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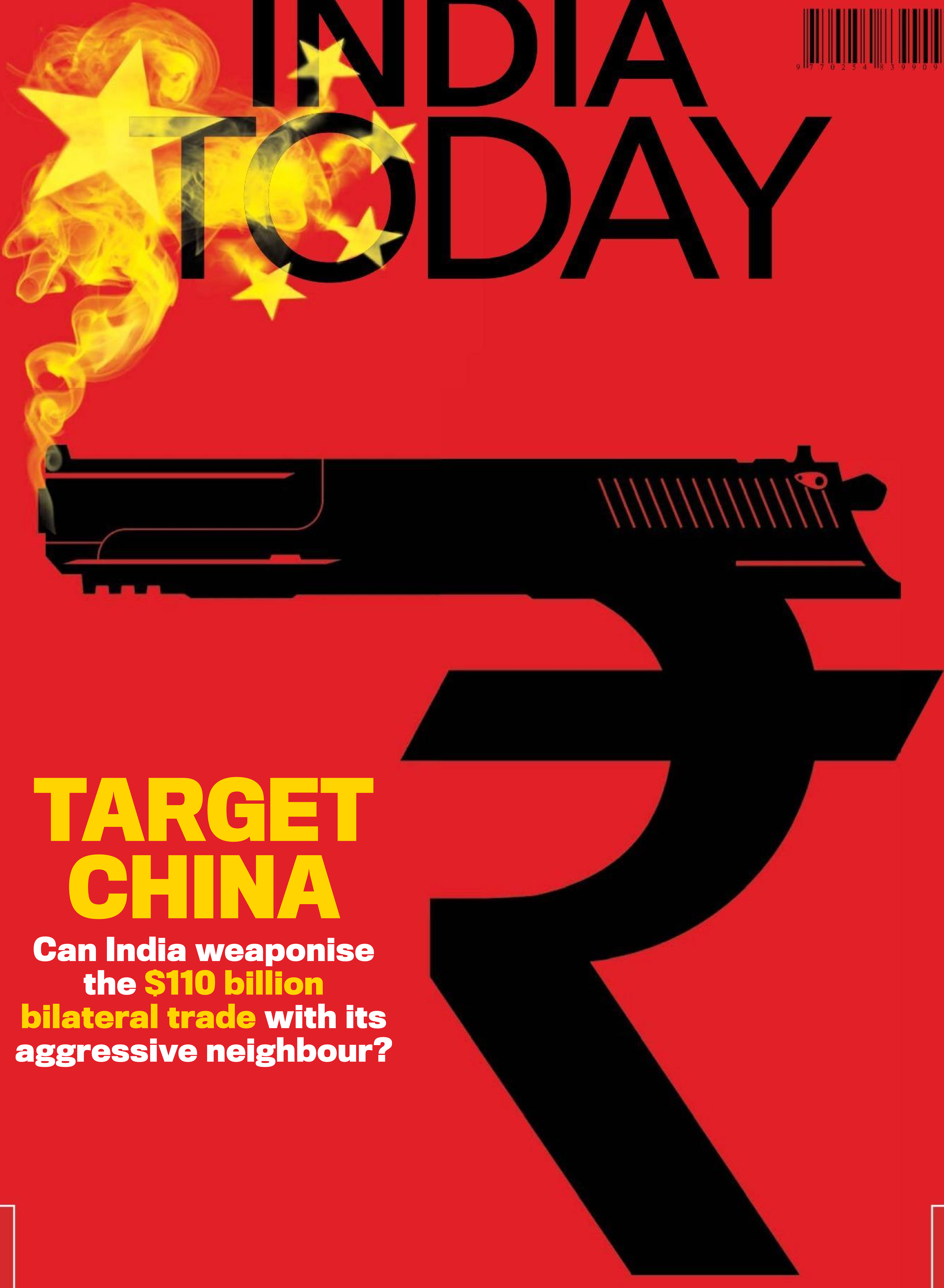

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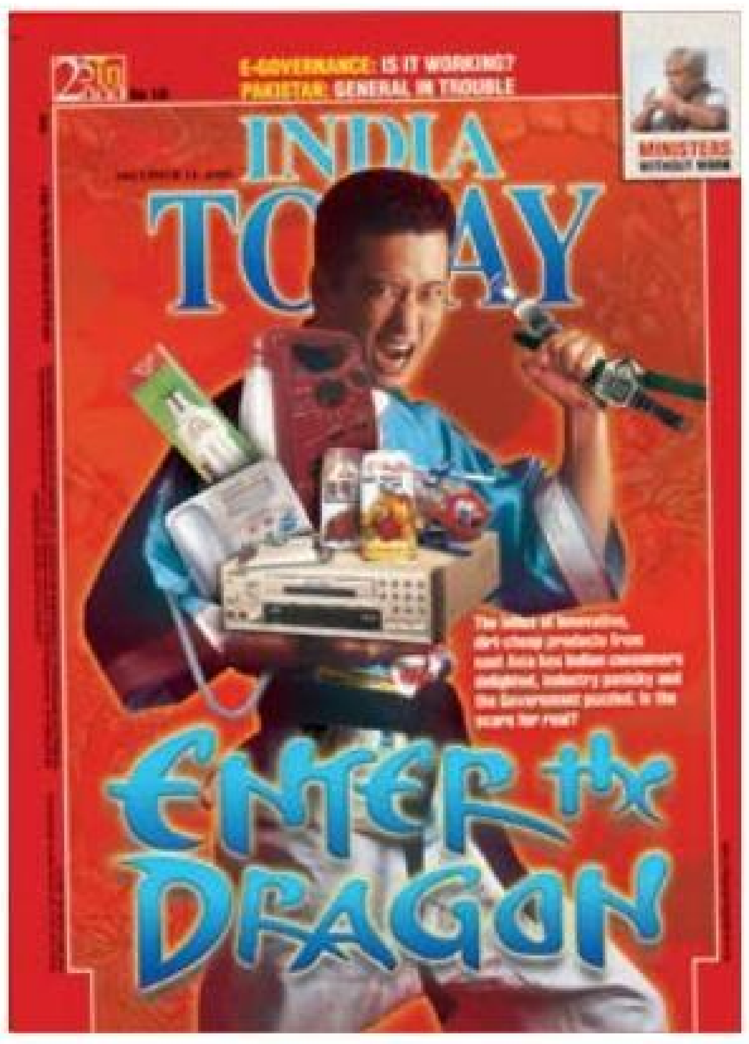
SCAN HERE TO APPLY

FROM THE

EDITOR-IN-CHIEF

Modern warfare is fought at many different levels, although the current military stand-off between India and China in the Himalayas started in the most medieval fashion—with clubs and fisticuffs—leaving 20 of our soldiers dead and an undeclared number on the Chinese side. Now in its third month, the situation at the border remains unresolved with the troops standing eyeball to eyeball and both sides piling up military hardware even as the talks between the two military commanders drag on. The other option in a conflict is diplomatic. This, too, is not making any headway despite Prime Minister Narendra Modi having met China's supreme leader, President Xi Jinping, 18 times since 2014. China is turning a deaf ear to any international opprobrium and instead accusing India of being the aggressor.

This crisis with China could not have come at a worse time. India is battling the COVID-19 pandemic, which, ironically, was bestowed on the world by China, with our infection figures now crossing the 600,000 mark. Add to that India's contracting economy, which has been decelerating for 13 quarters—from 8.58 per cent (Q3 FY'18) to just 3.1 per cent (Q4 FY'20). The IMF projects that the Indian economy will be in deep recession this calendar year with degrowth of -4.5 per cent while China will grow 2 per cent despite being the originator of the COVID-19 virus. This is a double whammy for us. The last thing India wants is a war on its hands. However, it must respond to China's most blatant attempt—since the war of 1962—to redraw the Line of Actual Control. With the military situation in a stalemate and the diplomatic initiatives yielding no result, the only option available to India is to exercise economic muscle in the hope that China realises that there are consequences to its adventurism. India fired the opening salvo by banning 59 Chinese smartphone apps on June 29, signalling a possible India-China trade war. This was a low-cost option for India but sent a signal to China about the potential loss of India's huge market, as it involved some marquee companies. This was followed by a denial of government contracts to Chinese companies, especially for infrastructure projects, along with the introduction of new regulations making it mandatory to disclose where products are manufactured. This was done as a sop to the rising national chorus for a boycott of Chinese products.



Our Dec. 11, 2000 cover

All these measures make headlines but won't cause China much economic pain. Beijing is India's second-largest trading partner, with bilateral trade worth $110 billion, but this is not a relationship of equals. As the massive $55 billion trade deficit last year shows, India is far more economically dependent on China than China is on India. The fact that trade with India is just 1.9 per cent of China's total trade shows how economically irrelevant we are to China even as its trade with us is 14 per cent of our total.

Two decades ago, our cover story 'Enter the Dragon' highlighted the growing trickle of Chinese goods into the Indian market. Over the years, as the People's Republic leveraged its cheap labour and economies of scale to become the factory of the world, the trickle has turned into a flood. Indian consumers can't seem to do without Chinese smartphones, electronics or footwear. Even if the final product is made in India, a critical and often high number of components come from China. Entire sectors like pharmaceuticals, automobiles and electronics rely on imports from our northern neighbour. And therein lies the complication of reducing our dependence on China.

Our cover package 'Target China', put together by Group Editorial Director (Publishing) Raj Chengappa, Executive Editor M.G. Arun, Deputy Editor Shwweta Punj, Senior Deputy Editor Amarnath K. Menon and Associate Editor Anilesh S. Mahajan, examines China's deep linkages with the Indian economy. Chengappa looks at the government's three-pronged strategy to deal with China in the short run while avoiding a backlash. Our editors examine the implications of Chinese products accounting for 66 per cent of India's $9 billion smartphone market, over 60 per cent of India's imports of electronic products, one-fourth of our imported auto components, 68 per cent of imported footwear and 67 per cent of active pharmaceutical ingredients. By contrast, India's share in Chinese imports in any category rarely exceeds 5 per cent. Chinese investments have also fuelled the Indian start-up ecosystem, which has grown 12 times in the past four years to $4.6 billion. They are smartly betting on our future technologies. Our cover package also includes a panel of experts voicing their views on how to conduct our economic relationship with China.

Clearly, a blanket ban on economic engagement with China is no answer. It will hurt us more. In the wake of the pandemic and the Chinese aggression, the prime minister's new economic mantra of *atmanirbharta* or self-reliance has acquired fresh significance. However, it is a many-splendoured thing, as it means different things to different people. Some see it as import substitution resulting in higher-priced and perhaps lower quality Indian goods, others as India becoming more competitive and part of the global value chain. This is undoubtedly a worthy cause, but we must tread carefully so as not to upset the whole apple cart. It has to be done with a strategic plan, both long and short term, executed with consistency and not swayed by political pressure.

While we wrap ourselves in the national flag and rant about China, it is worthwhile to note that the dragon is able to show us its teeth because of its economic prowess. In 1980, China's GDP in PPP terms was $304 billion, India's $383 billion. In 2019, its GDP is $27.3 trillion, two and a half times more than our figure of $11.3 trillion. Its current defence expenditure is $250 billion while ours is $66.5 billion. It has virtually ended poverty, with only 0.5 per cent of its population earning less than $1.90 per day, while 20 per cent of our people remain poor. Over the past four decades, we have seen how our ruling class, infested with self-serving, incompetent politicians and corrupt bureaucrats, has led us to this sorry state, with its twisted policies and ill-conceived plans. Are they willing to go beyond catchy slogans and implement fundamental reforms to make us the economic powerhouse we richly deserve to be? To ensure that we do not find ourselves in this predicament again when confronted with our next crisis? To my mind, there is no choice. This has to be a rude awakening for India.

(Aroon Purie)

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UPFRONT

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YASIR IQBAL

THE GOOD FIGHT Anti-CAA protesters celebrate India's 71st Republic Day in Shaheen Bagh, Delhi

DELHI RIOTS CASES

Liberties under Fire

By Harsh Bora

On June 23, Safoora Zargar, 27, a research scholar at Jamia Millia Islamia University, finally secured bail after 70-odd days of incarceration in Tihar Jail for her alleged role as 'key conspirator' in the Delhi riots conspiracy case being investigated by the Delhi Police Special Cell. Zargar was vocal and visible during the anti-CAA (Citizenship Amendment Bill) protests that swept Delhi—with echoes all over India—after the controversial Act came into existence in December 2019.

Zargar was more than three months pregnant when Delhi Police arrested her, first on April 10, on allegations of blocking a road and obstructing traffic. After securing a bail in that case, she was arrested again on April 13, this time under the draconian Unlawful Activities (Prevention) Act (UAPA), which makes it well-nigh impossible for the accused to get bail. Many others like scholars Asif Iqbal, Devangana Kalita, Natasha Narwal and Meeran Haider have also been arrested and remain in custody, facing similar allegations under UAPA.

As of June 30, the police had registered 753 FIRs in the riots cases. The chargesheets in these cases—of which there were 140 as on June 29 (SIT: 33; local police: 107)—make some serious allegations. The Special Cell FIR includes charges of 'terrorism' and 'conspiracy to commit terrorism'. The police/ SIT chargesheets even allege that the communal riots in Delhi between February 24 and 26 were a planned conspiracy 'to defame the country in the international arena'.

The conspiracy theory rests on the coincidence that these riots took place during the India visit of US president Donald Trump. But what it disingenuously elides is that the riots followed incendiary sloganeering by the likes of Kapil Mishra of the ruling BJP, who (in)famously issued a public ultimatum to the police a day prior, on February 23, to clear the roads in a certain part of northeast Delhi of anti-CAA protesters—or else.

Leading up to these riots, other BJP politicians too made public speeches that were open, public incitements to violence against anti-CAA protesters, and even Muslims at large. MP Parvesh Verma painted the protesters as potential rapists and killers, Union minister and MP Anurag Thakur led a crowd that chanted "*Desh ke gaddaron ko, goli maaro saalon ko* (Shoot these traitors of the country)". All this happened in full public view and there is accessible video evidence. But not a single FIR has been filed against these politicians, even after a division bench of the Delhi High Court reiterated the law and expressed its anguish over the police failure to do so.

For such inflammatory speeches and slogans, the law mandates the registration of an FIR, and the Supreme Court has in the past directed that action be taken against police officers who fail to do so. For Verma and Thakur, the police took the stand in court that they had committed "no cognisable offence". On June 26, the Delhi Police even tweeted an attempted rebuttal of a media report, dismissing charges that they had failed to proceed against Kapil Mishra despite evidence in the form of video recordings, written complaints and oral testimonies.

What makes the police action even more questionable is that most of the arrests in the riots cases came in the midst of a lockdown following the Covid outbreak. The accompanying restrictions on court access and legal remedies, especially for those without means, made it that much harder for the accused to appeal or legally represent their cases. Access to information on these cases has also suffered with the suspension of regular functioning of the courts, handing the police a practical monopoly on official information.

753*

No. of FIRs filed in the 2020 Delhi riots cases; 140 chargesheets also filed**

* as on June 30, ** as on June 29

THE POLICE INVESTIGATIONS IN THESE CASES RAISE UNCOMFORTABLE QUESTIONS. ARE THE AUTHORITIES PURSUING ONLY ONE LINE OF INVESTIGATION, AND IGNORING ALLEGATIONS AND EVIDENCE AGAINST OTHERS?

In UAPA investigations and prosecutions, the police have sweeping powers, for instance, to arrest persons or search and seize property. Being an 'anti-terror' law, these prosecutions are as stringent as they come, and the guilt of the accused is *presumed* under law. Provisions for lengthy detentions are built in, and the bar for securing bail is notoriously high. Stacking the legal odds against the accused in this manner, the process itself becomes the punishment in these cases.

And yet, conviction rates are sometimes as low as 14.5 per cent (in 2015), though case pendency rates at the national level are staggeringly high at around 95 per cent, according to data published by the National Crime Records Bureau (NCRB). Even if an accused is eventually acquitted in such a case, the process exacts a heavy price—years, even decades, lost in jail. This feature makes the law ripe for misuse by the government against persons it finds inconvenient. Lately, Safoora Zargar became the first accused facing UAPA charges to get bail, and only because of the extraordinary circumstance of her advanced-stage pregnancy.

A similar pattern was witnessed in cases related to the Bhima-Koregaon violence in rural Pune in 2018. One of the persons accused of provoking the violence, Sambhaji Bhide, a vocal admirer of the prime minister and his party, was never arrested. Co-conspirator Milind Ekbote spent a month in jail before getting bail. And a whole week after the incident, another FIR was registered by Pune police, alleging a conspiracy that led to the violence. This bizarrely morphed into an alleged conspiracy to assassinate the prime minister. These allegations then became the narrative basis for the arrest of 10 prominent lawyers, activists and academics, who work with some of the most oppressed communities in India and happen to be vocal critics of the government. Some of them have now spent two years in jail as undertrials and face similar terror and conspiracy charges under the same UAPA.

The police investigations in these cases raise uncomfortable questions. Has the law been applied equally to all, or has innocence/ guilt been presumed on the basis of political allegiance? Is the police pursuing only one line of investigation, and ignoring allegations and evidence against other persons? At one point, the court hearing this case even remarked that the investigation by the Delhi Police "...seems to be targeted only towards one end". ■

Harsh Bora *is a practising criminal lawyer based in Delhi. He represents one of the accused in the Delhi riots cases*

illustration by SIDDHANT JUMDE

GLASSHOUSE

LAPTOP LARGESSE

As chief minister between 2012 and 2017, Akhilesh Yadav distributed nearly 1.5 million laptops among Uttar Pradesh's high-school students. The state board exam results on June 27 have sparked off a far more modest freebie distribution contest. Chief Minister Yogi Adityanath announced a laptop and Rs 1 lakh in cash for the top 10 meritorious students of Class 10 and 12. Akhilesh, too, announced free laptops—51 each for the toppers of Class 10 and 12 exams and another 50 for successful students in Azamgarh, his Lok Sabha constituency. Now, students in Gorakhpur, Adityanath's native district, are miffed the CM hasn't come up with any special incentive for them. 'If it's free, why not me?' they seem to be asking.

MANDAR DEODHAR

Sweetening the Deal

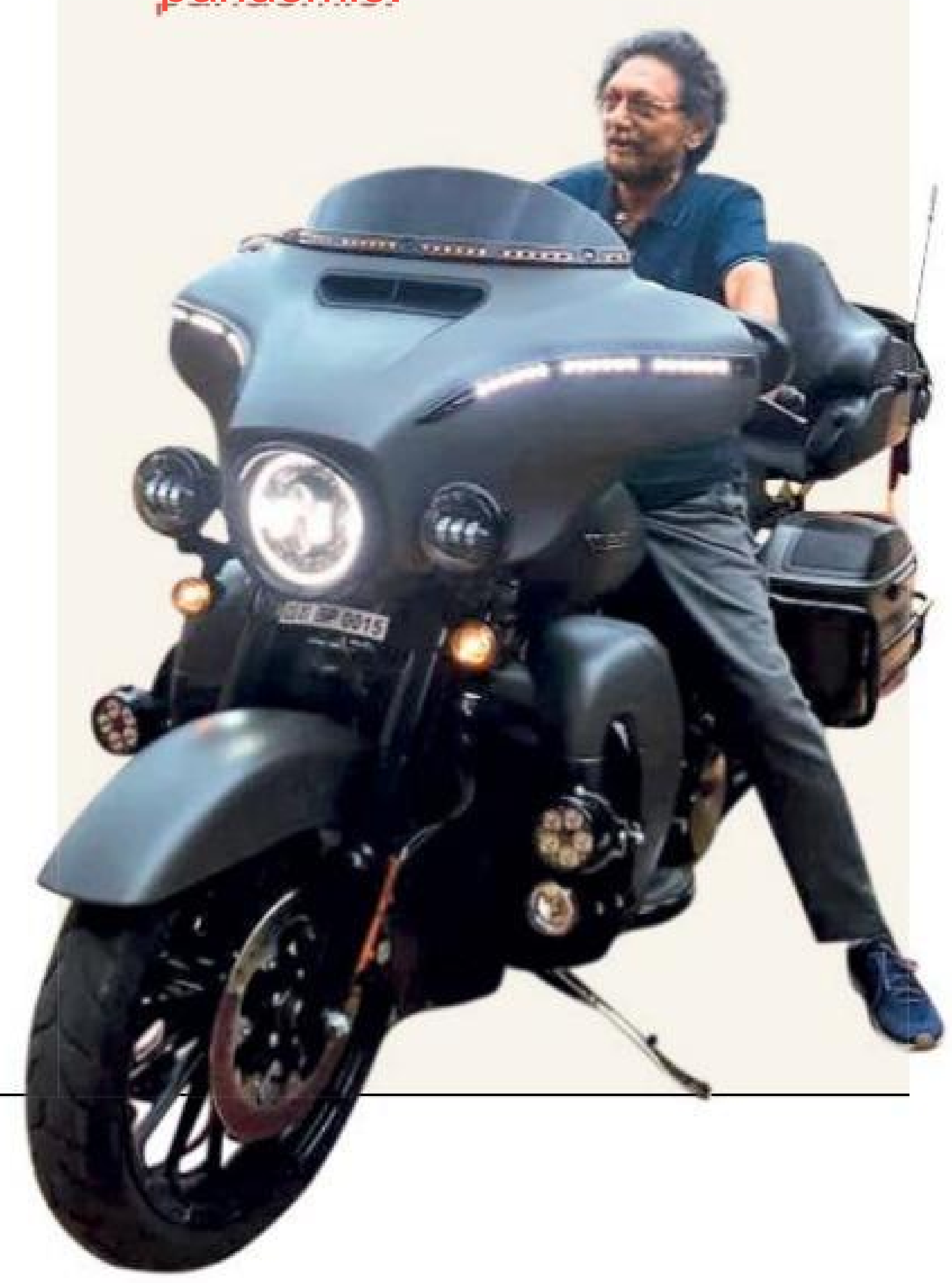
NCP supremo **Sharad Pawar's** knack for winning over enemies remains as sharp as ever. He recently persuaded staunch opponent Raju Shetti to accept nomination as a legislator from the ruling Maharashtra Vikas Aghadi (MVA). Shetti, a leader of the Swabhimani Shetkari Sanghatana, is known for his fiery agitations over the alleged exploitation of farmers by sugar factories. Pawar's interest in the business and politics of sugar mills is well known. Word is he might ask Shetti to take on the sugar mill directors who switched from his party to the BJP last year.

Uddhav's Trust Vote

Maharashtra chief minister Uddhav Thackeray has finally decided to retire his Man Friday, chief secretary **Ajoy Mehta,** after a rare nine-month extension and much bureaucratic heartburn. Thackeray, though, has not only ensured that Mehta continues to assist him—as special advisor to the CM—he has even got an acolyte, bureaucrat Sanjay Kumar, to take over the key post Mehta is relinquishing.

WRONG TURN

It's no secret that Chief Justice of India **Sharad A. Bobde** is an avid motorcycle fan. A recent photo of Bobde astride a Harley Davidson in hometown Nagpur went viral and provoked mixed reactions. While some marvelled at the CJI's 'cool looks'—in T-shirt, pants and sneakers—others pointed out that he wasn't setting a great example by not wearing a mask in the time of a raging Covid pandemic.



Sandeep Unnithan with Ashish Misra, Kiran D. Tare and Kaushik Deka

HINDUJAS A HOUSE DIVIDED

They seemed to think and act as a single unit, standing united through earlier controversies, of which the extended Hinduja clan has seen aplenty. The brothers Srichand (84), Gopichand (80), Prakash (75) and Ashok (69), who form the second generation of this family, have a combined networth of \$12.8 billion (around Rs 96,000 crore) as per *Forbes*. So when family ties begin to fray, as they are now, there is much to fight for.

The Hindujas are wrestling in court for control of the Geneva-based Hinduja Bank, which caters to the super-rich. Gopichand, Prakash and Ashok have invoked a 2014 letter signed by all four brothers that reportedly says the assets of the group are owned by all of them and that each would name the other/s as their executor/s. Hinduja Bank is currently controlled by eldest brother and group patriarch Srichand.

A London court has accepted Vinoo Hinduja, Srichand's daughter, as a 'litigation friend' who will safeguard Srichand's interests, as he is said to be suffering from a form of dementia. Another daughter, Shanu Hinduja, is chair of Hinduja Bank and her son Karam was recently appointed CEO of the bank—a move that seems to have triggered the legal battle. The younger brothers have asserted that the litigation will not impact the group's global businesses worth \$50 billion (Rs 3.75 lakh crore) in 2018.

Ashok Hinduja (69)

Renuka Hinduja (Daughter)

Ambik Hinduja (Daughter)

LISTED FIRMS IN INDIA

	Promoter stake (%)	Company stake value in Rs cr (as on June 29)
Ashok Leyland	51.1	7,313.4
Indusind Bank	14.3	4,618.9
Gulf Oil Lubricants	72.3	2,173.5
Hinduja Global	67.2	914
GOCL Corp	74.9	646
NXT Digital	79.8	587.9
TOTAL STAKE VALUE		16,253.7

THIRD GENERATION IN THE SADDLE

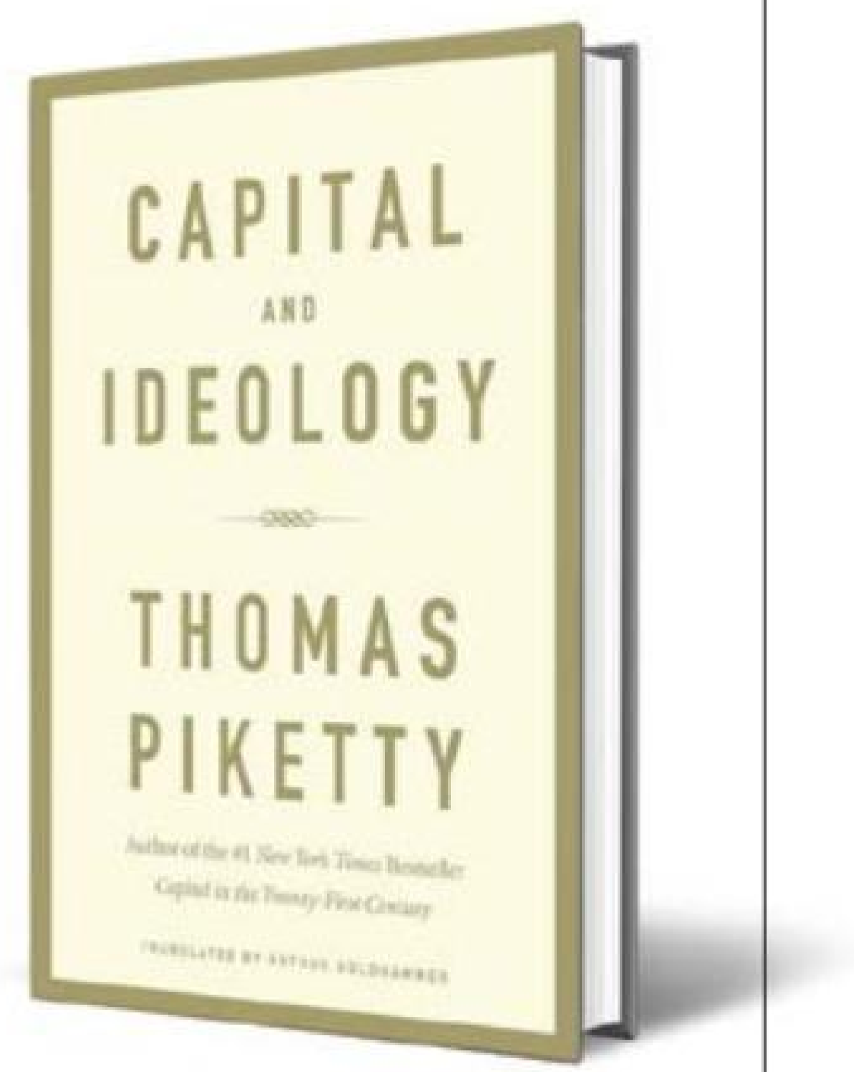
The operations of most Hinduja Group businesses—Ashok Leyland, GOCL, Gulf Oil Lubricants, Hinduja Bank, among others—are headed by third-generation Hindujas, except in the case of IndusInd Bank, where professionals are in charge.

