipur in the last 10 days. But after the minor clash on Sunday, another incident took place in the heart of Imphal today," Mr. Singh told journalists.

He appealed to the people to trust the peace-building process of the government monitored by Union Home Minister Amit Shah.

"Whenever you have some doubts or suspicion, please contact the police and the emergency numbers," he said.

A defence statement said a person identified as Chungkhomang Kipgen was caught with a 12-bore shotgun and seven cartridges from Imphal West district after he was found involved in a firing incident in village Moidangpok on Sunday night. Three injured persons were shifted to the

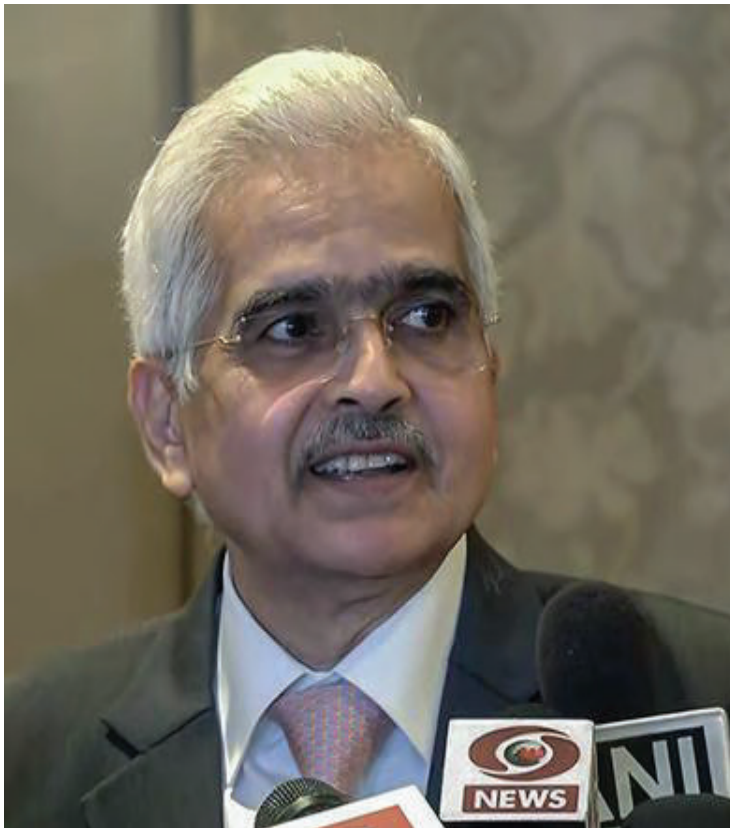


Regional Institute of Medical Sciences hospital. Security forces also caught three suspected troublemakers along with two single-barrel 12-bore guns after they threatened roadside vendors in the New Chekon area on Monday morning, it added.

*Army and paramilitary personnel brought the situation under control after a mob set ablaze a few abandoned houses. ANI*

*Abandoned houses torched in second incident of violence in 12 hours; ex-MLA 'behind the conspiracy' arrested, says Chief Minister Biren Singh*

## DO NOT RUSH TO SWAP ₹2,000 NOTES: RBI



Shaktikanta Das

**THE HINDU BUREAU**  
NEW DELHI/MUMBAI

Seeking to allay concerns about the legal tender status of ₹2,000 currency notes after the September 30 deadline for their exchange or deposit, Reserve Bank of India Governor Shaktikanta Das on Monday clarified that there was no need to rush to the banks; the announcement of the last date was only meant to nudge people to return the notes soon.

Speaking in Delhi, he said a time limit had been specified along with the May 19 decision to withdraw the ₹2,000 notes from circulation just to ensure that the "announcement is taken seriously", adding that there were adequate currency stocks with the banking system to replace these notes.

While banks have been advised to make suitable arrangements for people to exchange the notes, Mr. Das indicated he did not expect bank branches to see the kind of rush like in 2016, after the old ₹500 and ₹1,000 notes were scrapped.

### Need for deadline

"I will appeal to people there is no need to rush to the banks — four months' time has been given. You can do it anytime that it suits you. By September 30, please exchange it," he pleaded, emphasising that not setting a deadline would have made the process "endless".

"Let me assure you, we have more than adequate quantities of notes available already printed in the system... not just with the RBI, but also at the currency chests operated by banks. There is adequate stock available and there is no reason to worry whatsoever," Mr. Das assured.

Earlier in the day, the central bank directed all banks to ensure that the over-the-counter exchange facility for the high-denomination notes is provided to the public, as was being done in the past. The regulator also advised banks to provide appropriate infrastructure at their branches such as a shaded waiting space and drinking water facilities for people as the exercise is being conducted in the summer season.

"Banks shall maintain daily data on deposit and exchange of ₹2,000 banknotes in a format which includes the bank's name, date, amount of ₹2,000 notes exchanged, amount of ₹2,000 notes deposited, and total amount received and submit the same as and when called for," the RBI circular to lenders said.

## PRIME MINISTER EXTOLS VALUE OF PACIFIC ISLAND NATIONS AT THIRD FIPIC SUMMIT

**KALLOL BHATTACHERJEE**  
NEW DELHI

Small island nations of the Pacific Ocean are in fact “large ocean states”, said Prime Minister Narendra Modi on Monday, highlighting the importance of the 14 members of the Forum for India Pacific Islands Cooperation (FIPIC).

In the opening session of the FIPIC-3 summit in Port Moresby, Mr. Modi spoke in favour of free and open Indo-Pacific region and focused on India’s commitment to assist the development goals of the member-countries. New Delhi would continue to help the Pacific Island states in “every possible” way, he said. “Climate change, natural calamities, poverty and famine already existed but now new challenges are emerging as supply chains of food, fuel fertilizer and pharma are facing hurdles. Those we thought were reliable, we came to know they were not standing with us. In this time of difficulty, the old saying that a friend in need is a friend indeed has been proved. From vaccines to medicines, wheat and sugar, India has supplied the countries that needed the items,” he said.

The previous two meetings of the India-Pacific Islands Cooperation were held in November 2014 in Fiji, and August 2015 in Jaipur.

Mr. Modi arrived in Port Moresby on Sunday after completing his engagements at the G-7 summit in Hiroshima, where India was a guest country. Welcoming the guest, Prime Minister James Marape said the members of the FIPIC had suffered because of the high tariff on energy and food.

### Plea to India

“We are victims of global power play and we want you to be an advocate for us and sit in those meetings,” he said, urging India to serve as the voice of the Global South in the G-7 and the G-20.

He said the small size of the island nations of the Pacific Ocean region should not overshadow the fact that the islands had large space in the ocean. Mr. Modi assured the FIPIC members of India’s support in the field of sustainable development, science and technology and space application.

In a special ceremony, Governor General Sir Bob Dadae conferred the Grand Companion of the Order of Logohu (GCL), the highest civilian award of Papua New Guinea, on PM Modi.

Mr. Modi’s visit to Papua New Guinea highlights the growing strategic



Prime Minister Narendra Modi delivers his opening remarks at the FIPIC summit at Port Moresby in Papua New Guinea on Monday. ANI

significance of the Pacific Island nations, which have also received attention from China, with the country having signed a security agreement last year with the Solomon Islands.

FIPIC consists of Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Samoa, Solomon Islands, Palau, Papua New Guinea, Tonga, Tuvalu and Vanuatu. His visit coincided with the visit of U.S. Secretary of State Antony Blinken as the two sides plan to seal a defence partnership agreement.

PM Modi reached Sydney on Monday evening to start the last leg of the three-nation tour that will see him hold the official bilateral dialogue with Prime Minister Albanese. In an interview given to The Australian, Mr. Modi said he wants to take India-Australia relation to the “next level” with closer defence and security ties to safeguard the Indo-Pacific region. The two Prime Ministers will address a public meeting at Sydney Olympic Park on Tuesday night, where at least 20,000 expat Indians in Australia are expected to be in attendance.

## INS SINDHURATNA SAILS FOR 97 DAYS TO INDIA AFTER MAJOR REFIT IN RUSSIA



Crew aboard INS Sindhuratna in Mumbai after sailing for almost 10,000 miles with two port calls in between. Special Arrangement

**DINAKAR PERI**  
NEW DELHI

The Navy’s Kilo-class submarine INS Sindhuratna which underwent a major upgrade in Russia reached Mumbai after sailing for 97 days and almost 10,000 miles with two port calls — Le Havre, France and Cadiz, Spain — in between.

The submarine underwent a Medium Refit Life Certification (MRLC) process in Russia which extended its life. However, it faced transportation issues against the backdrop of the war in Ukraine.

The initial plan was to move it by a transport dock ship directly from Russia which did not materialise, following which the Navy tried to sea transport the submarine to Norway and then via a transport dock to India, which also did not materialise.

Following this, the Navy decided to sail it directly on its own. “INS Sindhuratna, a Sindhughosh class submarine, returned to Mumbai after undergoing a major refit at the naval dockyard in Russia. The submarine undertook a gruelling 97-day return passage through the Norwegian Sea, English Channel and the Mediterranean Sea, and arrived in Mumbai on May 16,” the Western Naval Command said on Twitter.

“The submarine with its modernised weapon and sensor suite will enhance the force level in the Western Seaboard, opening a new & exciting chapter in submarine operations in Indian Ocean Region,” it added.

The crew was received by Vice-Admiral Sanjay Bhalla, Chief of Staff, Western Naval Command.

With delays in induction of submarines, the ageing SSKs - 209s (German HDWs) and EKMs (Russian Kilos) are being put through the MRLC process which will extend their life by 10 to 15 years.