- **Shanu Hinduja,** Srichand's daughter, is chair of Hinduja Bank. Her son Karam was recently appointed CEO of the bank.
- **Dheeraj Hinduja,** son of Gopichand, is chairman of Ashok Leyland
- **Ajay Hinduja,** Prakash's son, is chairman, GOCL
- **Sanjay Hinduja,** son of Gopichand, is chairman of Gulf Oil Lubricants
- **Shom Hinduja,** Ashok's son, is chairman of privately held Hinduja Renewables. He is also a director in the board of Gulf Oil Lubricants.

BOOKS

MARXISM IN THE TWENTY-FIRST CENTURY

Ashok V. Desai



CAPITAL AND IDEOLOGY
by Thomas Piketty
THE BELKNAP PRESS OF HARVARD UNIVERSITY PRESS
₹2,499; 1,093 pages

The book dwells on the unrelenting rise of inequality due to the Left's failure to change income distribution and benefit its working-class supporters

It is self-evident that incomes must be highly unequal under capitalism, a system that rewards owners of capital. The inequality was greatly reduced in World War II when countries at war were forced to tax the rich to fund their armies; once the war was over, they returned to normal. Income taxation generates statistics; so incomes are easy to study—at any rate in countries with solid taxation systems. Economist Simon Kuznets was the first to do so, in 1953.

The French are proud of their language and publish exclusively in it; that shuts them out of the vast Anglophone market. Thomas Piketty is a rare exception who moves easily between the Francophone and Anglophone worlds. He did a Kuznets on France and published a study of French *hautes revenues* (high incomes) in 2001. Then he turned to Europe and the US and edited a book in 2007 with Tony Atkinson. In 2009, he wrote an NBER working paper on top incomes in the long run of history with Atkinson and Emmanuel Saez.

Then came the great leap: in 2014, he published *Capital in the Twenty-First Century*, a study of inequality of incomes and wealth in Europe and the US from the 18th century onwards. It was followed the next year by *The Economics of Inequality*, which in Paul Krugman's words was "a slightly revised version of a volume first published in 1997, when Mr Piketty was in his mid-20s". Now comes a behemoth—the fattest book I have ever reviewed. It covers ternary societies (with three classes—priests, soldiers and the rest), ownership societies, which followed them after the French Revolution in 1789 (which led to the decline of priests and fighters and the rise of the rich), slave societies, colonial societies, socialist and communist societies, ending up with hyper capitalism now. What characterises it is the unrelenting rise of inequality following the failure of the Left to change income distribution and benefit its poor and working-class supporters.

Piketty wrote for the first time on India in the *American Economic Journal* in 2009, in a joint paper with Nancy Qian. He contrasted India with China: the proportion of income tax payers rose from 0.1 per cent to 20 per cent between 1986 and 2008 in China, while it stagnated at 2-3 per cent in India; the share of income tax revenue in GDP rose 0.1 per cent to 2.5 per cent in China, while it stagnated at 0.5 per cent in India. While India had progressive income tax in principle, it made no difference to income distribution.

Piketty dedicates an entire chapter to India in this book. He thinks the British inadvertently cemented caste hierarchy by mapping it in the census. They also left the Indian social structure alone: it survived the British era with little change. It was the government of independent India that tried to reform the society by privileging the Scheduled Castes and Tribes as they are now called.

Piketty starts with the 2,000-year-old *Manusmriti*, which lays down the rules for the Hindu society. While rulers must be Kshatriyas, their advisers and judiciary must be Brahmins. Commercial classes were Vaishyas; all the rest were Shudras. He thinks that Brahmin rule was challenged by Buddhists; faced by a shrinking market for their services, the Brahmins turned vegetarian to raise their own status. But Piketty thinks the Hindu society was not so rigid; it was the British who made it so by recognising caste officially. Independent India has tried to redress the inequality of occupation and opportunity embedded in the caste system, actively if ineffectively. There is some change: inter-caste marriages, for example, rose from 5 per cent of all Hindu marriages in the 1950s to 8 per cent in villages and 10 per cent in cities in the 2010s. Piketty ends his Indian chapter on this uncritical note. However, there is much more on the rest of the world in this book, and a good deal of it is unusual. ■

Ashok V. Desai *was chief consultant to the finance minister during the reforms of the 1990s*

Webinar on Impact and Implications of COVID-19 on Agrochemicals Industry & Draft Order for Banning of 27 Molecules

Thursday, 11th June 2020

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In her welcome address, Ms. Sangita Reddy, President, FICCI, extended thanks to Shri Narendra Singh Tomar, Hon'ble Minister of Agriculture & Farmers' Welfare, Rural Development & Panchayati Raj, Ministry of Agriculture & Farmers' Welfare, Government of India for the proactive and positive response in guiding the ministry. She informed that this webinar was organised to discuss the impact of COVID-19 and draft order for the banning of 27 molecules of the Agrochemical Industry. She mentioned that Agrochemical is an important area not just only for its impact on crop protection but also the complexity and interdependency with various other Ministries. She committed on behalf of FICCI that Agrochemical Industry will work closely with the Government to strengthen the efforts of the Agrochemical Industry to make it self-sufficient and come out of the present pandemic.

Ms. Sangita Reddy
President, FICCI

Shri Narendra Singh Tomar
Hon'ble Minister of Agriculture & Farmers' Welfare, Rural Development & Panchayati Raj, Ministry of Agriculture & Farmers' Welfare, Government of India

Hon'ble Minister said that country is passing through the pandemic situation and each one of us is doing our best effort to fight against this pandemic. He informed that the Hon'ble Prime Minister has taken many steps for the improvement of Indian Agriculture. The reform package introduced by the Government, combines three laws, all introduced through the ordinance route. First, the government has amended the Essential Commodities Act to remove the existing restrictions on stocking food produce. Second, it has introduced a new law, The Farmers Produce Trade and Commerce Ordinance to end the monopoly of the Agricultural Produce Market Committees and allow anyone to purchase and sell agricultural produce. Third, The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, has been enacted to legalize contract farming, so that big businesses and companies can cultivate vast swaths of land on contract. In the 20 Lakh Crores relief package announced by the Government, importance has been given to the agriculture sector due to which farmers will be benefited. He said that India has increased productivity in all Agri sectors, for which the credit goes to our farming community and he also appreciated the support rendered by Pesticide, Seed, and Fertilizer Industries and contribution of our Agricultural Scientists for this achievement. He was of the view that as the farming community has worked even during the lockdown, we are hopeful that their efforts will definitely increase the GDP of the Agriculture sector. He endorsed the views of Mr. R G Agarwal that we have to strengthen our R&D for research of new molecules for the benefit of our agriculture. He also emphasized on the Hon'ble Prime Minister's thought on "Vocal for Local" which will lead to the economic growth of the country. He also informed that Pesticide Management Bill (PMB) was being reviewed for a long time and there is always the possibility of improvement for which changes have to be implemented. He assured that he and his team will consider the suggestions of the Pesticide Industry on the same whenever the discussion will be held on PMB. He informed that after receiving a request from Pesticide Industry for extending the time for providing information on 27 molecules under review, we have considered the request and immediately extended the timeline and also granted the permission for export of these molecules. He extended thanks to FICCI and its members for their contribution to farmers and Indian Agriculture. Replying to the question of the Pesticide Industry with regard to the fine of Rs. 50 lakhs and punishment for the failure of samples, Hon'ble Minister informed that the whole industry is aware that some people are indulging in illegal activities due to which our agriculture and farmers are immensely affected. Thus, to stop such types of illegal practices, stringent rules are formed. If the Industry thinks that illegal practices can be checked through other means, the industry may provide its suggestion. The PMB is under consideration in Rajya Sabha and if suggestions are found effective, they can be considered. Regarding other queries, he replied, "Mr. Atish Chandra, JS (PP) will address them".

Shri R. G. Agarwal

Chairman FICCI -Sub Committee on Crop Protection Chemicals and Group Chairman, Dhanuka Agritech Ltd.

Shri R G Agarwal said, today we salute our farmers who work tirelessly, day and night for the food security of our country. Since the commencement of the programme of food aid to India in 1954 under Title of Agricultural Trade Development Assistance (Public Law 480), the agreements have been signed between the US Government and the GoI. Now, due to the hard work of our farmers, which has not only made us self-sufficient but also filled the country's warehouses and today, India is also exporting to many countries of the world. The applaud goes to our farmers as well as to the Late Prime Minister Sh. Lal Bahadur Shastri Ji, who laid the foundation of the first green revolution in the country and took steps towards self-sufficiency of food grains. Mr. Agarwal also appreciated initiatives taken by GoI to open the new doors for the progress of agriculture and farmers by making big changes in the EC Act and the APMC Act for taking this dynamic decision the credit goes to our Hon'ble PM Sh. Narendra Modi Ji, whom we always praise and appreciate. He sincerely expressed his gratitude towards Hon'ble PM. As per **FAO data of 2017, China's GDP from Agriculture is nearly 3 times more compared to India's whereas our Agriculture land is 142 million hectares and the Rainfall in our country is 1000 mm plus while in China, Agriculture land is 128 million hectares and Rainfall is 600 mm plus. GDP contribution from Agriculture as per FAO, India is 401 billion US$ and China 991 billion US$. The use of pesticides is 310 gm/hectare in our country and 13.07 kg/hectare in China.** Indian farmers use the lowest amount of pesticides in the world. He said that proposal of banning 27 affordable generic pesticides would affect food security in India, as it would further lead to an increase in the cost of cultivation for farmers and implying a negative impact to the tune of Rs 12,000 cr for the Agrochemical Industry, which are being exported to many countries of the world including countries like USA, Australia, Brazil, Mexico etc. He highlighted the obligations of PMB 2020, which are against the vision of our Hon'ble Prime Minister **"Ease of doing business", "Vocal for Local", "Sabka Saath Sabka Vikas".** PMB 2020 is not in favour of all stakeholders, which came in light in a Webinar on Agriculture, organised by ET on April 30th 2020, where all stakeholders including Farmers, Scientists, Bureaucrats and Industry Stalwarts participated and Prof. Ramesh Chand member Niti Aayog was the chief guest. The webinar was moderated by Mr. Srinivas of KPMG. Mr. Agarwal requested for minor unintentional error to be compounded and similar provisions had been done in the FSSAI Act. Our Hon'ble Finance Minister Mrs. Nirmala Sitharaman while presenting the budget in parliament on 1st Feb 2020 under point no.82 has mentioned that the decriminalization process will be started in all the Commercial Acts. The criminal provision should only be applicable in case of spurious, illegal, counterfeit, fraud and the duplicate products.

Mr. Salil Singhal

Chairman Emeritus, PI Industries Ltd.

Mr. Singhal a veteran of the industry with over 50 years of vast experience gave inputs of the possible flaws which exist in the PMB 2020 which is presented in Rajya Sabha. He was candid in his observations that the basic objective of the proposed Bill making amendments to the existing Insecticides Act 1968 is not ensuring that farmers and industry will get the benefits. The first point he referred was that CIB&RC is allowing registration of products in such a large number to the tune of one lac to more than 5000 manufacturers. This anomaly is not taken care of in the proposed bill. He further said that the new chemistry of the latest research in molecules is not coming to India. A huge amount of investment that goes into the discovery of a molecule by the MNCs, need data protection so that the products do not become generic overnight, giving the access of data to many companies, which are having no legal protection. The number of new molecules introduced since 1970 has been very less compared to the world, who are using better products for higher efficacy.

Dr. S. K. Malhotra

Agriculture Commissioner & Chairman (Registration Committee), Department of Agriculture, Cooperation & Farmers' Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India

Dr. S K Malhotra appreciated the cooperation and efforts of the Pesticide Industry for their support for the continuous availability of pesticides to the farmers during the COVID-19 period, which helped farmers to save crops from pests.

He informed about his discussion with the Pesticide Industry on the challenges of availability of raw material that was encountered during the pandemic and their probable solutions. Foremost he talked about changing adversity into opportunity and addressing the problems on our own by increasing the capacity of manufacturing raw material in India for which we rely on other countries. He mentioned the discussion with Industry about how the availability of Pesticides should be made for farmers to catch the sowing for Kharif season and so as to have uninterrupted supply creating a possibility of a system where Agri input can be delivered to farmers at their doorsteps by using e-commerce platforms and also agreed on the challenges with regard to safe delivery and safe usage of pesticides and mentioned that this is a point of discussion.

He also informed that being the Chairman of the Registration Committee he tried his level best to keep the work in progress through video conferences, without any interruption, and requested the industry to respond to the queries by the experts at the earliest. He was of the view that he has observed many companies in the Pesticides Industry were not willing for the in-process sampling and requested them to cooperate on this issue. He informed that CIB&RC is taking appropriate steps for releasing of registration certificates at faster mode, which was pending due to MRL fixation. This team has taken steps on the issues like labels and leaflets, crop grouping for label expansion on a minor group of spices, etc.

Regarding the issue of banning 27 molecules, he has requested suggestions from the Industry and informed that RC is a scientific body and will take decisions on scientific evidence only. He assured Industry that if any kind of mistake is happening at any level, it may be brought into notice and that will be rectified on the basis of facts.

Shri Atish Chandra
Joint Secretary, Plant Protection, Govt of India

Shri Atish Chandra informed that he has heard entire deliberations on each and every issue raised and the same has been noted down and presented before the Hon'ble Minister. He informed that Pesticide Management Bill has already been laid down in Rajya Sabha and assured that whatever suggestions have come, we will look into them. Suggestions on 27 banned pesticides have been notified and the PMB is also in the Parliament and it will be thoroughly discussed there. The issues on data protection, punishment, and involvement of companies will be deliberated thoroughly and the best outcome will be implemented.

He further informed that regarding the bill on banning 27 pesticides they have extended the period for inviting the suggestions and the work is going on. The delay is due to the shortage of staff and the decision will be there in a day or two. The permission of the export of banned pesticides has been extended. All the issues raised by the stakeholder are being evaluated on a scientific basis and appropriate decisions will be taken at an appropriate level. He assured that all cooperation will be extended from the Plant Protection Division. He also informed that all will be happy to note that the protocols have been approved by Central Insecticide Board, both for Drones and Aerial sprays through aircraft and helicopters and the best utilization of technology will be done for Locust control.

Shri Amber Dubey
Joint Secretary, Ministry of Civil Aviation, Govt of India

Shri Amber Dubey said that Civil Aviation Ministry is providing all support under UDAN scheme launched by Hon'ble Prime Minister, Shri Narendra Modi, to connect all regional cities with major metro cities to cater to the aspirations of the people of India. During COVID-19 Ministry has allowed cargo flights, which are helping to supply important medicines, COVID-19 samples, chemicals, equipment, etc. under the LIFELINE UDAN scheme. Civil Aviation Ministry and Agriculture Ministry are working together to help farmers by allowing cargo flights to supply agri-produce to other countries like Europe, South East Asia, and Gulf countries and all efforts are making to connect Indian farmers to the rest of the world. Recently the Government has given approval for the use of Drone application in Locust affected areas for effective control of Locust in the shortest possible time span.

Dr. P. K. Chakrabarty
Chairman FAD3 & Former ADG (Plant Protection)-ICAR

Dr. P. K. Chakrabarty said that on behalf of ICAR, we have sent 14 suggestions to the ministry of agriculture on the PMB. He also said that proposed Ban on 27 pesticides, comprising 134 formulations would impact on locust control and Doubling Farmers' Income. These products are recommended on 34 horticultural crops and the ban of these molecules will increase the possibility of crop losses. It is also important to highlight that in India usage of pesticides per hectare (310 gm/ha) is one of the lowest compared to 13.07 kg/ha of China, and much higher use in USA, Japan, and other developed countries. Dr. Chakrabarty said that based on the ban imposed by some countries on some pesticides without validating reports is not fair to ban in India.

Ms. Priscila Vansetti
Director of Global Strategy and Business Development, Corteva Agriscience

Ms. Priscilla with over 39 years of experience in the Industry, Joined DuPont in the year 1981 and since then has been active in the global Agrochemical Industry. She is very optimistic in observing India with vast potential for manufacturing exports and domestic consumption of pesticides. She also referred that the Indian Crop Protection Industry has impacted over 120 countries globally. The present export from India which is at $3 billion is growing at a CAGR of 7% with the same projections till 2025.

With the proposed ban of 27 molecules, the exports from India are likely to impact downfall, as such a more pragmatic approach is required for review. India is targeted to have 25% of the global exports of Agrochemicals and this share percentage is also envisaged to go up in the coming years.

Shri Gunvant Patil
Past President, Shetkari Sanghatana

Shri Gunvant Patil said Shetkari Sanghatana was formed 40 years back by Shri Sharad Joshi to fight against injustice towards farmers and Agriculture. Few NGOs and environmentalists are creating hue & cry saying that our land is deteriorated because of excess use of chemical fertilizers and pesticides. They do not know the ground reality. Unfortunately due to poverty, our farmers could not use pesticides and fertilizers like many other countries. Then how can soil deteriorate if our farmer could not use pesticides and fertilizers? On the contrary, we need new molecules to protect our crops, advanced seeds, fertilizers, technology like drones and so many other things. Industry and farmers together can bring revolution in India's food security. We are happy that this Government has loosened the APMC Act in favor of farmers but it is not scrapped. We want the government to remove all kinds of restrictions from agriculture.

PESTICIDE BAN COMPROMISES INVASIVE PEST PREPAREDNESS

Dr. C. D. Mayee
Former Agriculture Commissioner & Advisor, Agrovision Foundation, Nagpur

At the time when India is facing an unprecedented incursion of the desert locust, fall armyworm damage in corn, new pathotypes in Fusarium pathogen, insect-transmitted viruses in tomato and other vegetables and new weeds along with the unmeasurable effects of the COVID-19 induced pandemic, the Ministry of Agriculture and Farmers' Welfare (MOA&FW) has issued a draft notification to ban 27 pesticides including 3 key pesticides namely Malathion, Deltamethrin & Chlorpyriphos used for control of desert locust in India. Malathion, Deltamethrin and Chlorpyriphos represent almost all the crops and used for control of desert locust. India manufactures these pesticides for export in the large quantity to meet the demand of locust affected importing countries in Central Asia and Africa as well.

The MOA&FW unilateral decision to prohibit the use of 27 pesticides for import, manufacture, sale, transport, and distribution is a blow to our collective ability and preparedness to control locust and other invasive pests in the future. Although, the ban notification exempts 3 key pesticides meant for locust control, however, their use has been prohibited in agriculture. Such conditional exemption is an eyewash as it would debilitate the indigenous manufacturing capacity in the absence of an annual market for these pesticides. No manufacturing facility will produce a pesticide such as Malathion & Deltamethrin just because of the anticipation of locust incursion which happens once in a decade. Why would anyone produce a chemical without the market opportunity? In future, banning of these products reduces our preparedness and increases our dependency of import from other countries. Wouldn't such a ban compromise our ability to manage invasive pests and weeds? These are some of the questions that the MOA&FW of the Government of India must weigh before taking a drastic decision of banning affordable solutions, which are available when they are required by farmers in the country. The draft notification is also against the spirit of the PMB 2020 which encourages indigenous manufacturing of pesticides.

The desert locust nuisance has become practically unmanageable and already responsible for damage to lakhs of hectares of crops across Rajasthan, Gujarat, Madhya Pradesh, and Haryana and has expanded to agricultural land beyond the Scheduled Desert Area (SDA). Similarly, the country is grappling with the invasion of pests such as fall armyworm that poses a grave threat to many crops. There are reports of the pests destroying summer maize crop in many parts of the country. The list of such invasive pests, pathogens, and weeds does not end here. Unfortunately, there are a dozen invasive pests and weeds that have found to attack multiple crops in the last decade. Many of the broad-spectrum insecticides and weedicides listed in the proposed ban are effective against invasive pests and weeds, and therefore, should not be shelved off until there are an affordable alternate and domestic manufacturing capability.

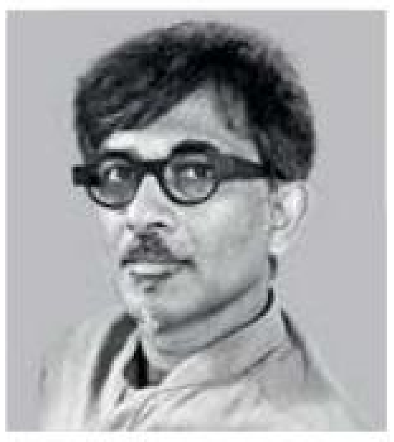
The desert locust is a classic example of how the availability of affordable solutions can fend off the pests. Specific recommendations are prescribed for control of desert locust in the scheduled desert areas as well as on crops, acacia & other trees. Notably, 8 of the 15 pesticide formulations approved by CIB&RC contain three pesticides including Malathion, Deltamethrin, and Chlorpyrifos. FAO has approved the use of these pesticides as well and has been supporting many countries in Africa to use them for locust control. In view of the frequency and intensity of such invasive pests and weeds that threaten the crops into the hinterland, the MOA&FW must strengthen the domestic capabilities and support the manufacturing of these Agrochemicals that are effective for the management of pests and weeds.

Many of the insecticides in the proposed banned lists are the ones that have multiple uses including the management of the vectors of viruses in humans and animals. Malathion and Deltamethrin are the generic pesticides that are on the list of the proposed banned products, are a broad-spectrum insecticide that is also recommended in the public health program including the eradication of Mosquito, Dengue and Chikungunya. Another important dimension to the banning of these popular pesticides is that it will have far-reaching implications on the seed sector as well, and can threaten farmers income and food security. The seed sector is using huge quantities of some of these 27 pesticides as seed dressers like Thiram, Carbendazim, and Mancozeb are commonly used for seed treatment. Prohibiting these chemicals without any viable alternative may result in outbursts of fungal problems and soil-borne pests which may be difficult later to be cured as prevention is always better than cure.

The banning of pesticides in bulk will exaggerate the trouble for smallholder farmers who are already suffering due to the COVID-19 pandemic and

Bhagirath Choudhary
South Asia Biotechnology Centre (SABC), New Delhi

subsequent lockdown for two months and epidemic of invasive pests. It is in this context that the pesticide put up in draft notification for the proposed ban may be put on hold till a thorough discussion with all stakeholders is held, and a reasonably acceptable solution is found. In summary, the proposed ban on 27 pesticides must be seen in the context of the draft PMB 2020 which is under consideration by the Parliament of India. The PMB 2020 and the draft notification are two sides of the same coin and need to be thoroughly discussed and reviewed as they have evoked strong resentment and dissatisfaction among key stakeholders including farmers. While the draft notification on 27 pesticides should be reviewed by an expert committee, the PMB 2020 must be referred to the Parliament Standing Committee on Agriculture before it has assented into the law.



PREM PODDAR

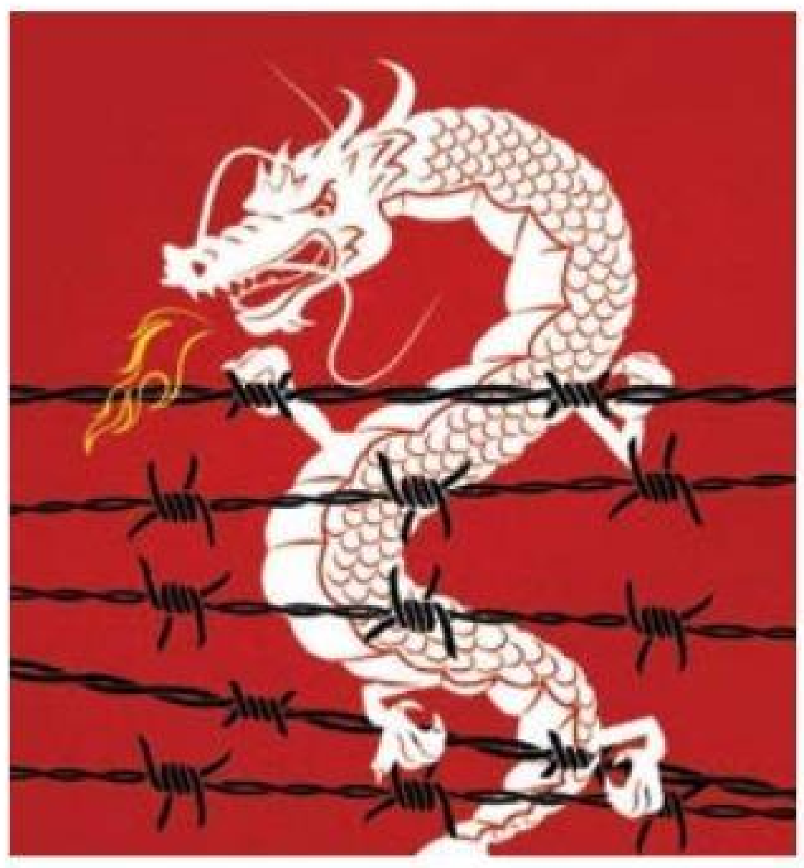
GUEST COLUMN

A TALE OF TWO NARRATIVES

China's success, or its narrative of it, in the Galwan heights border brawl can be rendered as not 'losing face' (*diu lian*). China's semi-colonial history (late 19th and early 20th centuries' control of its eastern seaboard by European powers and encroachment of its west by Japan and its north by Tsarist Russia) is narrated in terms of humiliation and injured pride. Contemporary ultra-nationalism finds fuel in this, and embryonic arrangements by which China loses face in the eyes of its people or internationally are not an option.