# THE TUSSLE OVER 'SERVICES' IN DELHI

**KRISHNADAS RAJAGOPAL**  
EXPLAINER

## The story so far:

A Constitution Bench headed by the Chief Justice of India D.Y. Chandrachud on May 11 held that the Delhi government can make laws and administer civil services in the national capital. The court limited the role of the Lieutenant Governor (LG), an arm of the Centre, over bureaucrats in the capital to three specific areas — public order, police and land. The judgment intended to strike a balance between the national interests of the Centre in the capital and the authority of an elected Delhi government to legislate and administer meaningfully through “professional” civil service officers deputed to its departments. However, on May 19, the Centre turned the tables on the judgment. The President promulgated the Government of National Capital Territory of Delhi (Amendment) Ordinance, 2023 to make a fresh claim of power over the services in the capital. The stated aim of the Ordinance is to “provide for a comprehensive scheme of administration of services” which “balances the local and domestic interests of the people of Delhi with the democratic will of the entire nation reflected through the President of India”.

## What does the Ordinance say?

The government has used the Ordinance route to indirectly return to its original position which it had taken in May 21, 2015 through a Home Ministry notification. The notification, which formed the bone of contention between the Aam Aadmi Party (AAP) government and the Centre for the past eight years, gave the Lieutenant Governor (LG) power over the services. It required the LG to consult the Chief Minister only at his “discretion”. The notification had excluded Entry 41 (services) of the State List from the scope of powers of the Delhi government.

The Ordinance forms a “permanent” National Capital Civil Service Authority (NCCSA) with the Chief Minister as chairperson, and the Chief Secretary and Principal Home Secretary as Member and Member Secretary, respectively. The NCCSA exercises authority over civil service officers working in all Delhi government departments except those in public order, police and land. It would decide transfers, postings, prosecution sanctions, disciplinary proceedings, vigilance issues, etc. of civil service officers deputed to Delhi government departments by majority of votes of the members present and voting. The Lieutenant Governor’s decision, in case of a difference of opinion, would be final. This throws open a scenario in which bureaucrats in the NCCSA could possibly veto the Chief Minister. The Ordinance explains that the Chief Secretary would represent “the will of the officers of GNCTD” (Government of the National Capital Territory of Delhi).

The Supreme Court had envisaged a “neutral civil service” carrying out the day-to-day decisions of the Council of Ministers. The NCCSA attempts to bring civil service officers out of the administrative control of the elected Ministers, who embody the will of the people, and transform them into a power lobby. The NCCSA negates the intrinsic link between government accountability and the principle of collective responsibility highlighted in the judgment. The Ordinance, by creating the NCCSA, skirts the emphasis laid down in the judgment on the “triple chain of command” in the governance of Delhi. The court had held that the civil services were accountable to the Ministers of the elected government, under whom they function. The Ministers were in turn accountable to the legislature, and the legislature ultimately to the people of Delhi. The chain of command was forged by the Supreme Court to ensure democratic accountability.

The Ordinance also does not heed the President’s own Transaction of Business Rules of the Government of National Capital Territory of Delhi, 1993. The Supreme Court had held in 2018 that “a significant aspect of the Rules is that on matters which fall within the ambit of the executive functions of the Government of National Capital Territory of Delhi (NCTD), decision-making is by the government comprising the Council of Ministers with the Chief Minister at its head”. This view was reinforced on May 11, 2023.

The court had also dismissed the K. Balakrishnan Committee’s specific recommendation that the “services” should not be included within the legislative and executive ambit of the NCTD. The court held that the committee report was not relevant as it preceded the insertion of Article 239AA — the provision that deals with the governance structure of Delhi, in the 69th Constitution Amendment, 1991.

## Does the Ordinance go against the Supreme Court judgment?

The Ordinance is based on the argument that the Supreme Court has itself acknowledged the superior authority of Parliament to make laws for the national capital. A review petition filed by the Centre in the Supreme Court



*Constant tiff: The Lieutenant Governor of Delhi Vinai Kumar Saxena being greeted by Delhi Chief Minister Arvind Kejriwal in 2022. File Photo*

*What is the Government of National Capital Territory of Delhi (Amendment) Ordinance, 2023? How is it going to affect the powers of the elected State government of Delhi? Does it restore the powers of the Lieutenant Governor? What was the May 11 judgment by the Supreme Court?*

claimed that Delhi is not a “full-fledged State” but only a Union Territory which is an extension of the Union. The Parliament is Delhi’s true legislature, the Centre has argued. However, the May 11 judgment addresses this contention by acknowledging that though Delhi is not a full-fledged State, its Legislative Assembly is constitutionally entrusted with the power to legislate upon the subjects in the State List and Concurrent List.

The unanimous judgment held that though Delhi is not a State under the First Schedule to the Constitution, it is conferred with power to legislate upon subjects “to give effect to the aspirations of the people of NCTD”. It has a democratically elected government which is accountable to the people of the NCTD. Under the constitutional scheme envisaged in Article 239AA(3), NCTD was given legislative power which though limited, in many aspects is similar to States. In that sense, with the addition of Article 239AA, the Constitution created an “asymmetric federal model” with the Union of India at the centre, and the NCTD at the regional level.

The May 11 judgment had also referred to how the majority in a 2018 Constitution Bench judgment had held that while NCTD could not be accorded the status of a State, the concept of federalism would still be applicable to NCTD.

The court had held that the executive power of the Delhi government was “coextensive” with its legislative power. That is, the executive arm of the government covers all the subjects, including services, except public order, police and land, for which the legislative arm can make laws.

## What does the Ordinance and the judgment say about the LG’s powers?

The Ordinance has put the LG back in the driver’s seat by giving him the power to take a final call on any decision taken by the NCCSA regarding services. This is despite the fact that the LG’s powers were curtailed way back in 2018 by another Constitution Bench judgment.

On May 11, the court had agreed with its conclusions in 2018 that the LG was bound by the aid and advice of the Council of Ministers under Article 239AA(4) while exercising executive powers in relation to matters falling within the legislative domain of the legislative assembly of NCTD.

The court had held that even the “limited discretionary power” afforded

to the LG “ought to be exercised in a careful manner in rare circumstances such as on matters of national interest and finance. The Lieutenant Governor could not refer every matter to the President”.

What lies ahead?

An Ordinance is not beyond judicial review of the apex court. If the 2023 Ordinance is challenged separately, the Union would have to prove the

“extraordinary or emergent situation” which necessitated it to promulgate an Ordinance merely days after a Constitution Bench settled the law.

A Constitution Bench in DC Wadhwa versus State of Bihar had held that the power of the Executive to promulgate an Ordinance should not be “perverted to serve political ends”.

## G-20 MEETING WILL EXPOSE FALSE NARRATIVES ON J&K: JITENDRA SINGH



*Cultural exchange: Foreign delegates attending the G-20 handicraft exhibition in Srinagar on Monday. NISSAR AHMAD*

*First day of tourism working group meeting sees side meeting on film tourism; China, Turkey and Saudi Arabia keep off meeting; Kishan Reddy asks participants to share best practices and stresses the need to promote sustainable tourism*

### PEERZADA ASHIQ SRINAGAR

As many as 122 delegates, including 60 foreigners, arrived in Srinagar for the third G-20 tourism working group meeting on Monday, as Union Minister of State Jitendra Singh described the three-day event as one that will expose the false narratives emanating from Kashmir.

Union Tourism Minister G. Kishan Reddy and G-20 Sherpa Amitabh Kant received the delegates at the Srinagar airport. Local people, attired in colourful Dogri clothes and singing Kashmiri songs, welcomed the delegates.

### Heavy security

A heavy blanket of security, with drones monitoring from the air and elite Navy commandos on the Dal Lake, was put in place in the Valley, in the wake of militant threats. However, visibility of the security personnel was significantly

reduced on the streets. Scores of policemen were roaming in civvies “to keep an eye on anti-national elements”.

The Srinagar meeting, according to the officials, has the highest participation registered compared with the first two tourism working group meetings at Rann of Kutch, Gujarat, and Siliguri, West Bengal, earlier. No delegates from China, Turkey and Saudi Arabia arrived for the meeting, official sources said.

On the first day, the delegates attended a side meeting on “Film tourism for economic growth and cultural preservation”, which is aimed at drafting a national strategy on film tourism, officials said. The star attraction of the meeting was actor and producer Ram Charan. Mr. Charan and South Korea’s Ambassador to India Jae Bok Chang did an onstage performance of the Naatu Naatu song from RRR.

Speaking on the occasion, Mr. Singh said, “The event will falsify all the false narratives created by vested interests or by cynics or self-styled critics. The event is a moment of rejuvenation and reincarnation.”

He said the mindset of people in J&K was “changing”. “Strike calls are being issued from Pakistan and in Srinagar as well but the people don’t pay any heed now,” Mr. Singh said. Mr. Reddy seconded Mr. Singh and highlighted the government efforts to revive film tourism across India.

### Main meeting today

The delegates will attend the main meeting on tourism on Tuesday at the Sher-i-Kashmir International Convention Centre (SKICC) on the Dal Lake.

Mr. Reddy asked the participants to share the best practices and stressed the need to promote ways and means of ecotourism and sustainable tourism during the upcoming meeting. “Without private investments, we cannot become a world tourist destination. We want global and domestic investment. We are also encouraging 100% FDI [foreign direct investment] under the leadership of PM Modi, including in Northeastern States and hill States,” Mr. Reddy said.

Mushtaq Chaya, a hotelier, termed the G-20 meeting “a remarkable event that promises to be a turning point for tourism in the region”. “It’s a great day as people from all over the world have come to Kashmir today. What can be better for tourism than this?” he said.

To a question on some G-20 countries not sending their delegates, Mr. Kant said all the countries except China was attending the meeting.

“Some countries have been represented by people from the private sector. Some wanted to attend virtually, we wanted physical presence. Some are being represented by tour operators,” he said.