Enforcing a Chinese right, redressing a Chinese grievance, especially on Chinese territory at the border, is in keeping with the best tradition of its political philosophy. China's own Kautilya, Han Feizi (280–233 BCE), writes: "[In any show of weakness] our own state will be in peril and our ruler will face contempt." When an adversarial power presents you with their nibbled maps, it will just not do.

Xi Jinping and, by extension, the body politic of China, wants not to lose face (*bu yao diu lian*), by keeping the messy maps in the Himalayas ordered. This was inadvertently confirmed by Prime Minister Narendra Modi who (*naak oonchi rakh ke*) clarified that "neither is anyone inside Indian territory nor has any Indian post been taken over". Whilst this claim was made with a firm eye on the citizenry as well as to allay China's cartographic anxieties and geopolitical sensitivities, Modi's statement was picked up and virally played on Chinese screens to show China as *not* being the aggressor but India as the one that 'illegally intruded' (China Global Television Network) and sent its soldiers to die on Chinese soil.



China's policy of concealing losses has as much to do with its 'saving-face' nationalism as it does with its domestic politics

China, as a rule, never releases figures of casualties at times of conflict. Only as late as 1984 did it publish figures from the 1962 war with India. This policy of concealing deaths has as much to do with its own form of 'losing-face' or 'saving-face' nationalism as it does with its domestic politics. Since the Sino-Vietnamese War of 1979, Chinese casualties are only inferred. Hu Xijin, the editor-in-chief of *Global Times,* explains Beijing's refusal to share the number of losses of the People's Liberation Army in the Galwan border as an act of "goodwill" to "avoid stoking public mood".

Satellite imagery by the US-based Maxar Technologies shows what appear to be Chinese structures on a terrace overlooking the Galwan Valley as well as the disputed 'fingers' of Lake Pangong Tso. Nathan Ruser, a satellite data expert at the Australian Strategic Policy Institute, holds that "'disengagement' really isn't the word that the [Indian] government should be using". Chris Biggers, analyst at the geospatial intelligence company HawkEye 360, corroborates this. The Chinese mainstream media is silent on these images (and several aspects besides), whilst claiming sovereignty over the valley; the BBS (bulletin board system) 6park is one of the few fora endorsing the images and forewarning war if China does not 'back off'. Others on weaponised social media have cherry-picked from Indian Twitter feeds and articles.

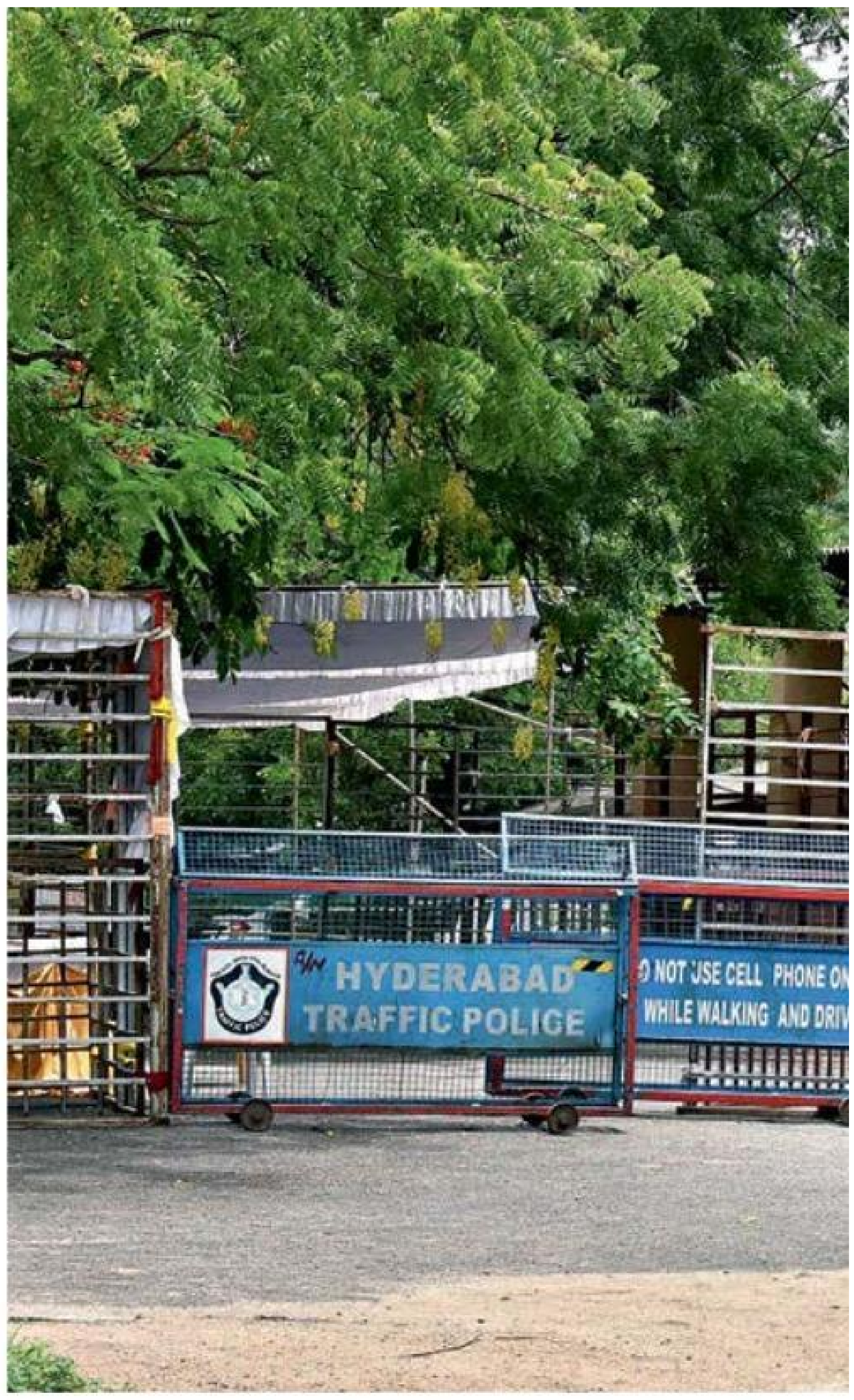
Marked usually by drip-feeds of controlled calibration by the Chinese regime, *Rénmín Rìbào* (*People's Daily*) and *Jiefàngjun Bào* (*PLA Daily*) have been largely taciturn. Wang Yunfei in *Ordnance Industry Science Technology* journal promised China "will counter-attack resolutely ...not be bound by the LAC". Lan Jianxue in the *China Daily* assailed the Bharatiya Janata Party's Hindutva agenda for driving aggressive policies at home and abroad.

Users on Weibo (the Chinese Twitter) have been more bellicose—a screenshot of a WeChat conversation: '*huoguo* (hotpot) 1, *gali* (curry) 0' has been doing the rounds. Weiyue Qinyu tweets that Indians were "captured and dumped like dumpling[s]" and "more than 100 dead and wounded". Another warns Chinese travellers and claims that 3,000 hotels in India have refused check-ins to them. Already "ingrained in Indian people's lives" and playing "key roles in improving Indian society's functional efficiency", the banning of apps subsists as "a mere scrap of paper"—*Global Times* and *21st Century Business Herald* write it up as maiming start-ups in India and dissuading Chinese investment.

In this status quo-altering tale of narratives, the Chinese view remains that India has 'no face' (*meiyou lian*) in a head-clash of its own making. India, for its part, sees China as exhibiting a 'thick-skinned face' (*lianpi hou* in Mandarin) but receiving a '*moonh-tod jawaab*'. ■

Prem Poddar *is professor, institute for communication and arts, at Roskilde University, Denmark, and Humboldt senior fellow, Germany*

Illustration by RAJ VERMA



TELANGANA

A STATE IN A STATE OF DENIAL

By Amarnath K. Menon

As COVID-19 cases surged past the 16,000 mark on July 1, the Telangana government fell back on a failsafe option—extend the lockdown in containment zones till July 31. Severe restrictions were back on the movement of people, especially in capital Hyderabad, where a third of the state's residents live. On the day, it recorded 945 new cases (16,339 and counting) and hospitals also discharged 1,712 people, who have either recovered or have mild symptoms. It was the first time since the pandemic raised its head in the state that the number of those discharged was higher than new infected cases.

For Chief Minister K. Chandrashekar Rao, it was a toss-up between going for a total lockdown in the state capital or containment zones only, with stringent restrictions. A Union health ministry team visited the state on June 29 and advised that testing be ramped up. The advice may as well have fallen on deaf ears: only 3,457 tests were done the following day. Other states with similar caseloads are conducting about 10,000 a day—Karnataka tests about 12,000, Andhra Pradesh 30,000 and Rajasthan 9,000.

The situation is so overwhelming that a leading private laboratory—which has three COVID-19 test labs—has stopped taking new samples till July 5 as it has to first clear the backlog. Though the first COVID-19 case was confirmed in Telangana as early as March 2, the management strategy pursued by the state has been downright inefficient. It now has the highest Covid positivity rate in India (27.7 per cent), and conducts the lowest tests per 1 million population anywhere in the country. The state relied on an opaque testing policy till mid-June, refusing to divulge details of tests done or augmenting test facilities.

At 32.1 per cent, Hyderabad has the dubious distinction of having the highest Covid positivity rate among major Indian cities. In the meantime, a state expert committee has levelled serious charges against private laboratories, including using untrained staff to collect samples (which may have led to contamination), not uploading the number of tests conducted, giving false positive reports and even of exposing people and staff to the virus. This, says the government, has led to Telangana reporting a much higher positivity rate than other states.

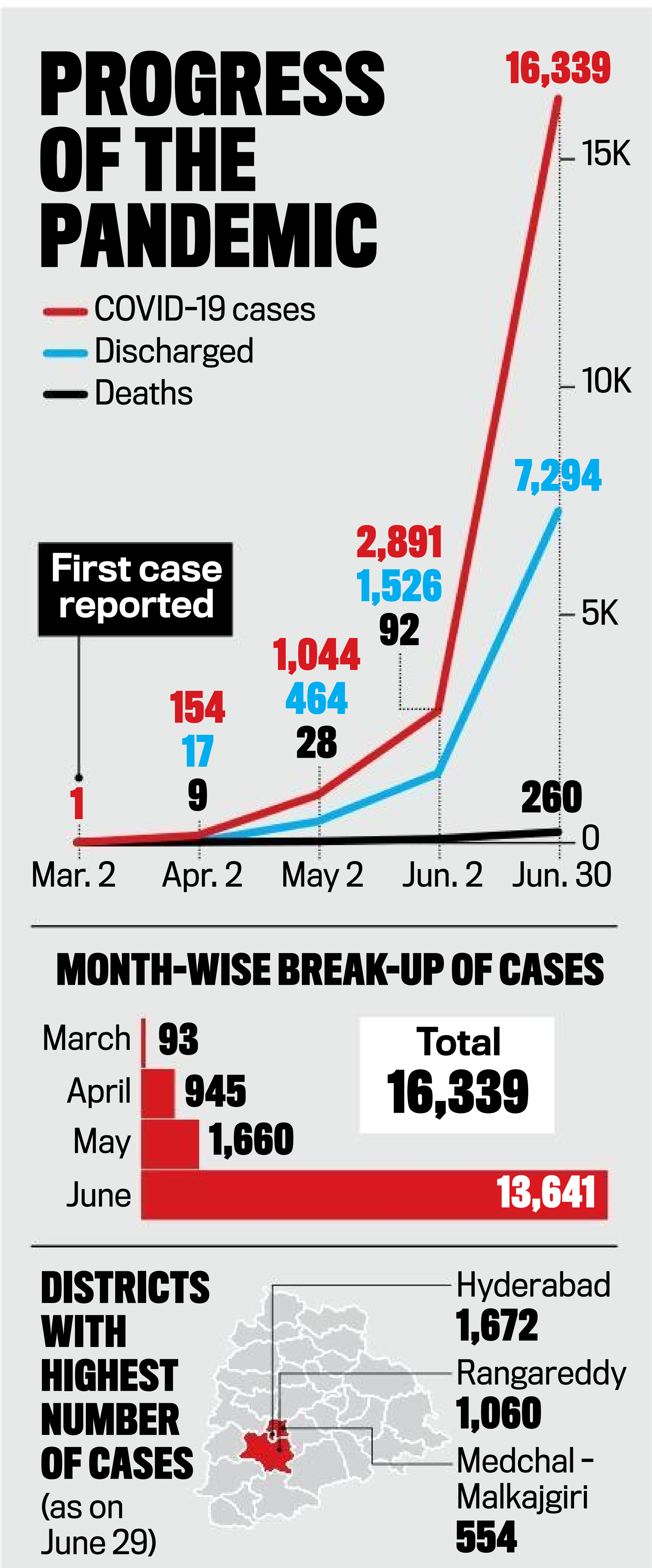
The state now says it plans to intensify Covid testing. All 10 government laboratories, already operating at optimal capacities, are to be further streamlined to test 6,000 samples a day. "Almost all the government laboratories have now completed recruitment of the trained microbiologists and scientists needed to conduct COVID-19 tests," says Dr K. Shankar, superintendent, Fever Hospital and director, Institute of Preventive Medicine, Hyderabad. Government

STYLE PHOTO SERVICE

HYDERABAD HAS THE DUBIOUS DISTINCTION OF HAVING THE HIGHEST COVID POSITIVITY RATE, 32.1 PER CENT, AMONG MAJOR INDIAN CITIES

STYLE PHOTO SERVICE

ONE SWAB TOO FEW
A closed Covid sample collection centre in Hyderabad; (below) CM K. Chandrashekar Rao after a review meeting in the capital



Source: Dept of health and family welfare, Telangana

epidemiologists say with a more efficient distribution of the lab workloads and a few more testing centres in the districts, the testing capacity can be augmented to 10,000 samples a day.

"Anybody who needs to be tested will be," claims health minister Eatala Rajender. The government has ramped up capacities at collection points so that more swab samples can be sent to its laboratories. Till the first week of June, KCR was firmly against private laboratories conducting Covid tests and private hospitals treating such patients. Between March 2 and June 14, only about 42,000 coronavirus tests were done in Telangana. Of these, 4,974 tested positive. But after the sharp criticism for low testing, an additional 50,000 tests have been done across 30 assembly constituencies in and around Hyderabad since June 25. There are currently 16 private testing facilities and 10 government-run ones operating in the state.

There's also a shift in strategy. Expecting a flood of cases, the state is banking on isolation of patients at home, arguing that increased testing will increase the patient load in hospitals. Epidemiologists say community transmission (till date not acknowledged by any state) is well entrenched and by limiting tests, the authorities are trying to ensure that the public health system is not overwhelmed. "Those with mild symptoms should opt for home quarantine and the medical personnel should enquire about their condition on a daily basis. Doctors will be sent to people wherever needed," says Rajender.

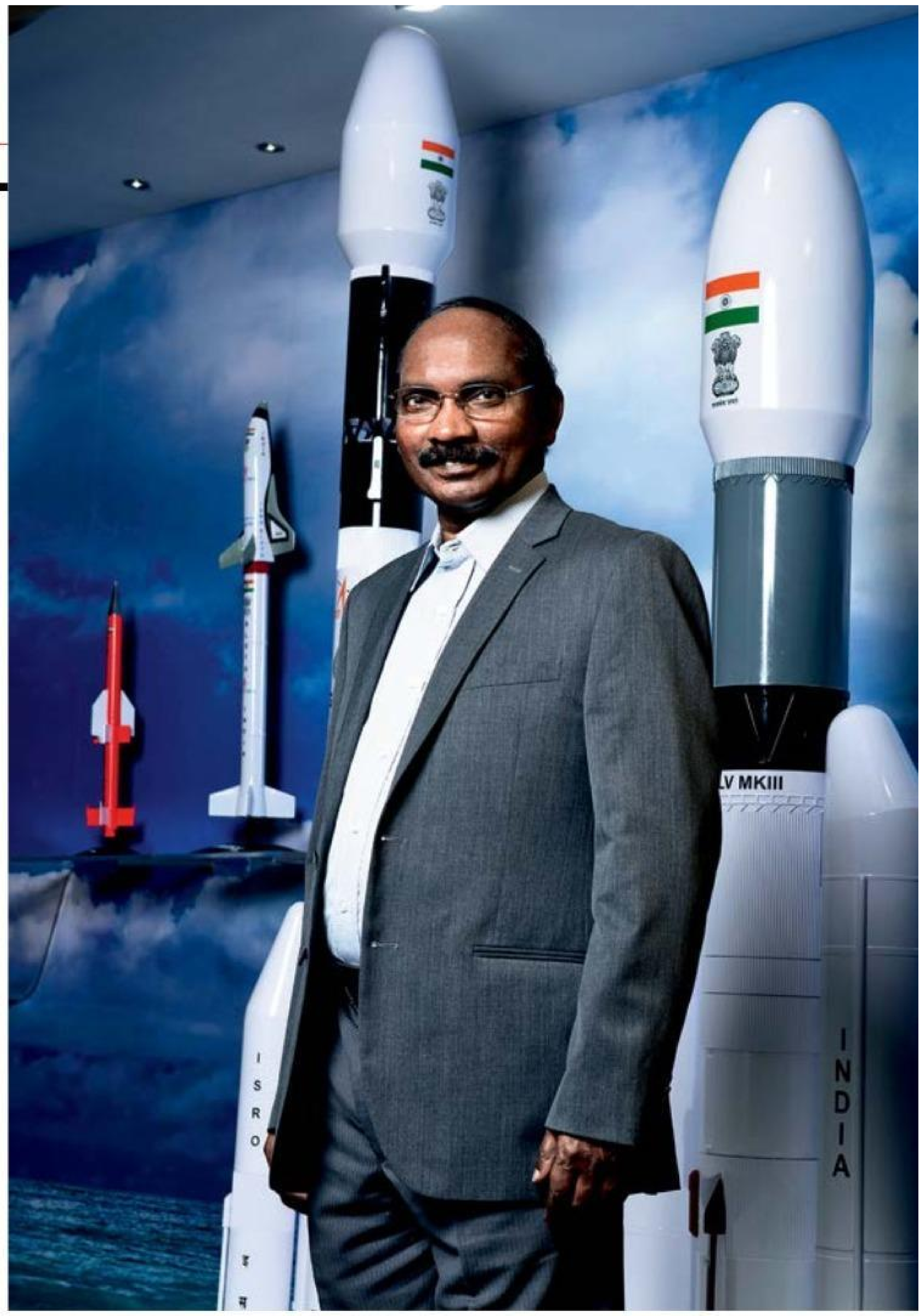
As more cases get registered in the Greater Hyderabad Municipal Corporation area, particularly in the south and west of the city, surveillance and door-to-door surveys are being ramped up. Covid positive patients from the districts are being directed to nearby private medical college hospitals to reduce the burden on hospitals in the city.

There have been complaints on the paucity of beds, but health authorities deny any shortage, citing the 15,465 isolation beds, 3,537 oxygen beds and 2,000 ICU beds available now. Yet, every day there are reports of patients with breathlessness or end-stage respiratory stress unable to get a hospital bed. There is also no bed-tracking app, as in Delhi or Mumbai, or a website updating availability of beds.

For want of adequate testing facilities, many people with mild symptoms are opting for a CT scan and chest X-ray to find out whether they are infected. Though self-referred tests are costlier (Rs 5,000-8,000), people are resorting to these to stave off anxiety ahead of the RT-PCR swab test.

Meanwhile, the arrival of the monsoon will bring with it seasonal health issues as well. The state health minister has already warned officials that complaints about lack of medicines at health facilities will not be tolerated. Clearly, these are desperate times for the state. ■

“WE ARE UNLOCKING INDIA’S SPACE POTENTIAL”



REUBEN SINGH

With the Union government announcing the setting up of IN-SPACe—an autonomous agency under the Department of Space to promote cooperation with the private sector—last week, India took a giant step towards opening its national space programme to private players. Until now, the Indian Space Research Organisaton (ISRO) has had a monopoly on all space-related activity, including building rockets and satellites and launching them into orbit. Private firms were limited to making sub-systems and assembling spacecraft, but were never permitted to own them or manage their operations. The government has now levelled the field and is creating an ecosystem for private players to augment, in a big way, the job that ISRO is doing. In order to reduce the investment burden for private players, the government is also opening up facilities that ISRO has built at huge cost. Nonetheless, it will be at least a decade before India achieves something like the US model: today, the famed NASA (National Aeronautics and Space Administration) only plans and executes space missions—it commissions private players to build the spacecraft and launchers to do so. Though India has over 500 firms, big and small, involved in space activities, it will be several years before they mature enough to allow ISRO to move away from repetitive and routine space-related tasks and to focus on overseeing the development of India’s space programme. With India accounting for just 3 per cent of the $360 billion global space industry, IN-SPACe could be just what the country needs to galvanise its efforts moving forward. **DR K. SIVAN, ISRO CHAIRMAN** and secretary, department of space, spoke at length to INDIA TODAY Group Editorial Director **RAJ CHENGAPPA** on the implications and prospects of this momentous development. Excerpts:

Q. Why did the government permit the private sector to enter into space activity in such a big way through IN-SPACe—almost at par with ISRO?

A. For two reasons. The demand for space-based applications is now increasing multifold, far more than originally envisaged, and this requirement is going to explode as we move toward the implementation of the digital India programme. The requirement will be so huge that if ISRO had to do the job alone, we would have to enhance its resources tenfold. If the private sector is ready to do the job, why not allow them to do so? Secondly, the global space economy is now worth around $360 billion, and India's contribution is merely 3 percent of it. To maximise our potential to expand, it would be appropriate to enable the private sector to carry out space activities.

Q. What will IN-SPACe oversee?
A. Space activities require safety, security and quality, including maintaining the international space treaties that we have signed. The government is also responsible for any liability, whatever the space activity may be. We needed a mechanism that enables private players to do their job without any such concerns. So we have created a parallel vertical to ISRO, that will have its own directorates and cadre for technology, safety, security, legal services and monitoring. Private players can get permission from IN-SPACe for activities like rocket and satellite launches, like ISRO does—in fact, they can get permission for every space activity that ISRO currently does. Also, setting up space infrastructure like launchpads and testing sites involves a huge investment. The new act we are working on will allow private players to share whatever facilities ISRO has for their jobs at a cost depending on the project.

Q. What will ISRO do now? Will it become like NASA, focusing on planning and executing missions rather than involving itself in building and launching spacecraft?
A. It will take several years for the Indian space ecosystem to mature to that level. Until then, ISRO will not only focus on new technology—whether in satellites, rockets or applications—but we will also continue building rockets and satellites and launching them.
In addition, we will extend whatever support private players need, including access to ISRO's facilities. Our job is not going to be taken away. Instead, it will be supported and augmented in achieving the huge task ahead of us by the involvement of private industry.
We will create many smaller ISROs in the private sector to do the job. Like ISRO, they will own the launchers and the satellites that they send up. They will be even allowed to do planetary explorations as ISRO is doing, whether a Moon or Mars mission.

Q. How would you avoid situations like the controversy surrounding the Devas-Antrix project?
A. To insulate ISRO from such situations, we have created a system that is totally independent, with its own rules and regulations. It will have its own chairman and directorates for various activities, whether technical, safety, legal services or security. And like ISRO, it will come under the department of space as a separate vertical.

> **"Private firms can get permission from IN-SPACe to do rocket and satellite launches, or any space-related activity ISRO does"**
>
> [redacted]

Q. Apart from being ISRO chairman, you are also secretary at the department of space. Would you have to give up being secretary?
A. Right now, there is no such discussion. This is being set up without disturbing the other systems under the department of space.

Q. Have some of the current missions, including Chandrayaan 3 to the Moon and Gaganyaan to send up astronauts been delayed by the Covid pandemic?
A. Yes, all our major missions have been affected, including the two you mentioned. We have to wait until industries that supply us return to normal before we can determine how much the total delay would be.

Q. With regard to Chandrayaan 3, have you been able to identify the problem that led to Chandrayaan 2 not fulfilling its mission? Have you been able to correct it?
A. Yes. We had a national-level analysis and understood what went wrong and have incorporated the improvement. There was a combination of factors that led to the problem. In the final braking phase of the descent to the moon surface, one of the systems aboard Chandrayaan 2 deviated far more than the dispersion parameters we had set for it. We have what are called 'known unknowns' and 'unknown unknowns' in space. What happened then was an 'unknown unknown' error. We were not able to correct it at the time, so Chandrayaan 2 had a hard landing on the moon. Now, we have made the system more robust to take care of a wider dispersion.

Q. How is it that SpaceX, which is a recent entrant to the business, is able to rapidly develop sophisticated space capabilities like sending astronauts to the International Space Station, but ISRO, which is 50 years old, has yet to do so?
A. Our planning is done in a sequential manner and it takes a while to get approvals for our projects based on availability of resources and priorities. But once clearance is given, we do not spend much time in executing these projects. Even Gaganyaan (ISRO's first manned space mission) will be executed in a comparably short time.

Q. What is ISRO's vision for the future of India's space programme?
A. We want India to be a global space hub five years from now, and we are unlocking the potential to achieve that goal by bringing private players into the sector in a big way. ■

WEAPONISING TRADE

Can India use an economic offensive against China to persuade its aggressive neighbour to restore status quo ante on the border?

BY RAJ CHENGAPPA

Just before US President Donald Trump launched a trade war against China in 2018, he reportedly told his treasury secretary Steven Mnuchin, "The Chinese don't give a shit about us. They are cold-blooded killers on trade." Trump then went on to instruct: "You are going to China to kick ass." Soon after, the Trump administration raised its trade tariffs and barriers on certain goods and services to coerce China into reducing the adverse trade balance of a whopping $400 billion the US faced against it. China retaliated with similar measures, but Trump claimed early victory when US imports from China fell by 12.5 per cent last year. The battle, though, is far from won.