## U.S. SIGNS SECURITY PACT WITH PAPUA NEW GUINEA AMID COMPETITION WITH CHINA



*Widening horizon: Antony Blinken, left, and James Marape sign agreements in Port Moresby, Papua New Guinea, on Monday.AP*

### ASSOCIATED PRESS PORT MORESBY

The U.S. signed a new security pact with Papua New Guinea on Monday as it competes with China for influence in the Pacific.

Papua New Guinea’s location just north of Australia makes it strategically significant. It was the site of fierce battles during World War II, and with a population of nearly 10 million people, it’s the most populous Pacific Island nation.

The State Department said the new agreement provides a framework to help improve security cooperation, enhance the capacity of Papua New Guinea’s defence force and increase regional stability.

“The work that we’re doing together to try to shape the future could not be more important, could not be more timely,” U.S. Secretary of State Antony Blinken told reporters.

Papua New Guinea Prime Minister James Marape said the pact is mutually beneficial and “secures our national interests”.

But the agreement sparked student protests in the second-largest city, Lae. And many in the Pacific are concerned about the increasing militarisation of the region.

# UKRAINE SAYS FIGHTING ON THE FLANKS OF BAKHMUT CONTINUES

AGENCE FRANCE-PRESSE  
KYIV

Ukraine on Monday said it continued to fight for Bakhmut and still controlled a corner of the eastern city, as Russia's Wagner said it would transfer control of the ruined hotspot to the Russian Army by June 1.

Ukraine has denied that Bakhmut has fallen to Russian forces, saying it is hanging on to one area of the city and that battles are ongoing.

## Conflicting claims

Both Wagner and the regular Russian Army said over the weekend that Bakhmut has fallen to them. "The fighting continues," Ukraine's Deputy Defence Minister Ganna Malyar said, a day after President Volodymyr Zelensky said Bakhmut was "not occupied" by Russia.

Ms. Malyar said Kyiv's troops retained control of the "Airplane" district of Bakhmut. "The battle for the dominant heights on the flanks — north and south of the suburbs — continues," she added.

The head of Russia's mercenary group Wagner, whose fighters have spearheaded Moscow's storming of Bakhmut, announced on Saturday that the city had fully fallen to his fighters. On Monday, he said the mercenaries would leave Bakhmut by June 1 and hand over control to regular Russian troops.

## Wagner's defence lines

"Wagner will leave Artemovsk from May 25 to June 1," Yevgeny Prigozhin said in an audio recording on Telegram, referring to Bakhmut.

Prigozhin said the mercenaries had set up "defence lines" on the western outskirts of the city before a planned transfer of control to the Russian army.



Last stand: Ukrainian soldiers walk in an area of the heaviest battles in Bakhmut in the Donetsk region of Ukraine.AP

Kyiv claims its troops are still holding on to one area of the city and making advances on its flanks; Wagner says it would transfer control of the ruined hotspot to the Russian Army by June 1

# 'DEMAND WILL PICK UP, SPUR CAPEX AS INFLATION RECEDES'

## Signs of good health

Capacity creation and real estate are seeing traction



■ Crops are unlikely to suffer despite uncertainty around the monsoon as reservoir levels are healthy

■ Too early to forecast full-year outcomes but a good beginning is harbinger of positive outcomes

THE HINDU BUREAU  
NEW DELHI

The first month of 2023-24 has seen strong, albeit seasonally moderated economic activity, and demand is expected to strengthen in the wake of receding inflation, fuelling a virtuous investment cycle whose signs are already visible despite higher interest rates, the Finance Ministry said on Monday.

"There are downside risks to growth and upside risks to inflation, partly channelled through the external sector and partly originating from weather uncertainties. Yet a strong point going India's way is the strength of its domestic demand," it said in its economic review of April.

"Consumption has shown steady and broad-based growth, while investment in capacity creation and real estate is finding traction... As inflation further recedes, demand will become stronger and lay the foundation of a virtuous capex upcycle," it emphasised, while conceding it is too early to forecast the entire year's outcomes.

The Ministry said in the review that crops were unlikely to suffer despite uncertainties about the monsoon as reservoir levels were healthy.

But, Finance Ministry also flags 'downside risks to growth and upside risks to inflation' in monthly economic review; cites uncertainties from the external sector and weather

# NCLAT UPHOLDS INSOLVENCY ORDER IN GO FIRST CASE

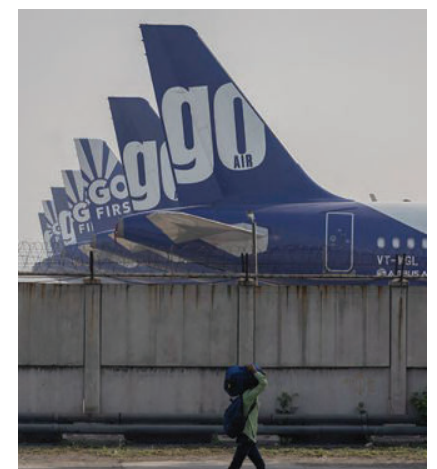
THE HINDU BUREAU  
NEW DELHI

The National Company Law Appellate Tribunal on Monday upheld the court order admitting Go First's voluntary insolvency and asked the lessors, who had challenged the moratorium on repossession of aircraft, to approach the adjudicating court.