Cut to 2020 and it is Prime Minister Narendra Modi who has to make the tough choice of, as Trump crudely put it, kicking China's ass by weaponising for the first time India's $110 billion bilateral trade with its aggressive neighbour. This is not just to set right the trade balance that has tilted heavily in China's favour in the past decade—as Trump had sought to do—but, more importantly, to wield a stick to persuade China to restore the status quo ante on the border after it unilaterally altered the balance of military forces across the 3,448 km disputed Line of Actual Control (LAC). India has accused the People's Liberation Army (PLA) of China of surreptitiously amassing forces in critical sectors on the LAC in the past two months in violation of bilateral border agreements. The PLA then made several egregious intrusions that resulted in military casualties on both sides in the first fatal clash between the two armies in 45 years. With India too mounting troops in large numbers on the LAC as a counter, the stand-off has become all the more dangerous.

Illustration by BANDEEP SINGH

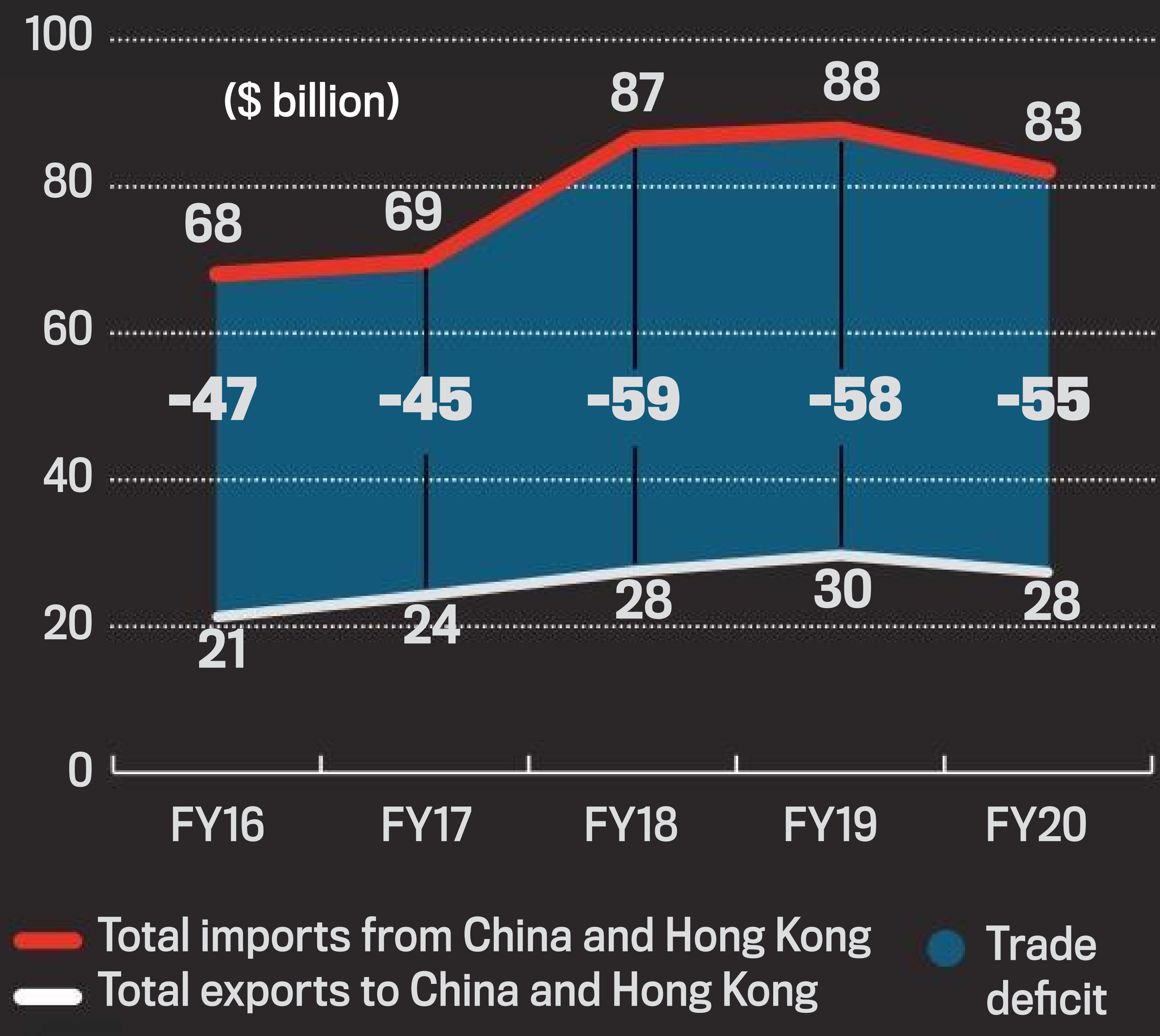
THE CHINA SYNDROME

The shrill calls for self-reliance and boycott of Chinese goods need to be tempered with an acknowledgement of India's heavy dependence on China–evident in the huge bilateral trade gap

Illustration by NILANJAN DAS

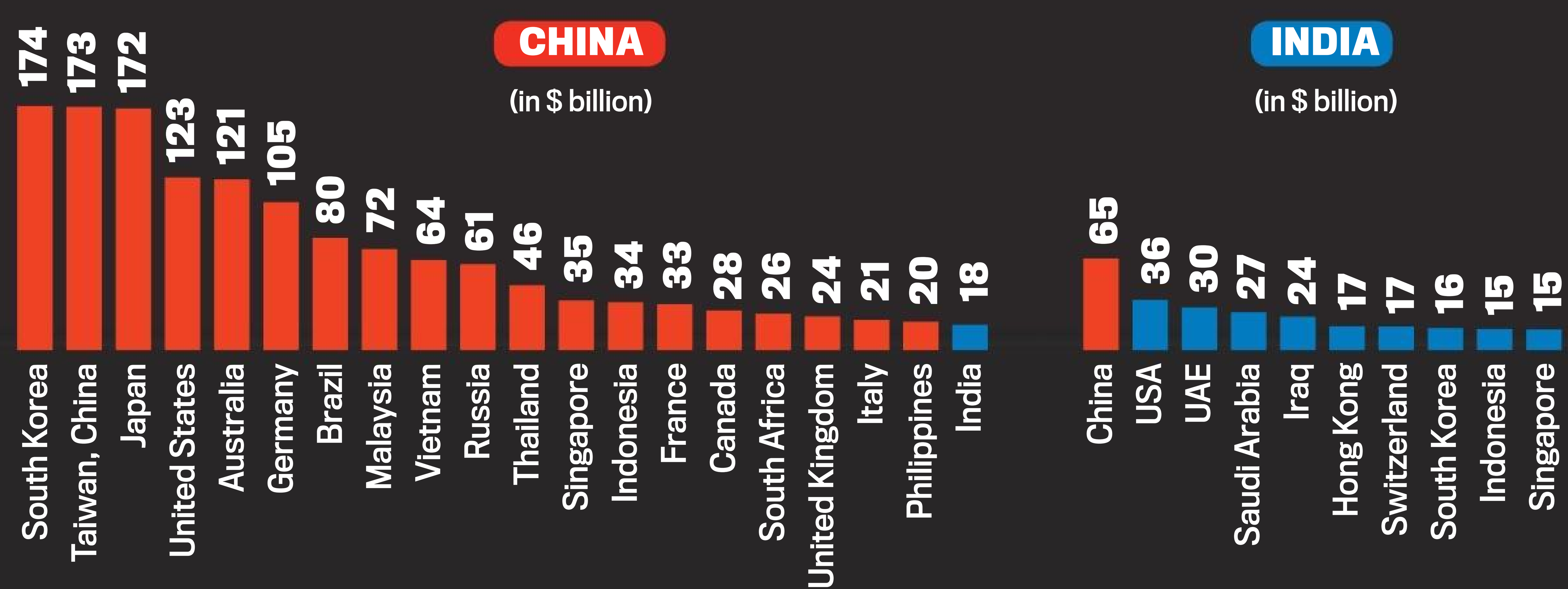
THE WIDE GULF

Bridging the trade deficit with China–close to $55 billion–will not be easy given the heavy reliance of Indian businesses on Chinese goods



KEY PARTNER COUNTRIES FOR IMPORTS

While China is key to India's imports, it's clearly not the case for the former



Graphics by TANMOY CHAKRABORTY

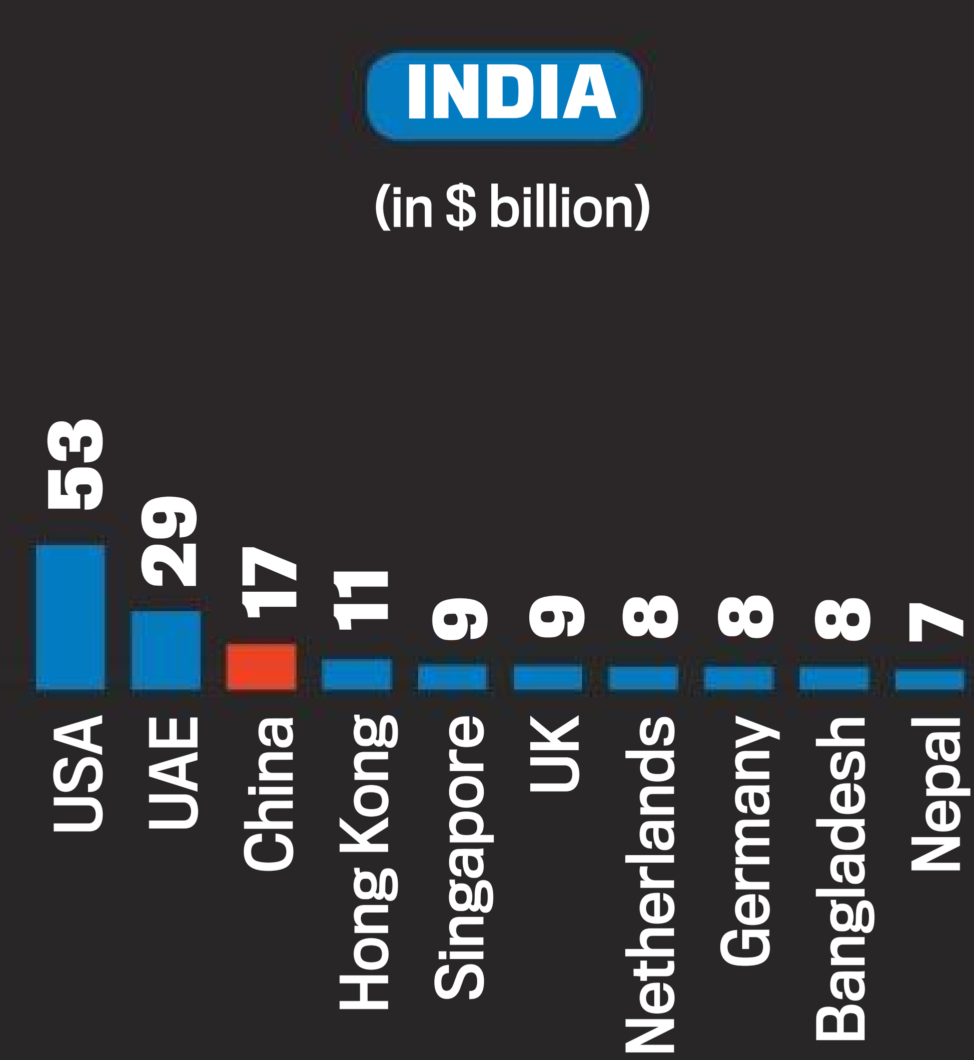
UNDER THE DRAGON'S SHADOW

India depends heavily on China for power tools and heavy engineering equipment, but for end consumers, it is auto parts, solar panels, electronics, toys and clothing that have a better China recall

Figures in $ million; provisional data for FY20; Note: China's import/ export figures include Hong Kong as a significant percentage of China's investments are routed through it

KEY PARTNER COUNTRIES FOR EXPORTS

India is dwarfed by China in the global exports sweepstakes, but ranks seventh among China's key export destinations



Source: BT Research

This has made India's choices even starker. As a top Indian official dealing with the situation put it, "Blood has been spilt, soldiers have lost their lives. China now has to decide to pull back or it may lead to another friction point that is not desirable for both countries. There are only two ways to go now—either into conflict or resolution. China has to make up its mind." But with the PLA reportedly also suffering an undisclosed number of casualties, Chinese president Xi Jinping cannot easily pull back without loss of face and a massive dent to the supreme leader image he has assiduously built up in the past decade. The corps commanders of the two armies in the Ladakh area, where the worst fracas had taken place, have met several times, but the situation seems far from resolved.

Modi now has to deal with possibly the worst confrontation with China on the disputed border since the India-China war in 1962 and stave off charges that he is recapitulating Nehru's blunders in the high Himalayas. The prime minister has to do so even as he has his hands full with handling the unprecedented damage the Covid pandemic is causing to the country's economy and the health of its people. The prime minister does have several military options to get China to change its mind. But as the standoff lengthens, these are narrowing, especially as the element of surprise, crucial to the success of any mission, has all but gone.

PM MODI IS DEALING WITH THE WORST CONFRONTATION WITH CHINA ON THE DISPUTED BORDER SINCE THE 1962 WAR

Moreover, tactical strikes such as the Indian army occupying border territories held by China and then negotiating for a settlement are fraught with risks. Any such counter-offensive could see the Chinese retaliate elsewhere, resulting in more deaths and the possibility of the conflict escalating into an all-out border war that neither side seems to want. India's best option now is to persuade China to restore status quo ante on the border without further military conflict through a process of de-escalation and disengagement.

With military conflict being the last resort, Modi has in his quiver both economic and diplomatic arrows to strike with. Of the two, raising the economic costs for China could get the dragon to see reason faster. India can do it with conviction because China enjoys a trade surplus of close to $55 billion with India and has steadfastly ignored India's protestations to correct it. However, we may not be able to sustain a trade war of the kind the US unleashed against China. At $21.4 trillion, the US economy is seven times India's and 35 per cent larger than China's. In contrast, India's $3 trillion economy is four times smaller than China's. China's exports of goods to the US constituted 16.8 per cent of its total exports of $2.5 trillion, making it vulnerable to American pressure. But China's exports to India constitute barely 3 per cent of its total, making India less of an economic threat. Moreover, when Trump took on China, America's economic fundamentals were strong. Indian economic growth, on the other hand, has been sputtering along in the past two years and is likely to touch rock bottom in the current fiscal because of the pandemic.

Despite the public cries to completely boycott Chinese goods and the sugar high of nationalism that the border fracas has generated, India has good reason to move cautiously on the trade front. It has to carefully calibrate the measures it takes lest they do the economy more harm than good. As a trade expert put it, "We should be careful that being vocal for local does not end up giving the Indian economy a sore throat." Chinese imports now account for as much as 14 per cent of India's total imports and China has in the past decade emerged as India's largest trading partner after the US. In some sectors, such as pharmaceuticals, Indian companies are heavily dependent on Chinese products such as active pharmaceutical ingredients (API) because they are cheaper than those produced in

HIGH STAKES
PM Modi with Xi Jinping at their informal summit in Mamallapuram, Oct. 2019

RAISING THE ECONOMIC COSTS FOR CHINA, WHICH ENJOYS A TRADE SURPLUS OF $55 BILLION WITH INDIA, COULD MAKE THE DRAGON SEE REASON FASTER

Europe. They now contribute 70 per cent of India's total pharma requirements. Any move by India to raise duties on APIs or finding alternative sources will raise the costs of production. This could result in drugs becoming costlier domestically, apart from making Indian companies less competitive in the lucrative export market. Chinese companies, on the other hand, may have less to lose as India accounts for only 10 per cent of their share of bulk drug exports.

Similarly, in the bustling auto sector, where India depends on China for 26 per cent of its total imports of auto components, any move to impose strictures will end up hurting Indian companies, especially exporters, more than China. China's $4.5 billion exports of auto components to India account for just 6 per cent of its total auto component exports of $70 billion. So China may be stirred if India turns the screws in these sectors, but it is India that is likely to be shaken by the impact. Even in the $8 billion mobile telecom sector, Chinese companies that have set up factories in India now account for 66 per cent of the domestic sales. India remains heavily dependent on China for the import of components (almost 60 per cent of the total) and the industry will be hard put to find cheaper alternatives in the short term. As a senior official dealing with trade issues puts it, "The idea that we can suddenly and completely delink our economy from China is not practical and implementable. There is a range of industry-level dependency on China not just of Indian companies but of all major economies in the world because of its strong manufacturing base. Any measure we take should be calibrated and carefully worked [out] to see what items, which areas, which levers and which buttons to press to get China to see reason."

However, for India not to impose some sort of punishment will further embolden the Chinese on the border. The Modi government, therefore, seems to have adopted a three-pronged strategy for the short term: Target China where it hurts the most, ensure we are not in violation of WTO (World Trade Organization) norms and do this with maximum cost to China and minimal pain to India. These measures should also not provoke China into taking drastic retaliatory measures that could harm Indian interests. One area where China has been pushing hard is in scaling up its technological prowess, especially in the digital arena, to match the US's in order to acquire superpower status. This is one zone India could target.

As a start therefore, the Modi government cleverly cited security reasons to impose a ban on 59 high-profile apps made by Chinese companies—TikTok for example—that dominate the Indian market. With half of India's population using these apps, the impact was immediate and widespread. The move did little to harm the Indian economy, but it was a strong message to China. Even the US applauded India for taking the steps and on the same day announced a ban on government purchases from two prominent hi-tech Chinese companies—Huawei and ZTE Corp. While before the border aggression India had not ruled out the participation of the Chinese telecom giant Huawei in the lucrative 5G sector, it has now indirectly indicated that it could well close that door too.

Meanwhile, India has followed up the ban on Chinese apps with other hard-hitting strikes that will make it difficult for Chinese corporates to do business in India. On July 1, Nitin Gadkari, the Union minister for road transport and national highways, announced that all Chinese companies, including joint ventures, will not be permitted to bid for contracts to build national highways. With the Modi government committing to spend Rs 100 lakh crore on infrastructure, particularly on highways, over the next five years, this should serve as a hard blow to Chinese interests. The power ministry, too, announced in late June that it will stop all purchases of some 2 million smart meters being made in China and go for either domestic substitutes or import from other countries. The Centre is now persuading state governments to follow suit for all their major projects. Maharashtra had earlier announced it was putting on hold Rs 5,000 crore worth of memorandums of understanding with Chinese companies for the rapid rail project in Mumbai.

The Department for Promotion of Industry and Internal Trade (DPIIT) is already taking measures that could hurt Chinese companies but without India falling foul of WTO norms. Instead of blanket bans, the plan is to impose Bureau of India Standards quality requirements to root out cheap, substandard Chinese goods that now flood the Indian market, particularly in the toy, lighting and *agarbatti* sectors. For toys, apart from raising custom duties in Budget 2020 from 20 per cent to 60 per cent, India has also imposed higher BIS quality standards and demanded that companies adhere to them. Simultaneously, the department has been giving Indian manufacturers incentives to make these goods.

THE BAN ON 59 CHINESE APPS WAS A CLEVER MOVE. WITH HALF OF INDIA'S POPULATION USING THESE APPS, THE IMPACT WAS IMMEDIATE

The DPIIT is examining all bilateral and free trade agreements to eliminate distortions that have had an adverse impact on Indian industry. Guruprasad Mohapatra, DPIIT secretary, is careful to maintain that these are "not targeting any specific country" but only those that have an adverse trade balance with India. A good example of inverted duties is the 10 per cent basic custom duty imposed on auto tyres compared to the 20 per cent duty on natural rubber, its key input. This has resulted in imports of tyres at the cost of manufacturing them in the country. There is also concern that China is taking advantage of FTAs India has with some countries by routing its good through them, in violation of rules of origin regulations. "The idea," says Mohapatra, "is to strengthen domestic industry by incentivising local production, eliminating duty distortions and raising the quality to match that of other countries, which will enable our companies to compete in the export market too."

The border crisis has been a wake-up call for Indian policy-makers and has exposed India's extensive dependencies on Chinese imports in a range of sectors. It has highlighted the need for Indian companies to adopt what Deepak Bagla, chief of investment facilitation agency Invest India, calls de-risk strategies to reduce dependency on global supply chains and certain countries. "Many experts," he says, "feel that Indian industry does not change because there is a better option. It only changes when it has no option but to do so." A former foreign secretary points out, "We used to think trade policy towards China was decided at the government level. But the reality is that it is the *kirana* store owners and industry lobbies who have more clout and cause the import distortions."

One thing the twin crises—at the border and with the pandemic—have done is to give a huge resonance to Modi's

BORDER BUILD-UP
A satellite image of the PLA base in Kongka Pass on the LAC

call for an Atmanirbhar Bharat (Self-reliant India). Ravi Shankar Prasad, the Union minister for law, communications, electronics and IT, has made it clear that the self-reliance drive is not a return to higher tariffs and licence raj of the past that protected inefficient domestic industry resulting in shoddy goods and higher prices. He also said it did not signify isolation or an insular policy or just import substitution but is instead designed to make India a hub of some of the global value chains in key sectors (*see interview*).

To make the Atmanirbhar Bharat campaign a success, what is needed is a radical reset in the approach of both the central and state governments to industry and investment. The problem is that successive governments have made industrial development a *chakravyuh*—difficult for entrepreneurs to get in or out of. Rajiv Bajaj, CMD of Bajaj Motors, put it succinctly when he talked of the persisting unease of doing business in India as well as the need to sort out the 5 Ls—land, labour, logistics, legislation and electricity—that continue to stall rapid industrial growth in the country. Also, as Maruti chairman R.C. Bhargava points out, "We don't have the tech to make these in India or our cost of production is too high to compete in the global market." The big message is that India will have to address its own deficiencies rather than blame China for all that plagues its growth.

THE BORDER CRISIS IS A WAKE-UP CALL FOR OUR POLICY-MAKERS. IT HAS EXPOSED INDIA'S EXTENSIVE DEPENDENCIES ON CHINESE IMPORTS ACROSS SECTORS


REUTERS

In certain key sectors, such as pharmaceuticals, medical devices and electronics, the government has already initiated measures to help domestic champions become global players as well as reduce dependency on China. But these will take several years to bear fruit. (*see accompanying stories*). With the international climate turning hostile towards China's aggressive postures across the globe, India should leverage its diplomatic clout to turn the heat on Beijing. It should also negotiate free-trade or bilateral agreements with a host of countries, including the US, Europe, Australia and South Korea to reduce its dependence on China. The size of India's market and its middle class, apart from its appetite for investment, still make India one of the most attractive countries to invest in. But even as it does so, it must be careful not to push relations with China to the point of no return—because it is a formidable adversary. Its ability to stir trouble in the region is tremendous, as we have seen recently in Nepal.

Modi had invested an enormous amount of political capital in Xi Jinping by having as many as 18 meetings with him since he became prime minister. Throughout the crisis, Modi has been careful not to attack Xi personally or China specifically, even at the risk of attracting criticism for his mildness. But the prime minister has sounded resolute about defending India's territorial integrity and said that there will be no compromise on the issue. In doing so, he has left space for Xi to return from the brink and back to the negotiating table. Modi is on the right track as it does not help either country to be at the other's throat. Both India and China will emerge as major players in the world in this century, especially with the Asia-Pacific region becoming the fulcrum of global economic activity. Dialogue and diplomacy, rather than debilitating military conflict, are the best ways to settle issues. It would be foolish for China and even India to hold their relations hostage to a few square kilometres of barren land in the high Himalayas when greater things beckon each of them if they can work out their differences. ■


Photograph by BANDEEP SINGH

REWIRING THE CIRCUIT

Can India turn the growing anti-China sentiment globally into an opportunity for homegrown electronics?

BY SHWWETA PUNJ

RINGING IN THE FUTURE Lava Mobile president Sunil Raina at the company's factory in Noida

A

Ashok Jana, 40, a driver in New Delhi, spent much of his spare time at work watching Bollywood films and news videos on his Xiaomi phone. Since the Covid outbreak, however, the phone has become a lifeline, allowing him to make daily video calls to his family in West Bengal.

Like Jana, hundreds of thousands of Indians today use Chinese smartphones. There is a wide array on offer, and even the high-end variants cost a fraction of comparable models from other big-name brands. In other words, they offer good value for money. Indeed, Chinese brands have made deep inroads into the $8 billion (Rs 604 billion) Indian smartphone market, with Chinese companies such as Xiaomi, Oppo, Vivo and OnePlus holding a combined market share of over 66 per cent (Q1 2019 estimate), according to Counterpoint Research, a global industry analysis firm. Xiaomi leads with a 29 per cent market share, followed by Korean giant Samsung (23 per cent). Until the early part of the past decade, Indian brands such as Micromax and Intex had a market share of over 54 per cent, which has now fallen to under 10 per cent.

China's dominance extends beyond smartphones. It caters to over 60 per cent of Indian imports of electronic products and components. The Covid lockdown has critically impacted the production of electronic goods such as mobile phones, printers, computers and inverters the world over since printed circuit boards—the base of most electronic products—are mainly sourced from China. India's requirements of aluminium, copper and chemicals in electronics manufacturing, too, are met by China. In such a scenario, say industry representatives, many manufacturers find it more viable to import electronic goods in SKD (semi-knocked-down) or CKD (completely knocked-down) form from China.

Now, as the world explores manufacturing destinations beyond China, India is aspiring to fill the vacuum. Union minister for electronics and information technology Ravi Shankar Prasad told INDIA TODAY that the Narendra Modi government aims to make India the electronics manufacturing hub of the world and is offering incentives towards the goal. "The Rs 50,000 crore incentive package announced includes production-linked incentives worth Rs 40,000 crore, cluster scheme incentives (Rs 4,000 crore) and a component manufacturing scheme (Rs 4,000 crore)," he says (*see accompanying interview*).

Currently, India has over 250 production units, up from two in 2014. The turnaround in the domestic electronics sector came after India allowed 100 per cent FDI through the automatic route, relaxed duties, introduced schemes such as the EPCG (Export Promotion Capital Goods Scheme) and Special Economic Zones that allowed tax sops, exempted duties on equipment required to set up semiconductor plants, approved the National Policy on Electronics (2012) and set up the National Electronics Mission. The stated objective of NPE1 was to create an ecosystem for a globally competitive electronic system and design manufacturing sector in India.

Thanks to all these efforts, India is now the world's second-largest manufacturer of mobile phones. The country produced about 290 million handsets valued at Rs 1.81 lakh crore in 2018-19 from 58 million units worth Rs 18,900 crore in 2014-15. However, we still don't make any of these phones ourselves and manufacture only a small fraction of the solar photovoltaic cells and modules currently used. India somewhat missed out on the third industrial revolution, characterised by decentralised manufacturing and global value chains, in the production of electronic goods, with its manufacturing ecosystem failing to keep pace with the likes of China and Vietnam. According to industry estimates, over 80 per cent of the global mobile phone sales revenue is concentrated among five companies—Samsung, Apple, Huawei, Oppo and Vivo. The assembling of mobile phones is centred in China (including Hong Kong) and Vietnam.

India incurred a forex bill of $40.6 billion for electronic goods in 2018—about 22 per cent of the total merchandise bill. It spent $18.7 billion on the import of mobile phones and parts

ELECTRONICS

A CHINESE CORE

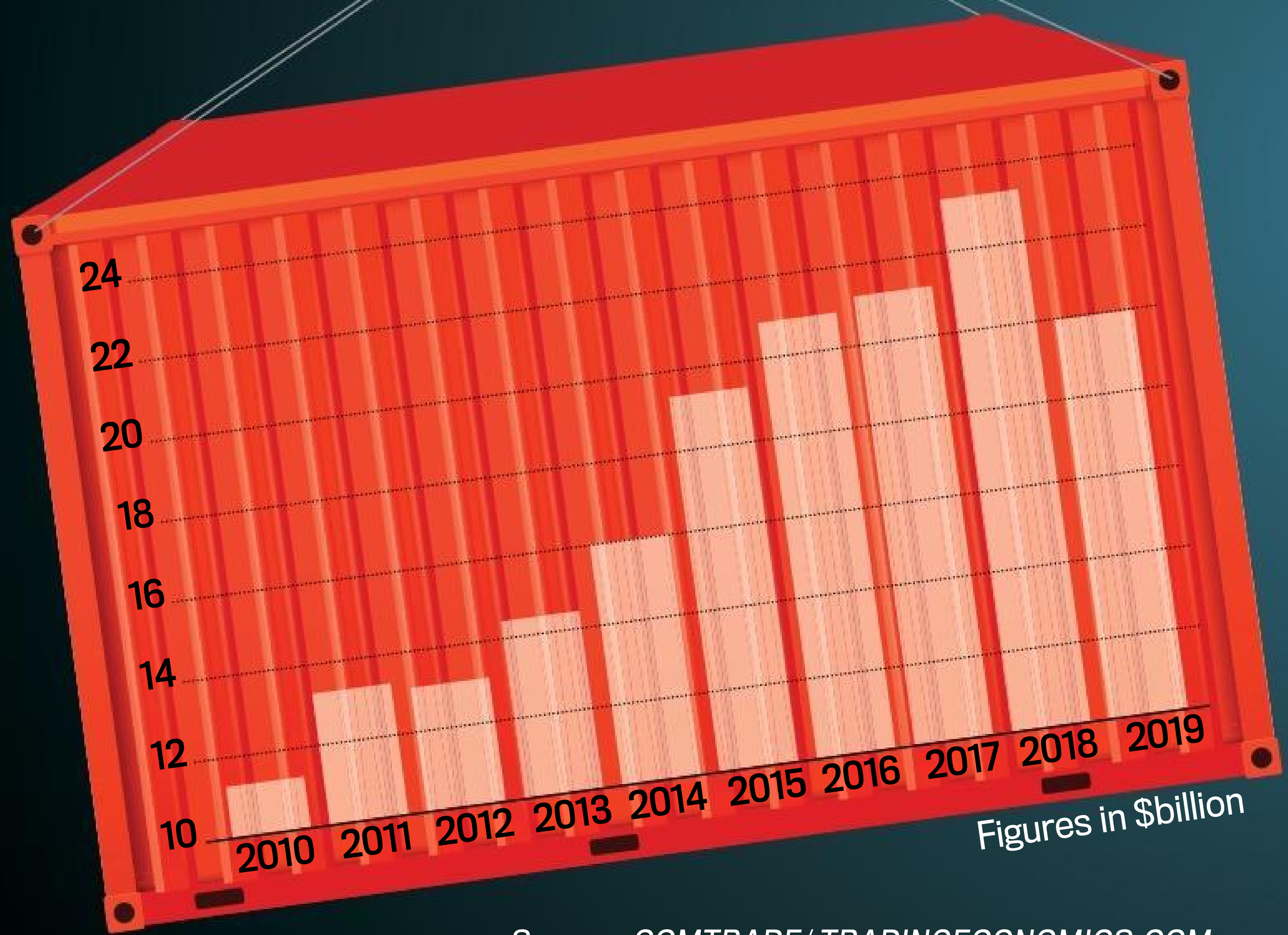
India depends heavily on the eastern giant for electronic components, but it also has the advantage of a captive market

>60%
India's imports of electronic products and components from China

$16bn
India sales of top Chinese smartphone brands in 2019

>66%
of India's $8 billion smartphone market (Q1 2019) controlled by Chinese companies Xiaomi, Oppo, Vivo and OnePlus

India's imports from China of electrical, electronic equipment rose to $19.97 billion during 2019 compared with $11 billion in 2009



Source: COMTRADE/ TRADINGECONOMICS.COM

whereas exports of the same were worth only $2 billion. The forex bill for mobile phones and parts constituted 26 per cent of the forex spend on electronic goods. In the past five years, India has tried to substitute the import of mobile phones and parts by imposing duties on imports of finished mobile phones and parts, under the government's phased manufacturing programme. So, even as the import of parts and components continued due to lack of volumes at home, imports of finished mobile phones came down, with the shift of assembling to India. Mobile handset exports, which took a huge hit after the shutdown of the Nokia plant in 2014, grew over eight-fold to Rs 11,200 crore and exceeded imports for the first time in 2018-19, according to industry association ICEA (India Cellular and Electronics Association).

Industry representatives believe the new decade could well be a make-or-break one for manufacturing in India, which enjoys the advantages of a huge domestic market and a young demographic profile. "Companies might see an opportunity if, say, Apple wants to relocate some of its manufacturing to India," says an industry insider. "If a majority of the manufacturing shifts to India, then the entire ecosystem shifts too. The government needs to project some success stories not only to the investors, but the public as well."

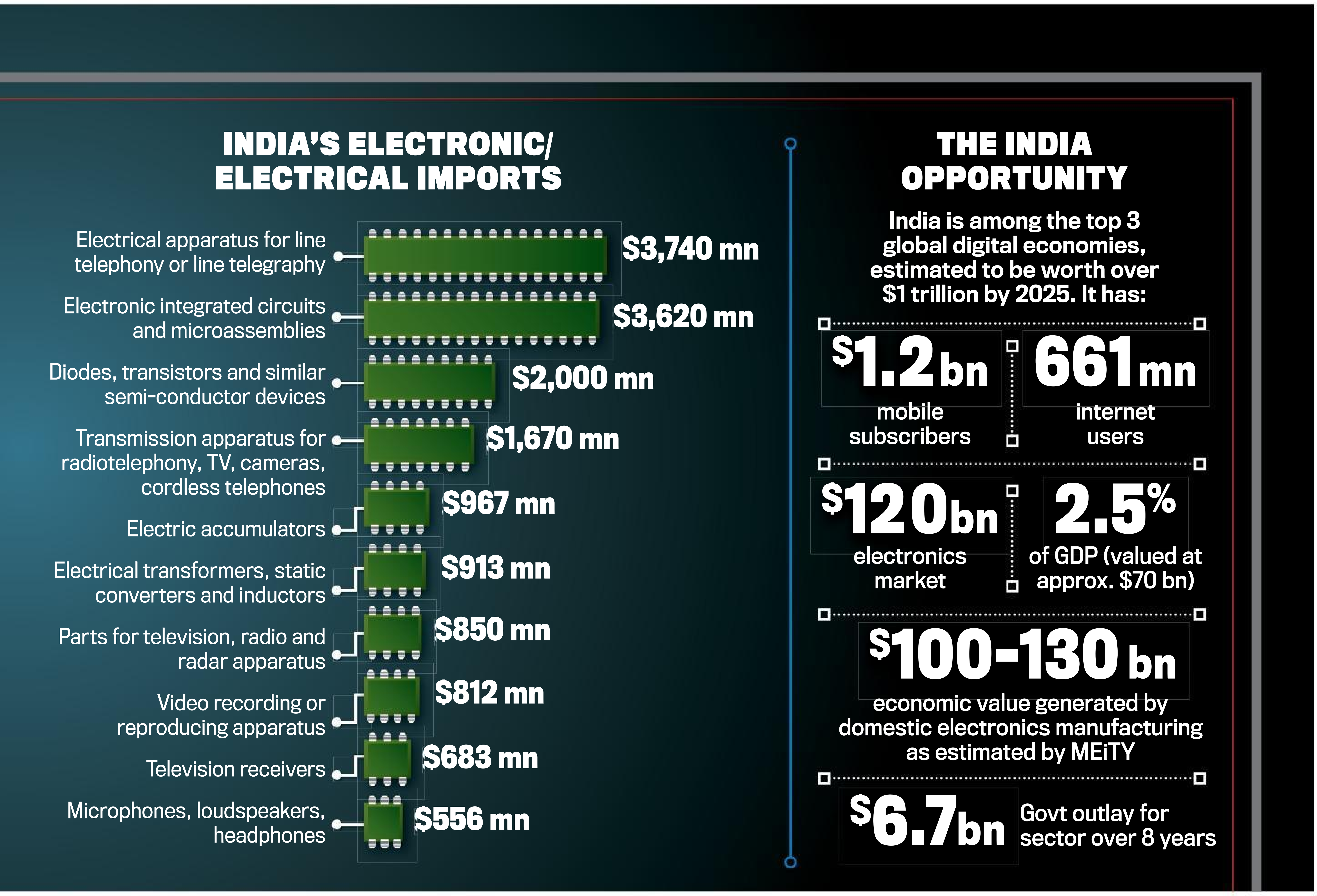
"THE JOURNEY OF ANY SECTOR BEGINS WITH THE BASICS. ONCE WE START MANUFACTURING COMPONENTS, SPECIFIC PRODUCTS WILL START COMING"

– Mohammad Athar, Partner, PwC India

In May 2018, the United States imposed heavy tariffs on tech goods imported from China, inviting retaliatory tariffs from Beijing. While trade diversions happened across global supply chains, India failed to capitalise on it. An ICEA report says the US-China trade war led to higher communication equipment imports from Vietnam and Taiwan to the US. But there was no tangible increase in the value of exports from India to the US nor could it attract the big firms and move up the supply chain ladder.

China's electrical machinery and equipment exports are valued at $557.1 billion—26.3 per cent of its total exports. At $19.97 billion, India's electrical imports from China are a minuscule percentage of Beijing's total exports in the sector. The US is China's top market for electrical exports.

For MNCs, the Covid pandemic has amplified the importance of diversification of supply chains, and this presents an opportunity for India. Mohammad Athar, a partner with PwC India, says his firm has been holding discussions with companies in the electronics space, but the one con-



Graphic by TANMOY CHAKRABORTY

"AT PRESENT, 70% OF OUR PRODUCTION IS FOR INDIA, 30% FOR EXPORTS. WE SEE THAT RATIO CHANGING TO 60% FOR EXPORTS IN THE NEXT FEW YEARS"

– Sunil Raina, President and Business Head, Lava International

cern that most have is whether new projects launched will get implemented within a specified timeframe.

The government's production-linked incentive will range from 4-6 per cent on incremental sale of mobile phones and specified electronic components, and will be applicable from August 1. According to the notification, companies that manufacture phones priced Rs 15,000 and above and are ready to make a cumulative investment of Rs 1,000 crore over four years will qualify for the incentive of 6 per cent for the first two years, followed by 5 per cent for the next two and 4 per cent in the fifth year. For domestic mobile phone companies, the investment threshold is Rs 200 crore over four years and the sales criteria Rs 5,000 crore in five years; for component manufacturers, it is Rs 100 crore for four years and Rs 600 crore of sales in five years.

However, as per industry estimates, the budgetary allocation toward production-linked incentives for mobile phone makers is a meagre 0.5 per cent of the target set under NPE, 2019. Indian manufacturers are at a disadvantage compared to their counterparts in China and Vietnam, who enjoy a cost advantage differential of about 15 per cent and 5.8 per cent, respectively. China will fight hard to prevent manufacturers from shifting out. It could announce attractive stimulus packages and respond in 'unconventional ways to keep its global supply chains intact', says the ICEA report.

Indian mobile devices-maker Lava International recently announced it was shifting its China operations to India. "At the moment, 70 per cent of our production is for India and 30 per cent towards exports. But we see that changing to 60 per cent for exports and 40 per cent for India over the next few years," says Sunil Raina, president and business head, Lava International. "Through the scheme money, we will be able to expand existing capacity and service other brands as well. We will be able to provide capacity to other companies. From three million phones a month, we are looking at doubling our capacity."

However, India's quest for self-reliance in electronics may run into infrastructure and logistical hurdles and capacity shortages. As the country forays into production of displays, fabrication plants and other high value-added components, it will need skilled labour and access to raw material at competitive costs, besides the need to remove bureaucratic hurdles that hinder the 'ease of doing business'. ■

INTERVIEW

"WE WANT NATIONAL CHAMPIONS WHO'LL BE GLOBALLY COMPETITIVE"

Against the backdrop of the Covid backlash against China and India's quest for economic self-reliance, the Union electronics and IT ministry has unveiled wide-ranging incentives to encourage manufacturers of electronic goods and components to set up shop in the country. In an interview with Editorial Director (Publishing) **Raj Chengappa** and Deputy Editor **Shwweta Punj**, Electronics and IT Minister **Ravi Shankar Prasad** paints his vision to turn India into a global electronics manufacturing hub and explains how this goal can be realised. Excerpts:

SHEKHAR GHOSH

Q. Prime Minister Narendra Modi and you made a rather dramatic announcement of India aspiring to be the No. 1 mobile handset manufacturing destination, a $190 billion market, by 2025-26. How do you propose to make this a reality?

A. When we came to power in 2014, India had only two mobile factories. Now, we are [more than] 250, including [units making] components. In Noida and Greater Noida, over 90 factories have come up. In 2014-15, the mobile manufacturing industry's revenue was Rs 18,990 crore. In 2018-19, it reached Rs 1.7 lakh crore, and in 2019-20, it increased to Rs 2.25 lakh crore.

Overall in the electronics [sector], production value in 2014-15 was Rs 1.9 lakh crore, growing to Rs 4.58 lakh crore in 2018-19, while the projection for 2019-20 is Rs 5.48 lakh crore. India's global share [in electronics] has risen from 1.3 per cent in 2012 to over 3.5 per cent at present. We have created direct jobs for 2 million people in the past five-and-a-half years and all global mobile brands, including Apple, are in India.

Q. What incentives are you offering to help India become a global hub of electronics manufacturing?

A. It's a nearly Rs 50,000 crore package: Rs 40,000 crore comes as production-linked incentive, over Rs 4,000 crore as cluster scheme incentive and another Rs 4,000 crore as component manufacturing incentive. Why this? One, mobile phone production is dominated by five-six players, who control 80 per cent of the manufacturing globally. We call them global champions. Initially, we want to attract 5-6 global champions, who will benefit from the production-linked incentive. Second, we don't want just the bride and groom, but the entire wedding procession to come—that is the cluster. The third component is spare parts, chips and equipment required to make mobiles. We also want [to create] five national champions, we want to give them incentives. The national champions will be globally competitive. That's the whole architecture we have thought of.

Q. Let's take the plan to create electronics clusters. Land is a state issue and that's a concern for companies.

A. Things are changing. We discussed the scheme with many state governments and other stakeholders before finalising it. My secretary, joint secretary spoke to state officials. Many state governments are coming on board. The biggest asset of electronics manufacturing is that it is non-polluting and generates employment. I am pretty sure that the scheme to create 200-acre manufacturing clusters will materialise. We (the Centre and states) are working as a team.

Q. Under the new policy, how many clusters do you expect to create?

A. Twenty clusters have already come up. A large number of EMCs (electronics manufacturing clusters) have come into operation. Some 204 companies have booked 847 acres of land, with a proposed investment of Rs 32,754 crore in EMCs. We are now thinking big.

Q. One of the issues you mention is that of core components, which largely continue to be imported. How do you plan to make India self-reliant in that?

A. Electronics manufacturing has many phases. The first is assembling, after that the manufacturing of components. India is now building and exporting many components, from motherboards to chargers to batteries and lots of other equipment. As we are thinking big, it's very critical that we incentivise components manufacturing. India offers a talented human resource and a good market. The country has close to 1.12 billion mobile phones, of which some 700 million are smartphones. We are a huge market. Today, over 85 per cent of the country's internet traffic is through mobile phones.

"POST COVID, A BIG OPPORTUNITY BECKONS INDIA. 'ATMANIRBHAR BHARAT' IS NOT AGAINST ANY COUNTRY, IT'S INDIA-POSITIVE"

Q. To become a global electronics hub, India will have to depend on global value chains in China. How will this sync in with the government's talk of self-reliance?

A. Atmanirbhar Bharat is clearly not India in isolation. It is not about an inward-looking India. Atmanirbhar Bharat means India developing a manufacturing hub that is globally competitive. Post-Covid, I see that a big opportunity beckons India. The Atmanirbhar Bharat campaign is not against any country, it is just about being India-positive. We have also gone up in the 'ease of doing business' rankings.

Q. We have a troubled relationship with China because of border disputes. The world at large has also had issues with China over its delayed revelation of the Covid outbreak. What will your approach towards China be?

A. I don't wish to become country specific, I should not. There is a [dispute resolution] mechanism available, [there's] engagement at the armed forces and diplomatic levels. India of 2020 is not the India of 1962. It is an India led by a leader of courage and conviction. As far as Chinese goods are concerned, as an Indian, it troubles me that during Diwali, even idols of Lakshmi and Ganesha come from a particular country. I think India has enough capability to produce Lakshmi-Ganesha idols. India's manufacturers need to think about it.

Q. Companies are concerned about labour and land issues, as well as hiring policies. Will we be able to provide them flexibility, ease of doing business in the real sense of the term so that they are able to operate efficiently?

A. In spite of [the hurdles], we have grown to over 250 mobile factories. Many of these are employing 20,000 or more workers. We have carried out a lot of labour reforms. Now, if a company offers good incentives and working conditions, workers also respond positively. India is changing, becoming a manufacturing hub. As far as the central government's assistance to states is concerned, I am just a phone call away if any problem arises. I will personally intervene if there are problems. ■

For full text of interview, visit www.indiatoday.in

THE LONG ROAD TO SELF-RELIANCE

India cannot end its reliance on China for automotive components overnight. An import ban would only choke supplies, raising costs for manufacturers and consumers. Needed: a long-term strategy to build domestic capacities

BY M.G. ARUN

COMPLEX SUPPLY LINES
Maruti Suzuki assembly line at the company's Manesar plant

VIVAN MEHRA

Long before geopolitical tensions led to calls to ban Chinese goods, Indian automotive component makers had already decided to reduce their dependence on Chinese suppliers. Called 'China Plus One', their strategy aims at creating alternative supply lines—from Japan, Korea, Taiwan, Thailand and Germany, among others—for a range of auto parts imported by India. This had followed disruptions in component supplies from China in January and February, as COVID-19 devastated Wuhan, a major auto hub in that country and the global epicentre of the disease.

COVID-19 has imperiled the movement of some $4.5 billion (Rs 33,750 crore) worth of auto components that India annually imports from China, comprising about 26 per cent of India's $17 billion (Rs 1.28 lakh crore) worth of auto parts imports from around the globe. Even so, the Indian market is only a small part of China's exports in this sector. China exports $70 billion worth of auto parts globally, as per a May 2019 Bloomberg report. Exports to India, at $4.5 billion, are just 6 per cent of that total.

However, leading suppliers to the auto industry note that replacing Chinese firms in the component supply chain is easier said than done. "In COVID-19 times, we have seen how easy it is to switch off a supply chain," says Deepak Jain, president of the Automotive Components Manufacturers Association, which represents 830 auto parts makers in India, and chairman of Pune-based Lumax Industries, a major supplier of lighting systems to automotive companies. "But to get it started again (with a new supplier) is not easy," he says. "It is a long process." For instance, China is the world leader in the manufacture of LED (light-emitting diode) systems, popular for their brightness and capacity to save electricity. Though LED systems are assembled in India as well, the components themselves are imported from China. It is in the manufacturing of such basic and crucial electronic components that China has stolen a march over several other countries, including India.

To add to the Indian automotive sector's problems, before the Covid crisis arrived, Indian regulators had already announced a fast transition from Bharat Stage IV (BS-IV) to BS-VI pollution norms, skipping a stage in between. This had caught several component makers off-guard. "Several systems could not be localised since we were not given time to expand," explains Jain. "Therefore, imports increased." This had led to increased reliance on China at a time supply lines were about to go into seizure.

CHINESE IMPORTS DOMINATE THE INDIAN AUTO COMPONENTS SPACE, FROM ELECTRONICS TO FUEL INJECTORS

THE DRAGON'S REIGN

For several years now, Chinese imports have dominated the Indian automotive components space. These products are scattered across the entire value chain, from electronics and electrical parts to fuel injection, braking and lighting systems and steering components. Apart from importing one-fourth of our auto requirement from China, India imports 14 per cent from Germany, 10 per cent from South Korea and 9 per cent from Japan.

Anecdotal reports fill out the story. Truckmaker Ashok Leyland says it has exposure to Chinese supply chains for BS-IV and BS-VI products such as fuel injection pumps. R.C. Bhargava, chairman of Maruti Suzuki, the country's largest carmaker, tells INDIA TODAY that it has an "indirect" supply of components from China through its Tier 1 and Tier 2 suppliers. "One of Maruti's key policies in the past 10 years has been [to localise] parts for vendors," says Bhargava, adding that India has been losing a billion dollars a year on imports as the rupee loses value. "We have made substantial progress in localisation, but of the imports by vendors, the biggest chunk is electronics." Another industry major, Bajaj Auto, imports Rs 600 crore worth of components directly from China every year, comprising 3-4 per cent of its overall material costs. Another Rs 400 crore worth of goods are imported by the company's Tier 1 suppliers, according to MD Rajiv Bajaj. The largest import is that of alloy wheels for motorcycles, followed by transmission products. Bajaj says the imports, in part, are because of the "unease of doing business" in India. "We are handicapped by the 5 'Ls'—issues of land, labour, logistics, legislation and electricity. Chinese sources are more competitive." Bajaj Auto exports Rs 15,000 crore worth of motorcycles every year. "The imports help to make us competitive—there is a lot of merit in importing from China."

In the automotive components sectors, it is China's electronics manufacturing might that India will find difficult to replace. India imported $20 billion worth of such goods from China in 2019, with the biggest import being high-end electronics. "This is massive, both in [terms of] the size of the industry and the velocity at which it is growing, at 20-22 per cent," says V.G. Ramakrishnan, MD at Avanteum Advisors. "The demand for products in the electronics segment is around $400 billion." A supply of this scale will be difficult to recreate in India. Electronics now comprise around 10 per cent of a modern vehicle, with Ramakrishnan estimating that this is likely to go up by 20-25 per cent in the next five to seven years.

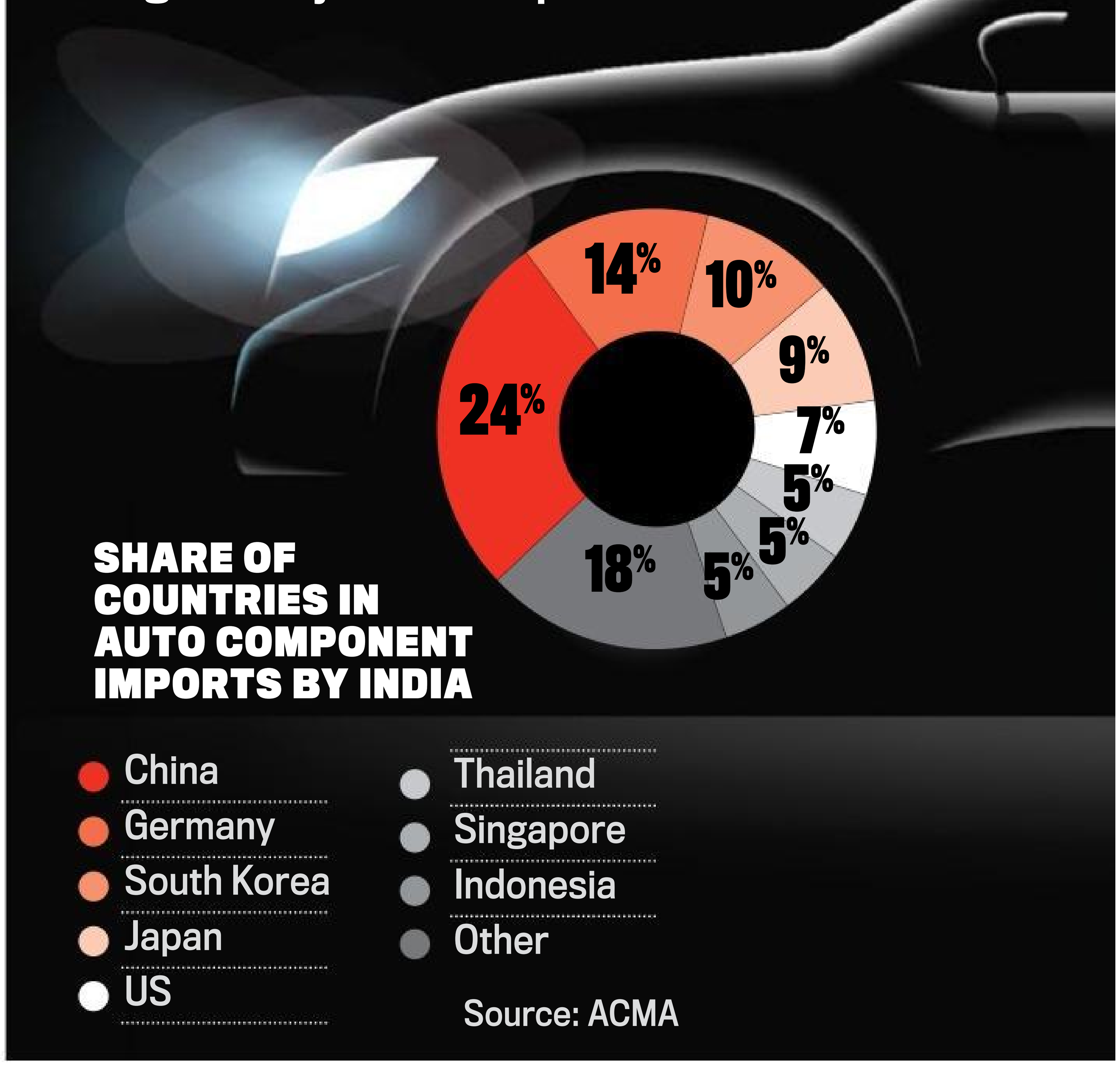
When it comes to electric vehicles (EVs)—a sector India is now trying to prioritise— the country's dependence on China is significant. Around half the cost of an EV is its batteries, and China is home to two of the largest battery manufacturers in the world. It is also a major producer of motor controllers for EVs. Reports suggest that the Chinese market for electric motors and motor controllers alone was nearing $4 billion in 2020, before the lockdown was announced.