"The Appellant(s) as well as IRP [Interim Resolution Professional] are at liberty to make appropriate application before the Adjudicating Authority for declaration with regard to applicability of the moratorium on the aircrafts with regard to which leases in favour of the Corporate Applicant [Go First] were terminated (sic)," the NCLAT said in the order.

The lessors, SMBC Aviation Capital Ltd., GY Aviation and SFV Aircraft Holdings, moved the NCLAT after the NCLT-Delhi admitted Go First's plea for voluntary insolvency and granted it protection under a moratorium from its planes being seized as well as actions by other creditors over unpaid dues. The lessors who have appealed against the order had leased out 21 aircraft to Go First. Lessors have together terminated leases of at least 45 of 54 Go First's aircraft. The lessors maintain that the moratorium order was given after termination of leases and requests to the DGCA for de-registration of aircraft and isn't applicable retrospectively.

However, Go First has said there are payments owed to lessors only due to defective engines supplied by Pratt and Whitney resulting in groundings. The airline has until Tuesday to respond to the DGCA's showcause notice, on the basis of which the regulator will decide whether to revoke Go First's permit to operate flights.



## SLOW WITHDRAWAL

*Without setting a deadline, RBI could have withdrawn the notes gradually*

The Reserve Bank of India's May 19 announcement that ₹2,000 banknotes would be withdrawn from circulation, coming just over seven-and-a-half years since the economically deleterious demonetisation of ₹500 and ₹1,000 notes, has triggered a sense of déjà vu. While Prime Minister Narendra Modi's decision in November 2016, to abruptly and completely rescind the legal tender status of the then available high value currency notes was ostensibly aimed at 'combatting black money and terror financing', the RBI has asserted that the latest move is in pursuance of its 'Clean Note Policy' and does not alter the legal tender status of the withdrawn notes. The central bank has, however, set a September 30 deadline for the exchange or deposit of the withdrawn currency, thereby triggering difficulties for the common individual to continue to use the note. Reports from across the country speak of consumers, including wage earners in sectors such as construction, struggling to pay for the purchase of medicines, petrol and other day-to-day essentials despite the notes continuing to remain legal tender. Given that the RBI has acknowledged that the printing of new ₹2,000 notes was stopped in 2018-19, the sudden decision to withdraw the notes in circulation has raised questions about the rationale. The RBI stated that

about 89% of the ₹2,000 notes were issued between November 2016 and March 2017 "to meet the currency requirement of the economy in an expeditious manner" following demonetisation and that since then lower denominations had become adequately available, obviating the need for the ₹2,000 notes.

The central bank has also contended that the notes sought to be withdrawn were "at the end of their estimated life-span of 4-5 years", and that the value of these bills in circulation had declined to ₹3.62 lakh crore, or 10.8% of the total notes in circulation, as on March 31. A look at previous withdrawals of bills by the RBI shows, for instance, that starting in April 2014, all banknotes issued prior to 2005, or almost a decade earlier, were gradually withdrawn even as they continued to enjoy legal tender status. Even today, lower value bills issued at least as far back as 2013, and which are used far more frequently in everyday transactions, continue to remain in circulation, raising doubts about the RBI's 'clean note' reasoning. The RBI retains the right to issue or withdraw currency bills as it deems fit for the conduct of its policy mandate, but the lack of transparency now, and the administrative flip flops, do little to enhance trust in its "promise to pay the bearer" the note's face value.

## KARNATAKA'S NEW, YET DAUNTING, JOURNEY TO DEVELOPMENT

As the dust settles in Karnataka over what was seen by many as a foregone conclusion, it is now time to get down to the business of governance. Over a 35-year period, between August 1988 to May 2023, the State has had 18 different governments (many Chief Ministers more than once) and was under President's Rule four times. So, it is 22 different configurations across a 35-year period, leading to a not-so-healthy average of 18 months per configuration. Karnataka is a synonym for instability if data is to be believed. One wonders what this augurs for the State with this kind of a history.

### **A trillion-dollar economy goal**

Karnataka aspires to become a trillion-dollar economy by 2032 and needs a 17%-18% Compound Annual Growth Rate in its Gross State Domestic Product (GSDP) to make this happen over the next decade — the current CAGR is around 13% — thus, a steep ask. During 2022-23, Karnataka's per capita GSDP was around \$4,000 which is almost twice that of India's per capita GDP. Its GDP is around \$250 billion, but the distribution is skewed, with the bulk of the contribution from the services sector. Of this, the roughly \$60 billion digital economy is largely centered in and around Bengaluru, straining the infrastructure of a city which simply was not built for such explosive growth; therefore, building satellite technology/other clusters on the lines of Cyberabad, Mohali, Oragadam (Tamil Nadu), Navi Mumbai, and Naya Raipur (Chhattisgarh) is critical. Bengaluru has about two million knowledge professionals; a simple back-of-the-envelope calculation will reveal the staggering number of buses which deposit and bring back this workforce, in two shifts, from the four or five clusters within the city, almost bringing these places to a virtual halt. No other city faces this issue on such a scale.