Jain says that Indian auto companies buy from Chinese manufacturers because of their cost competitiveness and scale. Indian automotive suppliers supply very high quality products, but only on the mechanical side of things. Domestic manufacturing lags in electronic products. "Low volume manufacturers such as Skoda tend to import more from China," says Ramakrishnan. For auto-makers, localising component manufacturing for a low volume of sales can be a problem.

One misnomer is that all goods coming into India from China are 'Chinese goods'. Many European companies produce their goods in China and then import them into India. For those looking to push 'make in India', the question is whether global players can achieve the same scale of production in India as they can in China. Another hurdle is that some major component manufacturers have set up huge units in nearby countries like Thailand and Taiwan, making a shift of operations to India unlikely. Gaurav Vangaal, associate director-

MORE THAN THE SUM OF ITS PARTS

The Indian auto components industry depends heavily on Chinese suppliers for a whole range of major vehicle parts



Graphic by TANMOY CHAKRABORTY

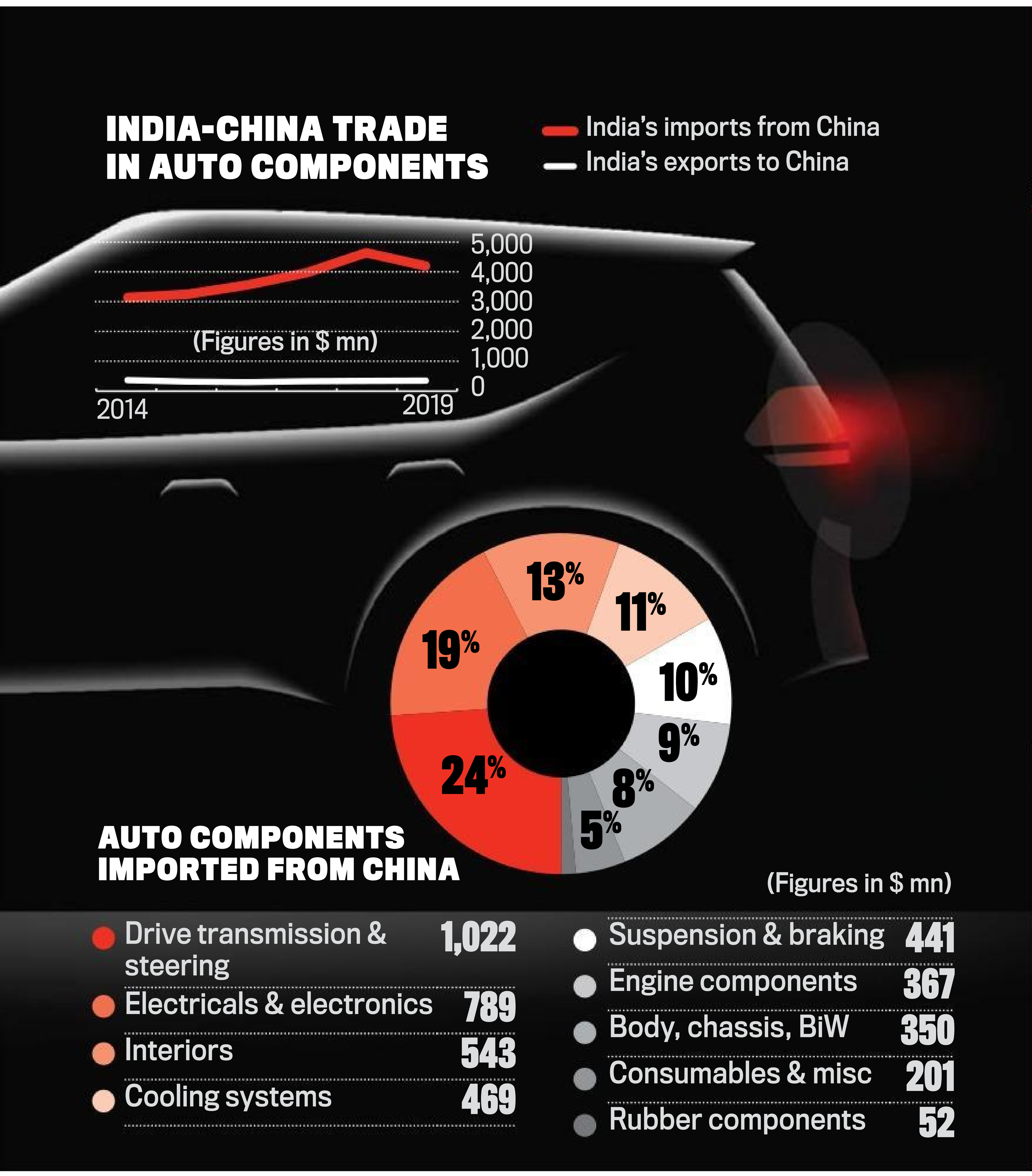
forecasting at IHS Markit, a research firm, also points out that China is itself a large market for automobiles, producing 24 million units a year, compared to India's 4 million units. This makes it attractive for global suppliers to set up base in China.

A DELIBERATE ELEPHANT

So, what should India's strategy in this sector be?

Bajaj says the government should focus on making the domestic automotive components industry more competitive. "We do not have to stand tall by trampling on China," he says. "A lot of our suppliers are more competitive today because of their exposure to Chinese firms." Sector experts argue that India's measures should be calibrated, so that the industry does not find supplies choked and prices rising. Jain says what is needed is a fundamentally stable policy. High logistics, land, power and capital costs negate India's advantage on the labour front. Firms from the domestic electronics, semiconductors and components manufacturing sectors need to work together to manufacture the products needed in India. The government should also encourage more public-private partnerships and continue its push to attract global investment.

Bhargava highlights the fundamental issue at the heart of why India is importing so heavily from China. "Either we don't have the technology to make [those products] here, or the cost [of production] is so high that it's cheaper to import," he points out. Essentially, even if India could entirely shut Chinese firms out of its supply chains, it would still be importing massively



CUTTING OUT CHINESE IMPORTS BEFORE IDENTIFYING SUITABLE REPLACEMENTS WOULD BE SUICIDAL FOR THE INDIAN AUTOMOTIVE SECTOR

RUNNING ON CHINESE WHEELS

China accounts for 26 per cent (over a fourth) of India's auto component imports

6
PER CENT
China's auto parts exports to India as a percentage of its global auto parts exports

₹1.28
LAKH CRORE
Approx. annual value of India's auto component imports (from all countries)

₹33,750
CRORE
Approx. annual value of auto components imports from China

₹4.23
LAKH CRORE
Size of India's auto components sector in FY 2019

₹1.13
LAKH CRORE
India's auto component exports (to all countries) in 2018-19

from elsewhere—from Japan, Taiwan, Korea or Thailand.

Experts point out that China did not earn its position as a global manufacturing hub by banning foreign products. China imported American and European products and learned to make them better and cheaper, says Maxson Lewis, MD, Magenta Power, a provider of EV charging stations. A blanket ban on Chinese imports serves no one and would be a slow death for the Indian manufacturing ecosystem. In the case of EVs, it would be like killing the baby before it is born, he adds.

One reason for India's lack of competitiveness is that the cost of manufacturing here is higher than it should be. Bhargava laments that policy-makers have not really understood the importance of competitiveness. One example is the time to get approvals to start a business. Approvals that may take a year in an Indian state could take just 10 days in China. In India, manufacturers also have to deal with central and state monopolies, which can add major expenses. These mean a higher production cost and a lower demand for goods made in India.

There is a clear reason why Indian companies are importing in such quantities from China. Scale, pricing and the range of products available gives Chinese manufacturing the edge. Cutting out Chinese imports without identifying alternatives will amount to India shooting herself in the foot. What would be better is a well laid-out strategy to shake off India's dependence on Chinese imports over time. This requires a continuing association, both to pick up a few needed lessons on competitiveness and also to maintain essential supplies while domestic production is developed. ■

ANI PHOTO

LOSING THE THREAD

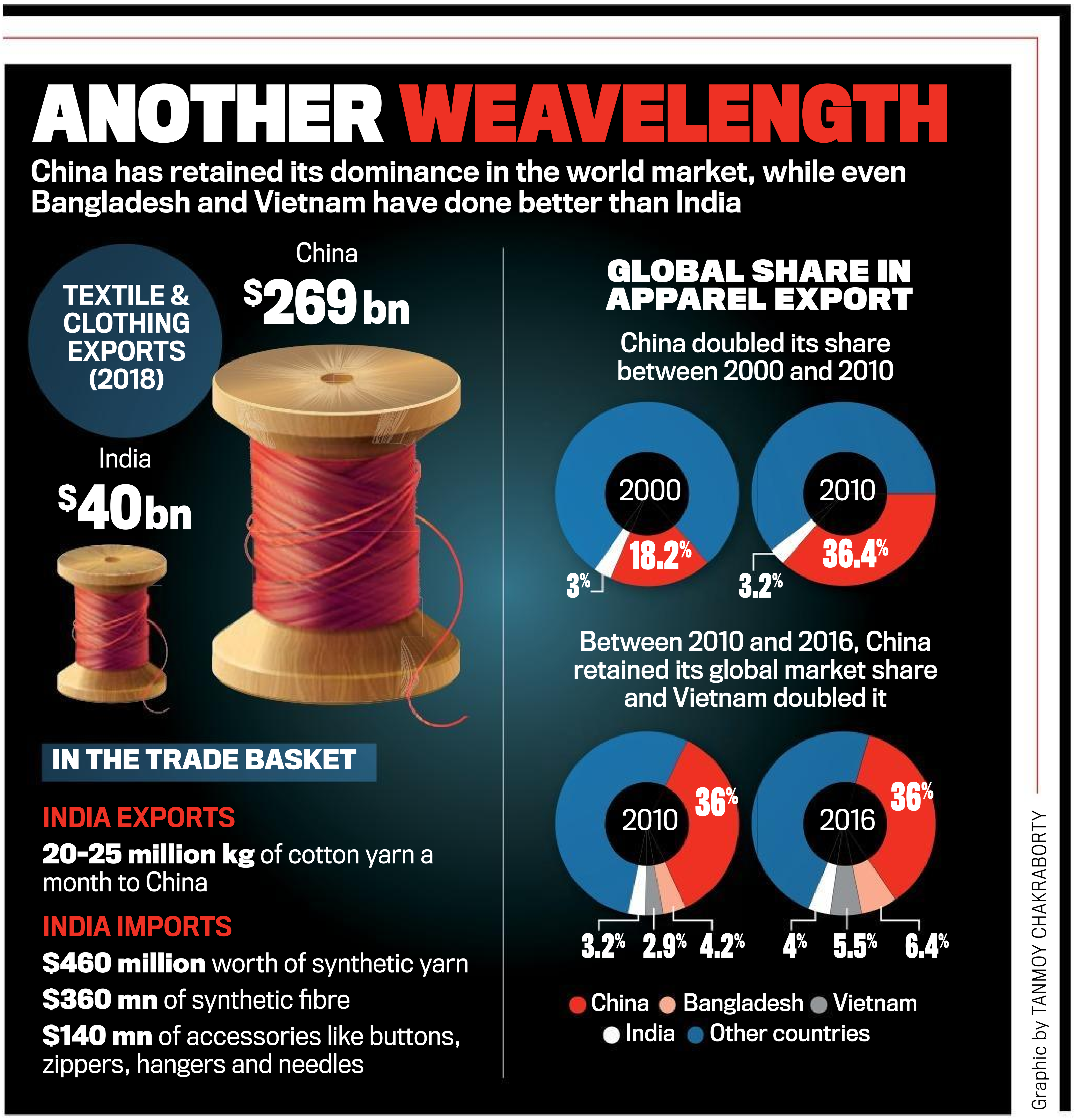
India's textile sector has a long way to go before it achieves economies of scale to challenge China's dominance in world markets

BY SHWWETA PUNJ & M.G. ARUN

Once dubbed 'Manchester of the East', the textile town of Bhiwandi in Thane district, 40 km north of Mumbai, is today reeling under competition from the 25-30 per cent cheaper Chinese fabric. Ask Sharadram Sejpal, 58, a powerloom owner here and spokesperson of the Bhiwandi Powerloom Association, why they can't match Chinese pricing and he says: "Electricity is costlier here and taxes are high." Ironically, 90 per cent of the powerlooms in India are cheap imports from China.

Over and above the cheap looms that sustain small loom owners such as Sejpal, India is dependent on China right across the entire textile value chain, starting with raw materials for textile production, the synthetic yarn, the

COVID DISTANCE
Masked employees at the production line of a powerloom mill in Agartala



Graphic by TANMOY CHAKRABORTY

Source: Commerce ministry; Cotton Textile Export Promotion Council; Clothing Manufacturers Asscn of India

INDIA'S APPAREL EXPORT SECTOR CONSISTS OF SMALL AND MEDIUM ENTERPRISES THAT LACK PRICING POWER, ACCESS TO CHEAP CREDIT AND TECHNOLOGICAL KNOWHOW

fabric and even the final product, be it garments or home textiles. China is India's fourth largest trading partner in purified terephthalic acid (PTA), which goes into making polyester fabric, and the largest trading partner in polyester staple fibre (PSF), made using PTA as one of the inputs. In 2019, China exported around 41,000 tonnes of PTA to India. India imports $460 million worth of synthetic yarn mills used to make fabric and $360 million worth of synthetic or man-made fabric from China annually. It also imports over $140 million worth of accessories like buttons, zippers, hangers and needles. In February this year, the Centre removed anti-dumping duty—ranging from $27 to $160 per tonne—imposed earlier on PTA imports from China and other countries after the textile industry asked for it to reduce production cost and enhance global competitiveness. This would have been a further boost to PTA imports from China but for the COVID-19 pandemic, which brought all industrial activity to a near-standstill.

On the garments front, though China is the world's largest exporter, when it comes to India, it is allegedly indulging in back-handed practices and routing garments through Bangladesh into the country. Chinese fabric is going into Bangladesh, being converted into garments and exported to India. These are 15-20 per cent cheaper than Indian garments. Bangladesh exported $499.09 million worth of garments to India in 2018-19. Indian fabric too goes to Bangladesh, is made into garments, and exported back to India, but in much smaller numbers than Chinese exports via Bangladesh. India also ships 20-25 million kg of cotton yarn a month to China, which is converted into cotton fabric and exported to other countries such as Bangladesh to be made into finished garments.

However, even as China constitutes an important trading partner for India, its exports to India are a fraction of its global exports. Of the $20 billion worth of PSF China exported worldwide in 2018, India had just a 3.8 per cent share. Its PTA exports to India were just about 6 per cent of its total exports of the commodity worldwide. China exported $151.37 billion in readymade garments and clothing accessories globally in 2019, so its exports to India in that category (routed through Bangladesh, as alleged) are just about 3 per cent of its global sales. The balance of trade is also clearly in China's favour. In 2018, India imported $3.46 billion worth of textiles and clothing from China. However, its exports of textiles and apparel to China in the same year were a little over half that, at $1.8 billion.

Textiles is one of India's oldest industries, contributes 2 per cent to GDP, employs about 45 million people and contributed 15 per cent to India's export earnings in 2018-19. Globally, India ranks second in textile exports, with a 6 per cent share, and fifth in apparel exports, with a 4 per cent share. The country also has the second-largest vertically integrated textiles production base in the world after China. Yet, despite its many advantages, Indian productivity, technology and products lag far behind China's or even of countries such as Bangladesh and Vietnam, who have built their capabilities fairly recently. India's textile and garment exports of $40 billion are small compared with China's $269 billion in 2018. Between 2000 and 2010, China doubled its share in global apparel export from 18.2 per cent to 36.4 per cent, while India's share went up from a mere 3 per cent to 3.2 per cent. Another six years from then, China retained its global market share, Bangladesh increased it from 4.2 per cent to 6.4 per cent, Vietnam from 2.9 to 5.5 per cent, but India inched up from 3.2 to 4 per cent. This is because the apparel export sector in India is largely composed of small and medium enterprises that lack pricing power, access to cheap credit and technical knowhow.

WHILE INDIA WAS SHUT, CHINESE COMPANIES WERE UP AND RUNNING, MOVING IN TO CAPTURE POTENTIAL MARKETS FOR PPE KITS

To attract big manufacturers to Surat, the Union minister for textiles Smriti Irani visited the textile town this January to initiate the process of developing it as a textile machinery hub that could provide affordable state-of-the-art technology. Textile units in Surat currently depend on machinery imported from China, Korea and Germany. But efforts such as these look piecemeal when compared to the integrated approach countries like China follow. In India, the major components of the textile business—the making of cotton or synthetic yarn or thread, the looms where the yarn is made into cloth, the printing and dyeing and later the garment-making—are scattered across the country, making logistics cumbersome and the cost of production high. China, on the other hand, has created clusters, saving on costs and enabling easy movement of goods across the supply chain. The textiles sector in India is beset by underproductivity, outdated machinery and a distorted duty structure that encourages import of high-value apparel instead of raw cloth that can be turned into value-added garments for the international market. Wages, too, have been on the rise in India, adding to costs. Moreover, India continues to focus on cotton fabric when the world is moving toward man-made fibre that is both convenient and cost-effective.

We also lack a brand image in the international market, says Kumar Doraiswamy, CEO of the Tiruppur-based Eastern Global Clothing company. Tiruppur, which exports garments worth Rs 26,000 crore a year, had already been reeling from the bankruptcies filed by retail giants in the past year when COVID-19 struck and the country went into a lockdown, with none of the factories managing to resume production at full capacity. However, as Raja Shanmugam, president of the Tiruppur Exporters' Association, points out: "While we were shut, China was ready to supply to the world." Its factories were up and running, moving in to capture the potential market for personal protection equipment kits. We, on the other hand, have failed to capitalise on the prevailing anti-China sentiment globally.

India has a window of opportunity to expand exports of readymade garments, but neither we nor other countries potentially have the scale or size to take material advantage of the opportunity available due to disruption in Chinese supplies, according to Hetal Gandhi, director at Crisil Research. Moreover, countries such as Bangladesh, Vietnam and Pakistan have free trade agreements with the European Union, which means their goods attract zero duty while India pays 9 per cent. "We have a cost disadvantage," says Gandhi. Shutting down big retailers will also have a significant impact. According to Crisil estimates, FY21 could see a 30-35 per cent drop in readymade garment exports.

When it comes to garments, China can produce in 45 days what India takes a year to produce, says Rahul Mehta, president of the Clothing Manufacturers Association of India (CMAI). "For the past four years, our export growth has remained static," he says. The Covid lockdown may have brought exports to a complete halt, but introduction of the Goods & Services Tax in July 2017 had slowed down

A STITCH IN TIME
Doraiswamy at his textile factory in Tiruppur, Tamil Nadu

SHAKTHIVEL

exports significantly, Mehta adds. While cotton fabric, made from cotton yarn, attracted GST of 5 per cent, it was 18 per cent for man-made synthetic fibre; silk and jute are totally exempted from GST purview. GST rates on apparel, too, vary, with apparel below Rs 1,000 attracting a GST of 5 per cent, and the rest 12 per cent.

China also has huge economies of scale while India's focus is on smaller orders in smaller quantities, requiring smaller production factories. Indian productivity per tailor or machine is also much lower than its competitors'. A majority of India's factories are in the small and medium scale range, from 50 to 500 or, at a stretch, 1,000 machines. In China, Bangladesh or Vietnam, even a 1,000-machine factory is considered small. Besides, India has been focusing only on cotton casual wear, when formal winter wear, sportswear and specialty garments are a huge market.

"There cannot be a 100 per cent shift (from China), but we have a good chance of getting some spillover from their factories," says Mehta. Some companies want to shift a part of their garments business to India, but seem to lack confidence in the business environment, especially the uncertainties surrounding the lockdown. Industry is still unsure about opening up in the hotspots of Mumbai, Delhi, Chennai and Ahmedabad, which are large markets for the business and also the worst hit. Business does not have much hope from the government, which they feel either doesn't have the funds or the inclination to extend any, although it did announce some credit-linked succour to MSMEs as part

A FEW GLOBAL BUYERS ARE KEEN TO COME TO INDIA BUT ARE UNSURE OF THE BUSINESS ENVIRONMENT, BE IT POLICY SHIFTS OR TAXES

of a Rs 20.06 lakh crore Covid relief package in May. What companies want, though, is not easier access to credit but a restructuring of loans, which is the RBI's remit.

Meanwhile, textile secretary Ravi Capoor says "the Rebate of State and Central Taxes and Levies Scheme to assist exporters is extended. To offset disadvantages faced by industry players vis-à-vis countries that have zero duty charges in big/ thriving markets, this ministry is proposing schemes such as MITRA (Mega Integrated Textiles Region & Apparel) Parks and FPIS (Focus Product Incentive Scheme)".

Even as anti-China sentiment rises across the world, it is far too integrated with the world economy to be ignored. And for all the calls of boycott of Chinese goods in the wake of the current border hostilities and the push for Atmanirbhar Bharat, it's a task easier said than done. "There is a certain amount of consumer emotion in favour of *atmanirbharta*," says Mehta. "But building self-reliance cannot happen overnight. We also have to see if it can be sustained and the alternative products available. It's a long-drawn process." ■

A BITTER PILL

India lost the competitive edge in manufacturing APIs—the building blocks of medicine—to China over the past two decades. Regaining it will be a challenge

BY AMARNATH K. MENON

These are testing times for India's Rs 3.74 lakh crore pharmaceutical industry. Disruptions in the flow of active pharmaceutical ingredients or API (which are the building blocks of medicines), key starting material (KSM) and drug intermediates from China have made the industry wary. As of now, they are in two minds: whether to produce some of the material in India or turn elsewhere, perhaps to Europe, to source it, though it will be costlier. The rising cost of imported APIs has also hit cost of production and the margins of Indian firms. According to the commerce ministry, between March and May this year, there has been a 20 per cent increase in drug prices due to the impact of COVID-19.

India meets most of its API needs through imports from China. In 2018-19, APIs worth Rs 16,900 crore was imported, accounting for 67.6 per cent of India's total imports while API exports to China were worth a mere Rs 1,600 crore. This is a drastic comedown from the situation 25 years ago when much of the pharma industry's needs were met by domestic API production. However, as the Indian pharma industry moved up the value chain to make finished drugs, it began to rely more on China for low-cost raw material. Currently, domestic APIs (there are about 1,500 plants making APIs) accounts for just 10 per cent of the market. The government now plans tighter regulations and higher duties for imported Chinese APIs and KSM for medicines and even medical devices (China's share is about 11 per cent in this). It's also working towards reducing import dependence so that in case tensions worsen between the two countries, India's drugs security is ensured. India is also likely to source more APIs from Germany, Sweden and Italy. The Indian pharma industry is the third largest in the world by volume and 14th in terms of value.

Currently, India imports more than 53 critical pharma APIs, including those used in medicines for tuberculosis, steroids and vitamins, from China. Raw material include both API and inactive ingredients (excipients). The latter do not have direct therapeutic action but support or enhance drug stability/ bio-availability or patient acceptability.

China's API market has diversified to over 2,000 molecules and over 7,000 manufacturers, with an annual production capacity exceeding two million tonnes. Chinese products are 25-30 per cent cheaper than other markets and supplies are crucial because these are routine products used in high quantities. In 2019, China exported 10.1 million tonnes of APIs, up 8.83 per cent year-on-year, says data from the China Chamber of Commerce. The country exports APIs to 189 countries and is a leader in the sector, accounting for 20 per cent of the world's production. India's share in China's bulk drug exports was around 10.3 per cent in 2018 but is probably less now, says commerce ministry sources.

Dependence on China can be curtailed but cannot be wholly stopped, admit industry insiders. The long-term challenge lies in loosening China's stranglehold over strategic industries which supply inputs to Indian firms. Back in 2014 itself, the Na-

OVER THE COUNTER
Staff dispense medicine at the Govt Women and Children Hospital in Thiruvananthapuram

10.3%
India's share of China's bulk drug exports in 2018. It's probably even less now, say commerce ministry sources. China is a global leader in the segment, exporting to 189 countries

M R MANU

rendra Modi-led NDA government had declared that it wanted to make Indian industry competitive in the area. In fact, 2015 was declared the year of the API with then Union minister Ananth Kumar saying the issue was a matter of national health security. Imports of APIs, though, continued to rise steadily. In 2019-20, it was worth Rs 24,900 crore, up from Rs 19,300 crore the previous year. Plans and initiatives to spur domestic manufacture have advanced at a slow pace till now.

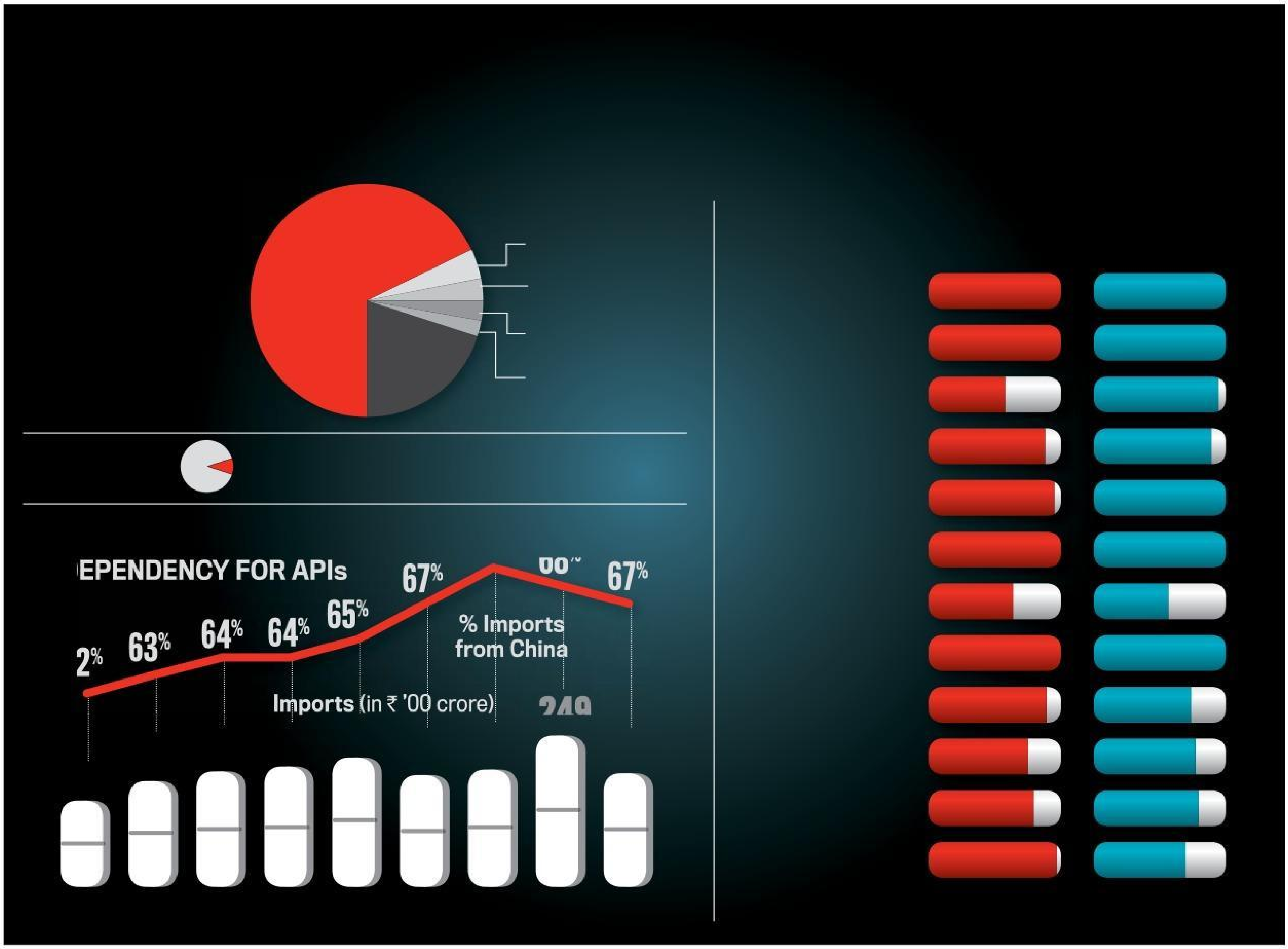
From this month onward, the government will put into effect a Rs 7,000 crore production-linked incentive scheme aimed at promoting indigenous manufacturing of critical KSM, drugs, intermediates and APIs. It has identified 53 compounds, where imports are high, for manufacture in India such as those required for antibiotics, and medicines for heart ailments, diabetes, blood pressure and TB. It has also announced a 20 per cent incentive on the incremental sale of some products. The government will provide Rs 10 crore each to domestic companies to set up plants to produce 41 products covering the 53 crucial APIs. Incentives will be given on the condition that products be manufactured with complete backward integration and supplied only to domestic drugmakers. "This should be leveraged to lower import dependence and also keep prices affordable," says G.V. Prasad, chairman, CII national committee on pharmaceuticals and co-chairman and MD, Dr Reddy's Laboratories. "In the past few years, we have actively developed Indian sources based on price increases by China. That has helped partially. We will now do more to accelerate the development of inhouse sources as well as domestic sources for our raw material."

INCENTIVES ARE IMPORTANT FOR THE BULK DRUGS INDUSTRY AS IT IS CAPITAL-INTENSIVE AND NEEDS HUGE TRACTS OF LAND

The department of pharmaceuticals has also announced a scheme for promotion of bulk drug parks. The scheme proposes to give grant-in-aid with a maximum limit of Rs 1,000 crore for a bulk drugs park or 70 per cent of a project's infrastructure costs. The scheme will be open till 2025.

Incentives are important in the case of the bulk drugs industry because it is capital-intensive and also needs huge tracts of land. Gujarat, Andhra Pradesh, Telangana and Tamil Nadu are already in the race to set up such parks. "A park with utilities such as a common effluent treatment plant will be attractive in terms of companies wanting to invest and build on scale," says Satish Reddy, president, Indian Pharmaceutical Alliance (IPA), and chairman, Dr Reddy's Laboratories. "We need to get the competitive edge back and it is possible only with a fully integrated chain."

Ground-level infrastructure, ease of



Source: KPMG/ CII

doing business, shared facilities like pollution treatment plants to lower costs, will all be looked at before a final call is taken. "We need to examine alternative sources for APIs even if they are costlier," says Sudharshan Jain, director-general, IPA. But even if official clearances come by the end of 2020, it will be at least three years before the parks are up and running. "India can be an API and KSM hub, but for that to happen, we have to evolve a contract research and manufacturing services policy even as parks with advanced technology and stringent pollution norms come up," says Jayant Tagore, ex-president, Bulk Drug Manufacturers Association. Only then will India be able to meet the demands of both domestic and export markets.

Reducing the export-import imbalance, therefore, is still a long way off. However, Indian exports are growing. Total pharma exports increased 7.57 per cent y-on-y in FY20, to $20.6 billion or Rs 1.55 lakh crore. "Formulations apart, export of paracetamol and hydroxychloroquine in the wake of the pandemic too has driven exports," says Pharmaceutical Export Promotion Council of India director-general R. Uday Bhaskar. Drugs and pharma exports in May rose to Rs 14,959 crore, up from Rs 11,758 crore in the same month last year. The demand for Remdesivir and Dexamethasone will further boost exports in the coming months. "Several countries are using anti-viral drugs, in which India is strong, to treat COVID-19," says Bhaskar.

Despite China's commanding position, it is both a beneficiary of Indian pharma imports and companies setting up offshore facilities or joint ventures there. Several Indian drugmakers already have their eyes on China. Aurobindo Pharma, for instance, is putting up an oral formulation manufacturing facility in Taizhou and has also entered into a joint venture. "Regulations have changed. Preference is there for FDA (US Federal Drug Administration) approved products and facilities in China," says Aurobindo Pharma MD N. Govindarajan. With the export potential high, more Indian companies may set up shop in China. The country gives extra incentives, including a three per cent export subsidy to make its pharma industry globally competitive.

India is yet to do any such thing to match the API sector that China has built with state support. Indian drugmakers need capital subsidy and big pharma players will need compelling incentives if they are to get back into manufacturing these bulk drugs. ■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NO.
INDIA TODAY
IS YET AGAIN THE NATION'S
No.1 MAGAZINE WITH
9.5 MILLION READERS
INDIA TODAY ENGLISH
9.5 Million Readers
OUTLOOK ENGLISH
1.76 Million Readers
THE WEEK
1.82 Million Readers
India reads
INDIA TODAY
Source: *Indian Readership Survey 2019 Q4 (Based on TR)

DESI UNICORNS IN A DRAGON-HOLD

Chinese firms funded Indian start-ups when domestic sources failed to put in big money. It is not easy to scoff at their contribution or wish them away

BY M.G. ARUN

The Indian start-up story has caught the fancy of global investors over the past few years owing to their sheer numbers and potential in a largely untapped market. In 2019 alone, India added 1,300 technology start-ups, taking the country's total to close to 9,300, says IT industry body Nasscom. India is now the third-largest start-up ecosystem in the world, which explains why one country across the border has pumped in over $6 billion into the sector over the past few years. According to data analytics firm GlobalData, Chinese investments in Indian start-ups have grown 12 times over the past four years to $4.6 billion (Rs 34,500 crore) in 2019, from $381 million (Rs 2,857 crore) in 2016, with a majority of unicorns (start-ups that command $1 billion or around Rs 7,500 crore in valuation) being backed by corporates and pure-play investment firms from China.

The domination is underlined by the fact that 18 out of 30 unicorn Indian start-ups are funded by Chinese investment firms such as the Alibaba Group. Alibaba and its affiliate Ant Financial, along with others, invested over $2.6 billion in four Indian unicorns—Paytm, Snapdeal, BigBasket and Zomato—while Tencent and others invested more than $2.4 billion in five unicorns—Ola, Swiggy, Hike, Dream11 and Byju's.

Steadview Capital and Tencent Holdings have invested $300 million in Flipkart (now owned by Walmart). Alibaba and SAIF Partners have invested around $400 million in One97 Communications, which owns digital payments platform Paytm. Alibaba and FIH Mobile, a Foxconn Tech subsidiary, have $700 million in investment in Snapdeal.

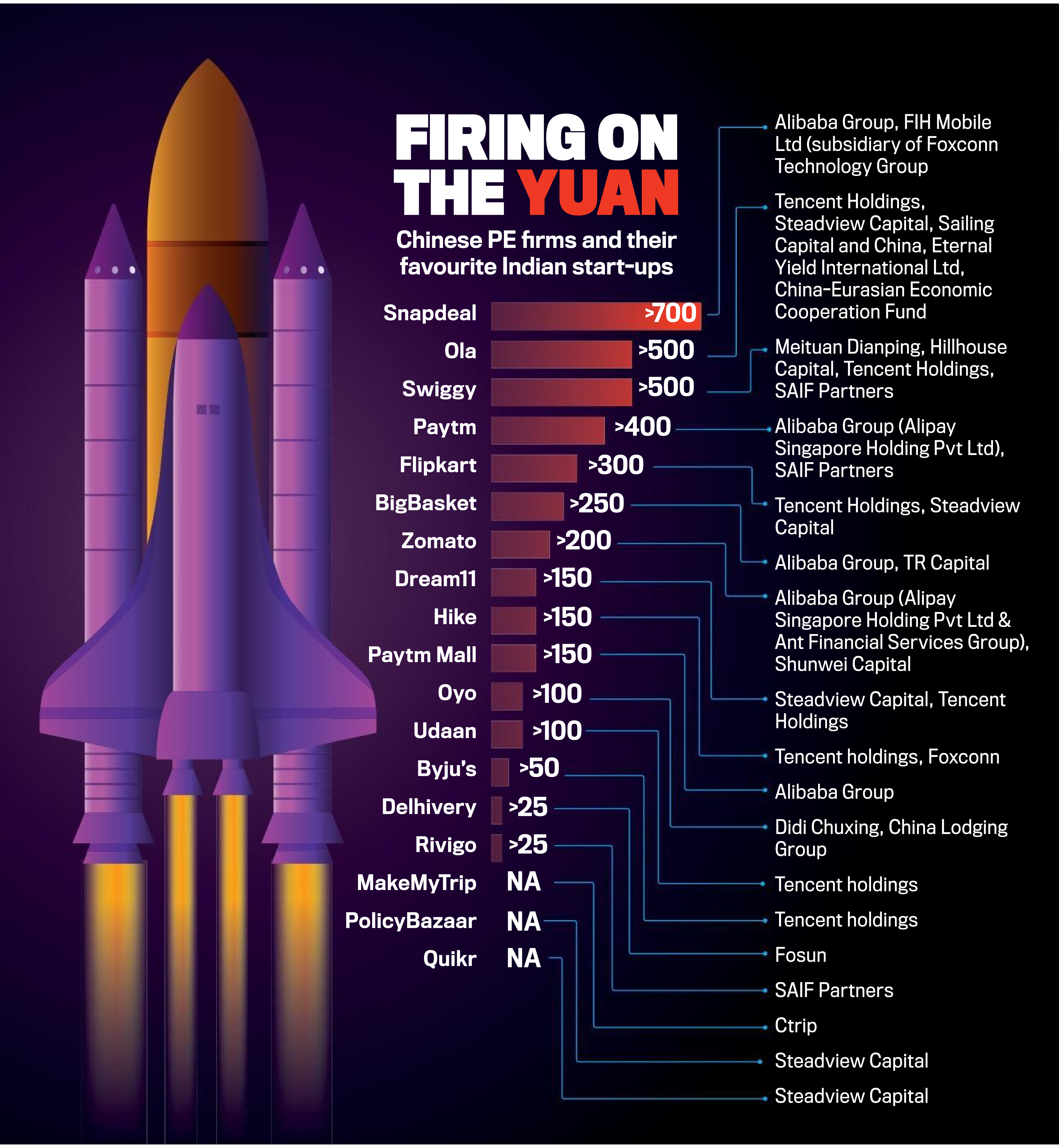
A study by Gateway House, a Mumbai-based think-tank, has identified over 75 Indian start-ups where Chinese investors have put in money, spread across e-commerce, fintech, media and social media, aggregation services and logistics.

The need to look beyond their own home market has also driven this move by the Chinese. "At present, China's market for start-ups is several times that of India's, so that in itself is a huge opportunity for these investors," says Sasha Mirchandani, founder & MD at Kae Capital and co-founder of Mumbai Angels, India's first angel investment group. "However, at some point, they are going to slow down, so they need to look at future markets." For Indian entrepreneurs looking for what Mirchandani calls "clean capital", Chinese investment firms are an appropriate choice.

Most Indian V-C financiers are wealthy individuals/ family offices and cannot make the $100 million commitments needed to finance start-ups through their early losses, says Amit Bhandari, a fellow at Gateway House. For instance, Paytm incurred a loss of Rs 3,690 crore in fiscal 2019 while Flipkart lost Rs 3,837 crore over the year. "That leaves western and Chinese investors as the dominant players in the Indian start-up space. Global giants like Sequoia (US), Softbank (Japan) and Naspers (South Africa) back virtually every large Indian start-up. They are all big investors in China's new-economy companies, have experience of that intensely competitive market, and seek to repeat their success in India," he says.

Bhandari says the apparent stranglehold Chinese investment companies have on the Indian start-up ecosystem could lead to certain "systemic risks". "Alibaba/ Tencent will be in a

THE STRANGLEHOLD CHINESE COMPANIES HAVE ON THE INDIAN START-UP ECOSYSTEM COULD LEAD TO CERTAIN "SYSTEMIC RISKS"



Graphic by TANMOY CHAKRABORTY

Source: Gateway House

position like Google—they can decide which firm will succeed or fail by using their own technologies to control user access," he says. In April, the government amended the Foreign Exchange Management Act (FEMA) to curb investment from countries such as China and Pakistan. With this move, any Indian start-up looking to raise money from funds or individual investors in these countries will now have to take additional approvals from the nodal ministry. This came close on the heels of the government tweaking the FDI policy by mandating its clearance for all foreign inflows from countries with which it shares its borders. This was prompted by China's alleged attempt to acquire distressed assets in India following the COVID-19 induced lockdown.

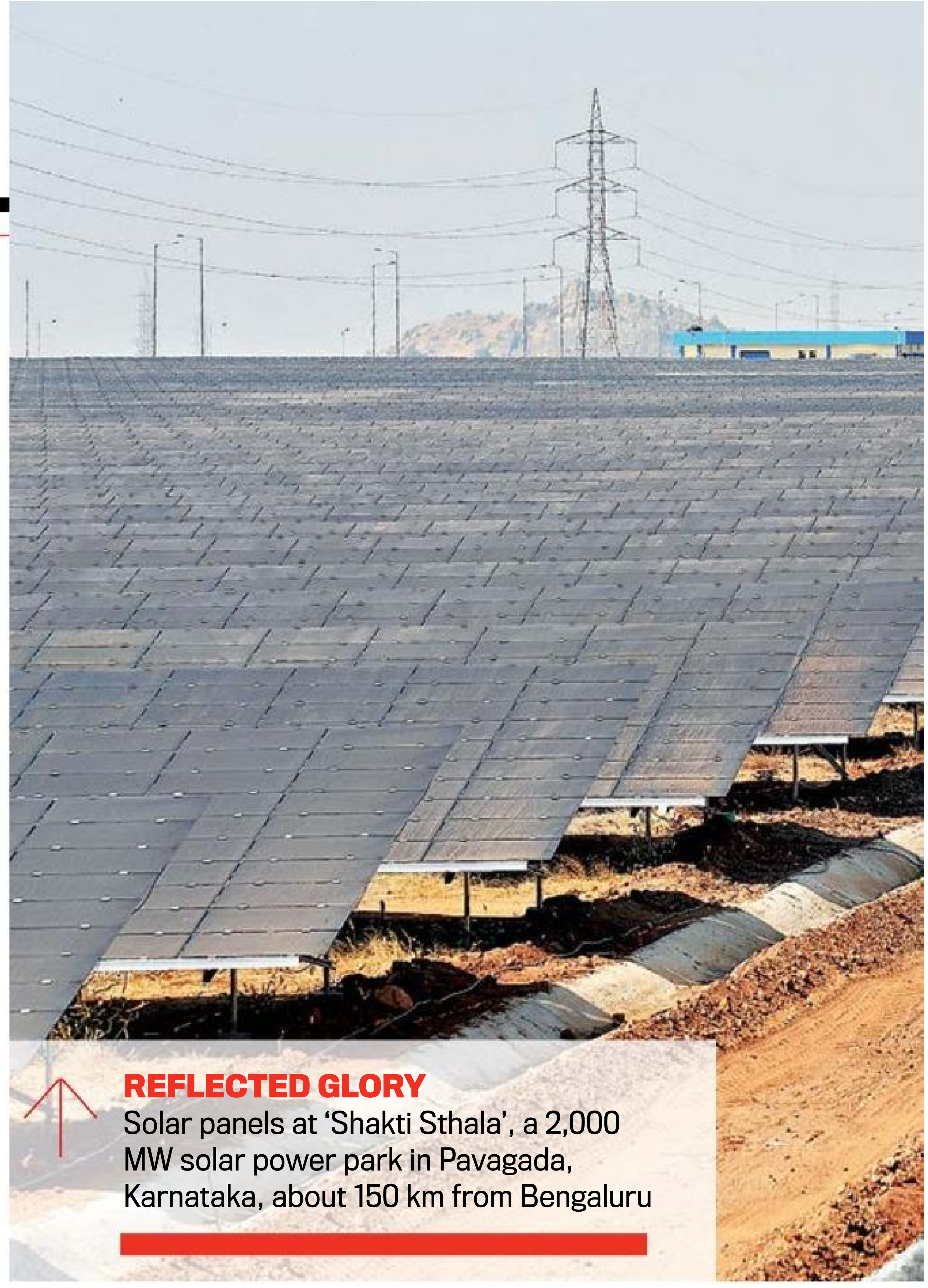
But those in the business think the fear of China controlling the start-up space is unwarranted. Any move to stall such investments into start-ups will be counter-productive, they caution. "What other options does a simple, hardworking entrepreneur who wants to raise money have?" asks Mirchandani. "They can't go to the government. Now, you can't allow them to get hurt because of jingoistic calls to keep such investments out." His firm, he says, has worked with what he called "some fantastic Chinese investors" in the past.

While China's overarching presence in the start-ups space is likely to become a hot topic of debate going forward, any attempts to throttle such funds will hurt India's own aspiring entrepreneurs (making investments costlier), especially as no immediate alternative sources of such large-scale funding are visible on the horizon. ■

POWER OFF

The government wants Chinese firms out of India's energy sector. On the table are import duties, non-tariff barriers and more

BY ANILESH S. MAHAJAN



REFLECTED GLORY
Solar panels at 'Shakti Sthala', a 2,000 MW solar power park in Pavagada, Karnataka, about 150 km from Bengaluru

On June 22, soon after the conflict in Galwan turned deadly, Union power minister R.K. Singh addressed a meeting of CEOs from the renewable and conventional energy sectors. As Union minister in charge of these two areas, Singh made clear to those gathered that there would now be a strong government focus on cutting Chinese imports out of procurement and supply lines. He meant business—the next day, EESL (Energy Efficiency Services Limited, a government power venture) began cancellation proceedings for a contract for two million smart electricity meters from PT Hexing, an Indonesia-based firm believed to be owned by Hexing Electrical of Hangzhou, China. Henceforth, it was announced, all smart meters installed under the Atal Distribution System Improvement Yojana would be made in India. However, based on the same bid, replacing Chinese equipment with Indian made alternatives would increase the cost by about 10 per cent, and even then, some components would come from Japanese factories. This highlights both the reality of global manufacturing and the current limits of the Indian manufacturing sector.

Singh's ministry has also prepared a list of items used in power transmission and distribution that it says can be replaced with Indian made alternatives. With the government mulling a steep increase in customs duty on Chinese products—perhaps as high as 40 per cent—many domestic alternatives could become financially viable options. In 2019-20, India imported $19.9 billion worth of electrical goods, with an additional $3 billion

IMPORTED SUNSHINE

The ministry aims to make India run on its own energy

34.9 GW
India's solar capacity, with another 34 GW in various stages of installation

10%
of China's solar exports bought by India in 2019. In 2017, it was 25%

88%
of solar panels installed in India are from China. Less than 7% are Indian m akes

NON-TARIFF BARRIERS TO CHINESE FIRMS

- Make in India: Distribution and transmission firms must use domestically made equipment to qualify for central funding
- Know your dealer: From October 1, only those manufacturers empanelled in the government's 'Approved Model and Manufacturers' list will qualify as suppliers to the renewable power sector
- Quality checked: All imported electrical, electronic and semiconductor equipment for the power sector to be tested by Central Power Research Institute

MANJUNATH KIRAN/GETTY IMAGES

A TWO-YEAR 'SAFEGUARD DUTY' ON CHINESE IMPORTS HAS BEEN LEVIED SINCE 2018. A NEW 'BASIC CUSTOMS DUTY' IS SET TO COME IN AS THIS TAX EXPIRES

of solar equipment. "Domestic industry can make most of those products," says Sunil Misra, director general of the Indian Electrical & Electronics Manufacturers' Association. "All we need is government support." On that count, Singh has also written to the finance ministry, asking for a customs duty increase on solar panels and cells—25 per cent and 15 per cent, respectively, rising to 40 per cent and 30 per cent for the two years after. To promote domestic industry, a two-year 'safeguard duty' has already been levied on solar panels from China and Malaysia since July 2018. Though this duty did coincide with a dip in imports—$4.12 billion worth in 2017-18 to $2.59 billion in 2018-19—other factors also played major roles. In 2017-18, India bought a quarter of all solar modules exported by China. In 2019-20, that figure had fallen to 10 per cent. Moving forward, a 'basic customs duty' (BCD) on equipment imports for this sector seems to be in the works to replace the safeguard duty as it expires.

GETTING SERIOUS

Indian authorities are also raising non-tariff barriers. From October 1, renewable energy firms will have to ensure that their suppliers are government-verified. All manufacturers in this sector will have to be empanelled on an official list, a process that will include site verification visits by officials from the Ministry of New and Renewable Energy. However, this increased regulatory oversight troubles several industry leaders, like Guru Inder Singh Chinna of Amplus Solar and Sumant Sinha of Renew Power, both of whom built their businesses on inexpensive solar equipment from China. Today, Amplus is India's largest rooftop solar corporation and Renew is India's largest renewable energy company, the latter with a portfolio of 8 gigawatts (GW) of renewable energy assets either already online or being developed. "To implement these [import] duties, the government will have to do grandfathering," says Sinha, highlighting the complications of modifying existing contracts. "There are existing projects that are in different stages of implementation, and bids for those projects were made without factoring in these extraordinary circumstances. Also, the current domestic capacity [for solar product production] is not enough for our needs." By one estimate, of the solar panels installed in India, less than seven per cent are of Indian make, while 88 per cent are from Chinese sources. New regulations also disrupt the mathematics of operators bidding for projects—for example, the BCD is expected to cause an increase in tariffs of at least Rs 0.20-0.30 paise per unit. However, on June 30, Singh clarified to sector CEOs that his letter to the finance ministry recommending BCD had a 'grandfathering' clause that exempted operators with existing power purchase agreements from paying it. But many argue this clause is too complex to implement.

This is a pivotal time for the Indian renewable energy market. In 2014, just after taking over the administrative reins of the country, Prime Minister Narendra Modi had stated an ambition of developing 100 GW of solar power production in India by 2022-23. Though progress has been made, domestic solar manufacturers seem to have missed the bus: in the past four years, India bought $13.5 billion of solar equipment from China. Solar operators, however, have reaped the rewards. India's installed solar power generation capacity zipped from 2.6 MW in 2014-15 to 34.9 GW at the end of May 2020. Tariffs have crashed too, by 80 per cent in some cases. At a Solar Energy Corporation of India-backed project on June 29, the rate was Rs 2.36 per unit. At the same time, domestic solar panel production is in a bad state: India has the capacity to manufacture 8 GW of solar panels and 2.5 GW of solar cells annually; less than half and less than a tenth of those capacities, respectively, are currently in use.

For now, India's dependence on China seems be an inescapable fact—making power minister Singh's show of confidence more political pitch than viable business case. ■

HOW TO SAVE OUR HIDES

DHIRAJ SINGH/GETTY IMAGES

CHEAP AND BEST A vendor waits for customers at a leather store in Dharavi, Mumbai

To block out China, India could woo Taiwanese companies of scale and rethink its own manufacturing ecosystem

BY ANILESH S. MAHAJAN

IN January 2018, just after the US started setting up tariff barriers for Chinese goods—leather products among them—traders from the US started flocking to Indian leather clusters in search of alternatives. Not just here, they went to Vietnam and Cambodia too. Those two countries, with FY20 exports of $11.6 billion and $4 billion, respectively, have seen double-digit growth in recent years.

India's progress has been slow, by comparison. And now, stung by China's aggression along the LAC, the Union commerce ministry has decided that its target of doubling present exports of $5.1 billion by 2023 be pursued with minimum support from Chinese companies. One option industry has suggested is to look at joint ventures in India with Taiwanese companies, who already have capacities in Vietnam and Bangladesh. But to lure them here, the government will have to clarify FDI regulations for investments from Taiwan. In end-April this year, India tweaked its FDI norms, making government approval necessary for investments from China. To do business with Taiwanese companies, India will have to clarify Taiwan's political and trade status as an entity distinct from China.

Chinese footwear makes up 68 per cent of imported footwear sold in India, and was worth $470 million in FY20. India too exported footwear to China—worth $40 million —besides skins and hides worth $28 million. Saddlery and handbag imports from China are worth another $428 million. Of the $900 million worth of imports by India of leather and other components from various countries in 2019-20, China accounted for roughly 70 per cent. The balance of trade is manifestly lopsided, which the government now wants to fix.

Budget 2020 had already upped customs duty on leather products from 25 to 35 per cent. Leather manufacturers now want the Piyush Goyal-led commerce ministry to levy a dumping duty on Chinese footwear, and hike import duty on chemicals like chrome sulphate and sodium sulphate, used to treat leather. There is an import duty of 8.2 per cent on chemicals, which the ministry might hike to 35 per cent. India is also raising non-tariff barriers, such as blocking Chinese apps like AliExpress, Clubfactory and Shein, to stop the flood of cheap Chinese goods.

Domestic industry is pushing hard for urgent interventions to break the Chinese hold on the Indian market. In the past five years, Indian leather markets have seen a flood of finished products from China, including raw material exported to China returning as finished goods. India's per capita consumption of footwear has increased from 1.7 to 2 pairs a year, and the availability of cheap Chinese footwear has stoked this demand. China manufactures 13.1 billion pairs of footwear, but its domestic consumption is only 4.1 billion pairs. With the US market slipping away, India is of great interest to China as an export market.