The services sector grew the most during this period, at 15.5%, followed by manufacturing at 10.8%, and agriculture at 11.8%. The services sector was also the largest contributor to Karnataka's GSDP, making up more than two-thirds of the economy. Thus, there is ample headroom to focus on manufacturing and agriculture in terms of productivity increases and to also grow the size of the cake. The path to a trillion-dollar economy cannot rest on the shoulders of services, and technology alone.

At a time when civil service tenures are notoriously short in almost all the States of the country, Karnataka's Finance Secretary has set a national record of sorts by being in his position since August 31, 2013, for an unbroken 10 years, presenting 13 Budgets. With an outstanding team of IAS officers in finance, this has helped keep Karnataka fiscally sane. The data again speaks louder than words. Karnataka is in the top 10 States when it comes to a tiny revenue surplus and this as a percentage of the GSDP is around 0.07%. Further, if you take the ratio of capital expenditure to total expenditure, the average figure between 2015 to 2020 Karnataka stands at 17% which again is among the top in the country. Likewise, the ratio of committed expenditure to revenue receipt stands at 39%, which is one of the lowest in the country, as compared to many other States such as Punjab and Kerala, which are beyond 75%. Furthermore, outstanding liabilities as a percentage of GSDP are at a low of 20%, which is



*Srivatsa Krishna is an IAS officer*

amongst the lowest four of all States in the country.

What is even more interesting is that based on the available data, on all the above parameters, the other four southern States broadly perform worse than Karnataka, except in the case of the growth of outstanding liabilities as a percentage of GSDP where Kerala and Andhra Pradesh do slightly better.

The big question remains as the incoming government moves forward to implement its guarantees: how much, for how long and how deep would the dent be on the State's fiscal deficit, which should not go beyond 3% of GSDP if one were to follow the Fiscal Responsibility and Budget Management norms? This will be a very tough mission impossible; for, if all the promises need to be fulfilled, then the fiscal deficit to GSDP ratio could well cross 4.5% (up from 2.6% currently).

Karnataka owes about ₹4,000-plus crore to power generation companies, which is of course much less than what Maharashtra and Tamil Nadu owe them (of the order of magnitude of ₹20,000-plus crore). Also, various government departments owe about ₹6,000-plus crore to various electricity distribution utilities. With the free power promise, these numbers can deteriorate. There is a little known and used clause through which CPSE dues can be recovered from the tax devolution to States by the Government of India. We can only hope that it does not come to that, for many other States are in a far worse position vis-à-vis power sector dues.

Skilling and reforms

# THE PAKISTAN ESTABLISHMENT HAS AN IMRAN KHAN PROBLEM



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There was chaos in Pakistan after the arrest of ousted Prime Minister and chief of the Pakistan Tehreek-e-Insaaf (PTI) party Imran Khan on May 9, 2023. With the Pakistan Supreme Court declaring his arrest unlawful, and the Islamabad High Court granting him bail for two weeks on the crucial Al Qadri Trust Case, Imran Khan and PTI should be relieved. However, there is unlikely to be a thaw in the political climate, with the government, the PTI, the establishment and the judiciary taking strong positions. Mr. Khan's arrest while on court premises, a scathing press brief by the establishment's Inter-Services Public Relations (ISPR) earlier, the violence on the streets, and the extraordinary relief granted to Mr. Khan by the judiciary should highlight the following four trends — of a bad situation becoming worse for Pakistan.

Prime target

First, the PTI's response to its leader's arrest. The extent of violence across the country and the number of PTI supporters taking to the streets should underline Mr. Khan's popularity. The violence and rage was widespread (from Peshawar to Karachi) and was not random and indiscriminate. The primary target was the establishment, its infrastructure and some senior military. The Corps Commander's residence in Lahore, the Frontier Corps Headquarters in Lahore, and the General Headquarters (GHQ) were targets. Anti-Army slogans and stone pelting of Army vehicles were witnessed. There are numerous videos on these attacks.

The violence and the rage have rattled the establishment more than the Pakistan Muslim League (Nawaz)-led government. The PTI's anger seems more against the military. The establishment has never faced such fury before, with statements, slogans and violence against its property and personnel. If the PTI's followers are making their presence felt in the streets, the leaders of the PTI are targeting the government and the establishment on social media and with public statements. The government has decided to try the rioters under the Pakistan

Army Act and Official Secrets Act; the Army chief has confirmed that the process has begun.

Second, the establishment's response and the larger meaning behind it. Just the day before Mr. Khan's arrest, an ISPR statement of May 8, 2023 (in response to Mr. Khan's accusation against a serving military officer being a part of an attempt to assassinate him) said: "These fabricated and malicious allegations are extremely unfortunate, deplorable and unacceptable." The statement also referred to a "consistent pattern" during the last year "wherein military and intelligence agencies officials are targeted". Similar statements from the ISPR in the previous year condemned Mr. Khan's comments.

Mr. Khan has been on an offensive against the military and the Inter-Services Intelligence (ISI) ever since he was removed in April 2022. After the assassination attempt on his life in Wazirabad last year, he has become shrill, openly challenging the ISI's role with sharp questions. The Imran Khan-establishment equation that existed earlier has faded away. The establishment is no more a holy cow in Pakistan for political leaders, an image the establishment carefully cultivated since Pakistan's independence. It is now hostile. No other political leader in Pakistan could accuse serving officers of the military and the ISI. But now, the people are not only questioning it but also attacking it. The mob attack on the GHQ and the residence of the Lahore Corps Commander should underline how the public image of the military has taken a beating.

Does this now mean the establishment will go back to the Sharifs? Of the two Sharifs, Shehbaz Sharif has always been the preferred one. Shehbaz Sharif has been making all the right statements vis-à-vis the khakis. Or, will the establishment try out a new arrangement with Bilawal Bhutto? Asif Ali Zardari has been extra careful and been looking at the Islamabad pie, while working with the PML-N as a part of the Pakistan Democratic Movement (PDM). There is also an effort to break the PTI; some have started leaving the PTI; it may turn into an exodus.

Third, the next steps for the government, PDM alliance and the PML-N. The government should be elated with what had happened between the establishment and Imran Khan. The May 9 violence is being used to target other PTI leaders as well. Legally, the government feels it has a strong case under which it arrested Imran Khan, i.e., the Al Qadri Trust case. The PML-N would very much want to get Imran Khan disqualified, perhaps through the National Accountability Bureau.

Focus on Punjab

For the PML-N, the larger issue is about winning back Punjab. The PTI has made substantial inroads in the last elections and also during the by-elections. Given the growth in the pro-Imran base in Punjab, and the spontaneous anger following his arrest, the biggest challenge is in arresting Imran Khan's popularity. So, what is next for the government? It would be looking at charging Mr. Khan with a few more legal cases, or even try arresting him again later.

There is also the fourth issue facing Pakistan — the judiciary and Imran Khan. There is a belief that the judiciary is lenient towards Mr. Khan, and is siding with his position on major political issues. For example, the Supreme Court's position towards holding the elections is more in tune with the PTI's. The PML-N is unhappy with the judiciary's role in the latest arrest episode. The Prime Minister made a scathing attack, following the Supreme Court's declaration of Imran Khan's arrest as unlawful.

The four institutions, i.e. the government, the opposition, the establishment and the judiciary, seem to be pulling in opposite directions with different endgames. A bad situation is likely to become worse for Pakistan.

## SOLIDARITY FOR PEACE

*The G-7 must build a global consensus on the world's challenges*

By holding the meeting of the "G-7", or the so-called group of the world's most industrialised nations, in Hiroshima, Japanese Prime Minister Fumio Kishida, who belongs to the city, wanted to send out a message of global solidarity for peace. In addition to the symbolism of bringing leaders of all G-7 members with the EU leadership to the peace memorial for the victims of the 1945 atomic bombing, the grouping issued a special "Hiroshima Vision Statement on Nuclear Disarmament". The summit's importance was underlined by the fact that the U.S. President, Joseph Biden, only the second sitting American President to visit the city, made a particular point of attending the summit. Ukrainian President Volodymyr Zelenskyy's surprise arrival also enhanced the message by turning the spotlight on the horrors of Russia's invasion; Prime Minister Narendra Modi's

statement that the crisis was one of "humanity" was significant. The G-7 members issued a separate statement on Ukraine, hitting Russia with more sanctions, but failed to highlight a path towards dialogue and ending the war. Despite the invitation of countries such as India, Brazil, Indonesia and Vietnam with a less black-and-white view of the world, and Mr. Kishida making pertinent references to the views of the Global South, the summit's statements reflected a much more polarised view of the world — that of G-7 members alone.

If the G-7 grouping wishes to broaden its prism, it must recognise that it is grossly unrepresentative of the world today. While members together represent more than half the world's net wealth, the G-7 accounts for less than a third of the global GDP, and just over a tenth of the world's population. Apart from Japan,

the G-7 membership comprises an essentially Euro-American worldview, and is not discussing expanding that view soon. It has actually contracted, after it expelled Russia over its annexation of areas of Georgia in 2008 and then Crimea in 2014. It is also hard to justify an economic grouping that does not include some of the world's largest economies (China and India) or the fastest growing GDPs, or biggest global energy providers. While some efforts were made in Hiroshima to recognise the G-7's role in, for example, promoting transparent financing and

debt sustainability for the developing world, or in compensating for the developed world's contribution to global warming and greenhouse gas emissions, the summit failed to propose concrete measures to help defray these responsibilities. As the spotlight shifts to the G-20 summit later this year in Delhi, it is hoped the grouping will work towards a more inclusive outlook and help in building a more comprehensive global consensus on some of the bigger challenges the world faces today.

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