So, access to its market is a lever at India's disposal against China. But duty hikes alone will not do the trick, says Rafeeque M. Ahmed, president of the All India Skin and Hide Tanners and Merchants Association. To promote domestic industry, the focus, he says, should be on developing an entire manufacturing ecosystem like China's. Aqeel Ahmed Panaruna, chairman, Council of Leather Exports, wants India to set up mega parks on the lines of Chinese 'shoe city' Quanzhou, with design centres, testing labs et al.

India might do without China, but to do so without impoverishing consumer choice at home will require more than belligerent anti-China rhetoric; it will take a concerted strategy including incentives for industry. ■

$470 MILLION
Size of Chinese footwear market in India in FY20–68% of all imported footwear. The Indian market was **5%** of China's total exports in FY19

$5.1 BILLION
Current value of India's leather exports. The Centre wants to double it by 2023

NOT SO APPY

On June 29, India's ministry of information technology blocked 59 Chinese apps, which, in its words, were 'engaged in activities prejudicial to the sovereignty and integrity of India'. Telcos will already be taking the necessary steps to carry out that directive. Among the now-banned apps are videosharing giant TikTok as well as Weibo and Baidu Map and Translate.

According to *The State of Mobile 2019*, a report by App Annie, a firm that tracks this sector, India saw a 165 per cent increase in app downloads between 2016 and 2018. Apps are a major business across the border: in 2018, firms based in China generated 32% of global consumer spending, about $19.6 billion, via apps. That same year, many of the top apps downloaded in India (from both the iOS and Google Play stores)—like UC Browser, SHAREit, TikTok and Vigo Video—came from firms with Chinese investment. ■

Bigo Live
Live streaming and video-chatting
Indian users
330 million
Alternatives
ShareChat or Roposo

Xender
Photo, video, picture and file sharing
Indian users
500 million
Alternatives
Dropbox (for files)

Club Factory and Shein
For inexpensive designer clothes
Indian users
Over 30 million
Alternatives Flipkart, Amazon and Myntra

CamScanner
For making digital copies of documents via a phone
Indian users
100 million
Alternatives Adode Scan, Microsoft Office Lens and Google Drive

Helo
Video sharing community
Indian users
Over 50 million
Alternatives
YouTube

UC Browser
A browser by UC-Web, which is owned by Alibaba
Indian users
300 million
Alternatives
Google Chrome, Epic Browser, Jio Browser

Weibo
China's Twitter, in some senses
Total users 340 million in 2017
Alternatives
Twitter

SHAREit
For sharing heavy files
Indian users
400 million
Alternatives
Dropbox, Google Drive

Baidu Map
A navigation app by Baidu (China's Google, to some)
Total users
350 million in 2016
Alternatives
Google Maps, Apple Maps

TikTok
Video-sharing for short, quick videos
Indian users
Over 200 million
Alternative
ShareChat

Source: Media reports

TOYING WITH INDIA?

From toys to Diwali lamps and lights to even idols of Hindu deities and puja paraphernalia, Chinese knick-knackery is ubiquitous in Indian markets

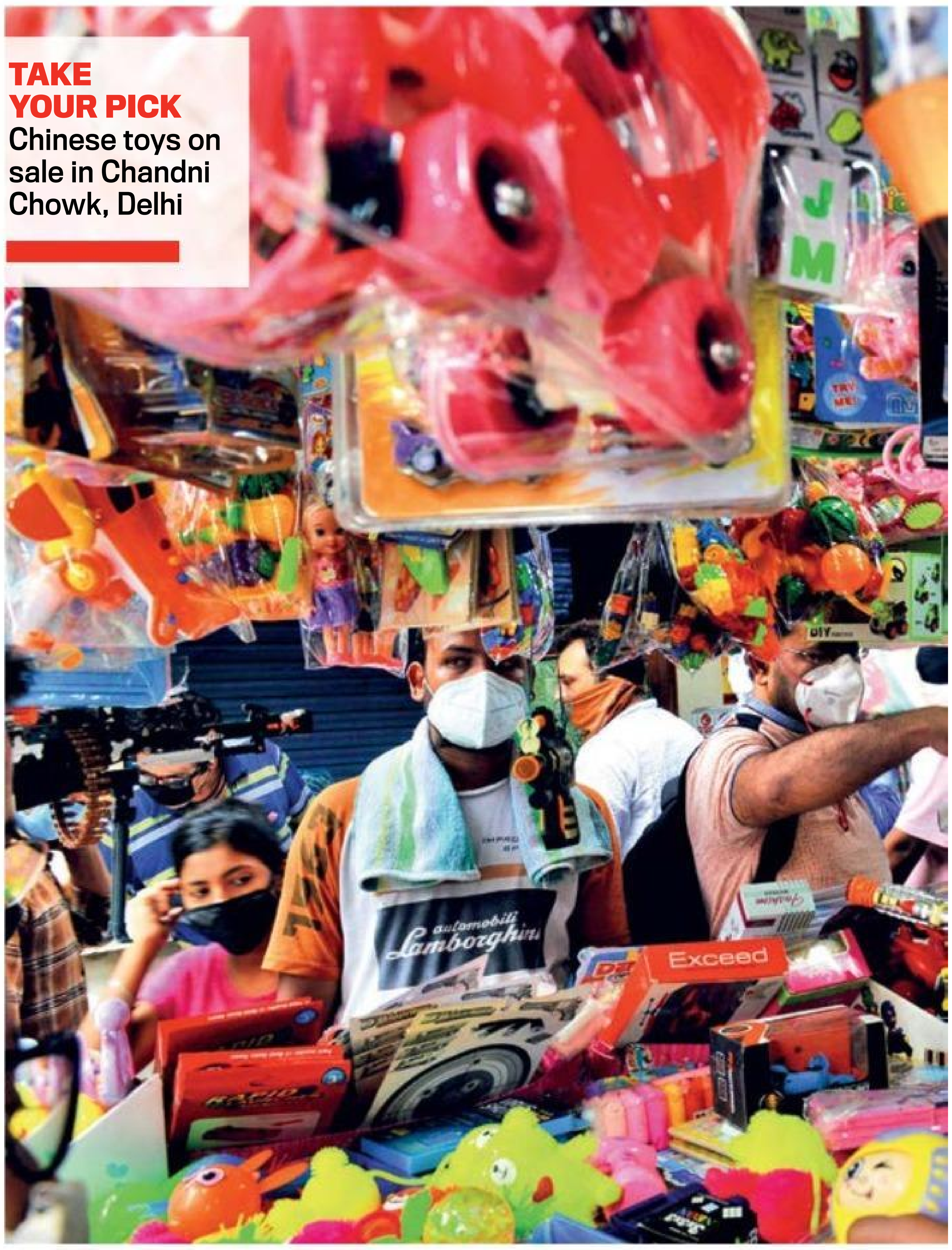
BY SHWWETA PUNJ & SHUBHAM SHANKDHAR

Nerf Guns is a rage among preteens in India, and among the few toys the country manufactures and exports. Otherwise, nearly 80 per cent of toys in India are imports—mostly from China. India accounts for a meagre Rs 4,000 crore of the $90 billion (Rs 6.7 lakh crore) global toy market. With precious little done to woo global toy brands to set up manufacturing in the country, and production costs shooting up in the US and Europe, toy production has shifted base to China. China exported toys worth $25 billion in 2018. India's toy imports from China in the formal sector were less than $1 billion.

In 1998, Uttar Pradesh made an unsuccessful attempt to give impetus to toy manufacturing, allotting 100 acres for the 'Toy City' project in Greater Noida. The plan was to give tough competition to Chinese imports by creating the largest toy manufacturing cluster in the country. Space was available for 120 plots, but only 12 came up. The Greater Noida Authority allotted the rest to other industries. "China's dominance in the toy market is only two decades old," says Raj Kumar, former president of the Toy Association of India, New Delhi. "We ignored our traditional [production] centres, and China captured the market in no time." Now, a new toy production hub is being planned in Greater Noida, near the Jewar airport site. UP officials met Toy Association of India representatives in Lucknow last week to discuss the project.

This Union budget, the government announced a sharp hike in import duty on toys—from 20 to 60 per cent. To improve quality, it has mandated that toy factories take BIS (Bureau of Indian Standards) certification. Toys have also been removed from the Open General Licence (OGL) list, a move that may discourage imports. "I did not want to import Chinese toys and tried a few good [domestic] manufacturers. I was even willing to pay a bit extra, but the price differential turned out to be 30 per cent. Chinese products offer economies of scale," says Amit Sundra, owner of Ram Chander and Sons, an iconic toy shop in New Delhi's Connaught Place area.

R. Jeswant, CEO and MD of Funskool, India's leading



TAKE YOUR PICK
Chinese toys on sale in Chandni Chowk, Delhi

80% of toys in India are imported, mostly from China

80% of electrical goods sold during Diwali come from China toy manufacturer, is hopeful that the higher import duties will prod domestic manufacturers to build production capacity. "This could well become an advantage, and more toy companies may source products from India," he says.

Not just toys, China also rules the market for decorative items and sundry small commodities—fancy lights, Diwali string lights, idols of deities, etc. "Ninety per cent of quality polystone and ceramic idols come from China," says Kuldeep Singh Sachdeva, a trader in Delhi's Sadar Bazaar, one of the

CHANDRADEEP KUMAR

108

toy factory plots out of 120 found no takers at a Greater Noida project

₹1,000 cr

value of gift items, idols and other goods imports that land up in Delhi's Sadar Bazaar every year

largest hubs of such products. Government data shows India imported ceramic and polypropylene goods worth Rs 619 crore between April 2019 and February 2020. Sadar Bazaar has some 50 importers dealing in gift items and idols. Most of them import over 100 containers of such goods every year. With goods in every container worth about Rs 20 lakh, the scale of this business in Sadar Bazaar alone is over Rs 1,000 crore. The goods include mobile accessories and machine parts.

NOT JUST TOYS, CHINA RULES THE SUNDRY SMALL COMMODITIES MARKET AS WELL—FANCY LIGHTS, DIWALI STRING LIGHTS, IDOLS OF DEITIES...

While idol production remains a cottage industry in India, these are produced en masse by large factories in China. "Unlike India, manufacturers in China keep innovating, such as adding lights or music to idols, to keep buyers interested. The market laps up the innovations," says Pawan Kumar, an importer. For instance, China improvised the clay lamps used during Diwali by introducing wax and gel-based *diyas*. "Imports can be reduced only if the government makes policies to promote quality products at home at reasonable prices," says Sachdeva.

At Delhi's Bhagirath Palace, the biggest electrical goods market in India, with over 2,000 wholesalers, traders dealing in fancy and string lights are predicting a dull festive season, beginning Dussehra and Diwali. Usually, April-May is when they visit China to place their orders, which arrive in India and get transported to distributors over the next four months. But not this year. Ajay Sharma, president, Federation of All India Electrical Traders, says: "Over 80 per cent of electrical items sold during Diwali are imported from China. India does not have the infrastructure to produce such lights."

Our dependence on China, even for trivial festival paraphernalia and artefacts, is a bald fact. To rewrite that story and stride towards self-reliance, India will have to do better than anti-China rhetoric; we must formulate a strategy to achieve that self-reliance. An overnight boycott of Chinese products will do us more harm than good. ■

BITE

BIBEK DEBROY
Chairman, Economic Advisory Council to the Prime Minister (EAC-PM)

AJAY SAHAI
Director general and CEO, Federation of Indian Exports Organisations (FIEO)

R.C. BHARGAVA
Chairman, Maruti Suzuki India Ltd

N.R. BHANUMURTHY
Vice-chancellor, BASE University

TRADE WARS

Can India do without imports from China? And will a hard-nosed reading of PM Modi's '*atmanirbhar* Bharat' slogan hurt Indian interests? The Board of India Today Experts (BITE) weighs in

Q.

Can India use bilateral trade and access to its domestic markets as ways to rein in an increasingly aggressive China?

● **BIBEK DEBROY**
Yes, it can. But this cannot be achieved overnight. Trade is not delinked from investments. The two go hand in hand. China does not have market economy status under the WTO (World Trade Organization) rules, which apply to countries, not companies (except in the case of anti-dumping agreements). Moreover, the MFN (most-favoured nation) clause doesn't apply to all services. Therefore, a selective and gradual phasing out of Chinese imports is indeed possible.

● **AJAY SAHAI**
One of the reasons for China's recent aggressive stance is to divert the attention of its people from the slowdown of its own economy. Therefore, hitting it

ASHWANI MAHAJAN
National co-convenor, Swadeshi Jagran Manch

BISWAJIT DHAR
Professor, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University

SACHIN CHATURVEDI
Director general, Research and Information System for Developing Countries

ARUN MAIRA
Former member, Planning Commission

economically can be an effective strategy. However, we have to evaluate its pros and cons. India's exports to China stood at $17 billion and our imports from China at $68 billion in 2019. Thus, in aggregate terms, containing bilateral trade will, naturally, adversely affect China much more. However, China's share in our exports was 5.2 per cent while India's share in their exports was 2.72 per cent, thus retaliatory action will have some bearing on our exports as well. The loss in exports can be nullified by working out strategic trade partnerships with countries harbouring anti-China sentiments—like the US, parts of Europe, Japan, South Korea, the Philippines, Taiwan and Australia, among others. Another approach could be to facilitate imports of raw materials and intermediate goods from China while encouraging value-added exports from India, and discouraging our raw material exports, which help Chinese manufacturers become more competitive.

● R.C. BHARGAVA
I don't have data, but I would think that India's imports from China would not be a large enough percentage of their exports to cause China enough concern to shape their relationship with India.

● N.R. BHANUMURTHY
It's not impossible, but might involve many interventions, more so of strategic and diplomatic nature. The US has been adopting such means to contain China's imports, with limited success.

● ASHWANI MAHAJAN
Absolutely. The country required political will to take on China. There are ample tariff and non-tariff barriers available to execute this. The cheap Chinese imports were killing jobs and manufacturing capacities in India, along with increasing security risks in some sectors. Trade should be done on equal footing. The government must consider improving the standards for Indian products and follow up with policies and incentives to build and strengthen indigenous capability.

● BISWAJIT DHAR
Over the past decade, India has not been able to use its bilateral FTAs (free trade agreements) effectively to strengthen its manufacturing sector, in particular. Policy-makers recognised this weakness in the manufacturing industries in the previous decade, and yet nothing significant was done to revive them, despite announcement of ambitious programmes like Make in India. In such a situation, FTA partners have continued to exploit the Indian market, leaving India with rising trade deficits. The domestic market was facing a serious demand squeeze even before the pandemic. Given the widespread lack of jobs now, demand conditions in the domestic market are far worse than before. Unless serious steps are taken to revive the MSME sector, the demand side will continue to be a major bottleneck.

● SACHIN CHATURVEDI
India can use several levers—tariff or non-tariff—to block Chinese products. The country has enough policy space to do it. But for this, we need to get ready to become an expensive economy in the short term. There is cost to developing the local ecosystem for components and certain products.

BITE

Q

a) India's dependence in some key sectors, such as auto, pharma and electronics, seems too heavy to be taken lightly. Can Indian manufacturers do without Chinese raw materials?

b) Will the price impact of a blanket ban be too heavy for Indian manufacturers and consumers?

● BIBEK DEBROY

A. It is a gradual process. There is no reason why a variety of consumer goods should be imported from China. Doing away with Chinese inputs means India will have to integrate itself even more into global supply chains through reforms.

B. I don't think anyone contemplates a blanket ban. But international negotiations are built on reciprocity.

● AJAY SAHAI

A. This is the most opportune time to draw a roadmap for manufacturing of raw materials in India in the medium to long term. We should provide 'plug and play' facility to investors so that they can kickstart production quickly. The fiscal support given to electronics, pharma and medical equipment manufacturing is a step in the right direction. For our immediate requirement, we should also look for alternative sources of these supplies from Southeast Asia and Europe, which may not be the most competitive but would certainly be more reliable.

B. A blanket ban may temporarily disrupt supply chains as China accounts for a little more than a fifth of India's non-oil imports and, in some segments, the dependence is very high. In many tariff lines of electronics, telecommunication, formulations and specialty chemicals, China accounts for over 50 per cent of India's imports. However, this is the time to develop domestic capability in such sectors as Covid has taught us that we need to avoid supply disruptions.

● R.C. BHARGAVA

A. As long as India does not manufacture those raw materials, they will have to be imported. It will hurt the growth of Indian industry, and the consumer, if these are imported at a higher price. Unless there are compelling reasons for not importing from the lowest-priced source, we should not change. The semi-conductor industry is non-existent in India and till it is developed, there is no alternative to imports.

B. (Addressed in the answer above)

● N.R. BHANUMURTHY

A. Right now, Indian manufacturing is highly dependent on China and tensions with them will create disruptions in the way our manufacturing sector does business. It might also increase cost of production, reducing India's competitiveness in the international market. However, it is important to take a long-term view on India's relationship with China. These disruptions may be inevitable in the short term.

B. If a blanket ban happens, price impact on Indian manufacturers and on all sectors that depend on trade will be huge. There is a clear trade-off between trade and inflation.

● ASHWANI MAHAJAN

A. Yes. In the short-term these sectors might feel the pinch. This is an opportunity for companies in the US, Europe, Japan and Korea to join hands with India—a win-win situation for all.

B. Nobody is talking about a blanket ban but a substantial cut-down. Import of cheaper products is not healthy for an economy like India. It is turning us into a mercantile economy with limited manufacturing capacity. We have to take a broader national view. Increasing domestic capacities will create jobs, add to the national income and strengthen price stability.

● BISWAJIT DHAR

A. Indian manufacturers in electronics and pharma depend on intermediate goods from China. It will be very difficult, if not impossible, to replace the Chinese suppliers, either with domestic producers or those from other countries in the short run. If the government can get the right incentives in place for domestic manufacturers immediately, there can be a possibility of decreasing reliance on imports in the medium term. In auto, the situation is relatively better since the two largest CBU (completely built unit) manufacturers—Suzuki and Hyundai—have domestic component manufacturers to lean on.

B. A blanket ban will create shortages in the Indian market and might even encourage smuggling via neighbouring countries. In either case, consumers will be hard hit.

● SACHIN CHATURVEDI

A. Pharmaceuticals (especially APIs, vaccines and medical devices), electronics and banking finance are some of the sectors where indigenous strength would play an important role. Given the liberal financial policies of several countries, it is not geographic restrictions but sectoral ones that may play the desired role.

B. India's industrial policy can comprise all possible actions to promote industrial development that go beyond the scope of free market forces. India can perhaps take inspiration from the policies in the larger East Asian newly industrialised economies and Japan, which were designed to upgrade existing manufacturing activities, encourage entry into advanced new activities, raise local content, and develop the base of local technological capabilities.

Q.

a) Is it practicable to make a distinction between essential/ non-essential imports? Will China play ball if India goes that way?

b) Would Chinese capital in Indian start-ups/ industry count as 'non-essential'?

● BIBEK DEBROY

A. The essential versus non-essential debate is simplistic. By China playing ball, I presume the reference is to retaliatory action by China. The question isn't what China does with the bat or the ball, but what is in our best strategic interest. It's possible that for some items, in the short-term, alternative sources will involve marginally higher prices.
B. There are some strategic sectors where it isn't desirable to have Chinese investments. India isn't a signatory to the government procurement agreement. Therefore, except for multilaterally-funded projects, global tendering is not necessary. There is a legal difference between taking action against a country and against specific companies.

● AJAY SAHAI

A. It definitely makes sense to reduce dependence by choosing between essential and non-essential imports. The non-essential imports may be immediately checked while essential ones may be given some rope. The focus should be on achieving competitiveness by attracting investments in such sectors and taking advantage of economies of scale. While working out this strategy, we should factor in retaliation by China, but not be unduly worried about it.
B. India is not short of capital. However, start-ups require heavy investments and are often unable to get the same from domestic sources. The government should provide liberal tax concession to individuals to invest in start-ups so that the tax benefits offset the risks involved in investing. This should be in addition to the encouragement given to venture capital funds and financial institutions to invest in such companies.

● R.C. BHARGAVA

A. I believe it is possible. Fireworks, idols and toys are hardly essential. I'm not sure what the WTO rules are, but the real answer is to make these in India at a lower cost. There is no reason why that can't be done if we reduce unnecessary additions to manufacturing costs.
B. All capital is the same. How Chinese capital is treated is really a political question.

● N.R. BHANUMURTHY

A. Theoretically, yes. However, given our infrastructure at ports and airports, it will be very difficult. Further, China is part of the global supply chain in a big way, and it is going to be a big challenge to determine if the imports are from China and then if they are essential.
B. This would create another dimension of ambiguity. Importing capital from China will pose risks for India equally, if not more.

"ALL CAPITAL IS THE SAME. HOW CHINESE CAPITAL IS TREATED IS REALLY A POLITICAL QUESTION"

–R.C. Bhargava

● ASHWANI MAHAJAN

A. Yes. In the past, too, we made similar distinctions. But the country has the capability to manufacture both. Our aim should be to make India self-reliant for essential products and gradually move towards building the capability to manufacture non-essential goods. This requires not only a clear roadmap, but also efficient execution by both bureaucrats and industry.
B. This decision has to be taken by the promoters and the consumers of these products. The government must look at what Chinese investors are expecting from these 'loss-making' start-ups. There is an immediate need to tighten norms to restrict transferring of data. The government should look at ways to block any such investment in the future.

● BISWAJIT DHAR

A. It is impossible. How would the idols being imported from China be classified, essential or non-essential?
B. Chinese capital must be considered as essential, especially if the employment potential of the unicorns is considered. Further, Chinese capital, directly or indirectly, was coming into infrastructure projects. If these projects are adversely hit, as they seem to be, there will be a domino effect on the Indian economy.

● SACHIN CHATURVEDI

A. There is no objective answer to this. It is up to any country to decide what is essential for them and what isn't. But the dynamics of global manufacturing is changing. Countries are looking at alternative sources for components and products. As we speak, alternatives are emerging, if at a slightly higher cost.
B. There is no denying that Chinese companies have demonstrated remarkable interest in the Indian economy. The cumulative FDI now stands at $8 billion, but in the last one year itself, start-ups attracted investment of nearly $1.5 billion (additional $3.5 billion from other routes). With the emerging shortfalls, it is important for India to have a calibrated approach on FDI norms.

BITE

Q.

Is raising tariff barriers selectively a practical option? What other levers, if any, can India effectively employ to level the field?

● BIBEK DEBROY
Basic customs duties are subject to restraints, but anti-dumping or safeguard duties are not. There is also scope to use NTBs (non-tariff barriers).

● AJAY SAHAI
We can increase tariffs for MFN (most-favoured nations) up to the bound rates. A hike in tariff on non-essential imports is pragmatic, though it may slightly increase prices for consumers. However, given the context, Indian consumers are unlikely to mind such a surcharge. We can also invoke the national security clause in the WTO rules to invoke specific duty only on imports from China. Better still would be to restrict market access, which does not attract much attention and is frequently used by some countries, including China.

● R.C. BHARGAVA
I believe in making Indian industry lower cost and competitive. Both the State and entrepreneurs have a role to play in that.

● N.R. BHANUMURTHY
Raising tariffs to contain imports is an old game. That may not help India in the long term. And this is exactly the apprehension that most trade economists have—that India might get into bad old import-substitution strategy. One way, rather the only way, to ensure a level playing field is to have measures that could improve productivity and competitiveness of our goods. This is exactly what China did three decades ago.

● ASHWANI MAHAJAN
Strategy has to be deployed from product to product. Rising labour costs in China have depleted its price competitiveness in various products. China's trade war with the US has already blocked the North American market for several Chinese goods, many of which China is now dumping in India. Moreover, India's capacity utilisation in various sectors is less than 70 per cent. Tariff rationalisation should be done to cut imports in these sectors. Effective tariffs in India are less than 10 per cent, whereas WTO bound rates are 40 per cent.

● BISWAJIT DHAR
Raising tariffs will only increase the cost of the products and would hit the consumers when they are already suffering from loss of income. I cannot think of any instrument to control imports from China that would not hurt the Indian consumer.

● SACHIN CHATURVEDI
China's urge to capture technology is also generating fear across various partner countries. The conflicts are not helping China and it would have to position itself in a way that its rise is not seen as a destabilising entity. This is all the more important since China has witnessed an unprecedented slowdown in the past 30 years. The growth slowed to 6.1 per cent last year, and is likely to go down to 6 per cent this year.

At the national level, efforts should be made to enhance the competitive character of firms and enterprises, reducing logistics-based production and shipment costs, and paving the way for a fresh look at trade agreements, both at a regional level and trans-continental level.

> **"RAISING TARIFFS TO CONTAIN IMPORTS IS AN OLD GAME. IT MAY NOT HELP INDIA IN THE LONG TERM"**
> *—N.R. Bhanumurthy*

Q.

China is accused of using India's free trade agreements with other countries to gain a back-door entry into India. Should these FTAs be reviewed?

• BIBEK DEBROY
Yes, they should be looked at. This is fundamentally a Rules of Origin Regulations (ROR) issue, which is difficult to enforce.

• AJAY SAHAI
If the goods made in China are re-routed via partner countries with whom we have FTAs, the circumvention clause can be invoked. Customs can ask for details to establish how the ROR requirements were adhered to. If violations of ROR are found, we can suspend tariff concessions on such imports and take up the matter bilaterally. In the past, duty benefits on import of gold jewellery from one of the FTA countries was denied by India on grounds of circumvention.

• R.C. BHARGAVA
The focus should be on making our own manufacturing much more competitive as quickly as possible. FTAs would then become an opportunity for the Indian industry.

• N.R. BHANUMURTHY
I understand that the commerce ministry had already initiated the review of all existing FTAs/ BTAs (bilateral trade agreements) even before the present friction with China began. In my opinion, India has not benefited much through these agreements since these have given China indirect access to Indian markets. With weak database, India mostly ended up with sub-optimal trade agreements, and for these reasons, I personally was against India joining the RCEP (Regional Comprehensive Economic Partnership). But this doesn't mean we are against trade.

• ASHWANI MAHAJAN
Yes. The ASEAN countries have agreed to review this deal. The principle of ROR has been pushed by Indian negotiators. There is also a need to identify the source of capital and entrepreneurs to determine the ROR. We are pushing the government to do such review not only with ASEAN countries, but with all FTA and similar agreement partners.

• BISWAJIT DHAR
The FTAs should surely be reviewed. But, more importantly, India needs to strengthen the implementation of the provisions relating to RORs. Cases of circumvention need to be identified and checked effectively.

"THE FTAs SHOULD BE REVIEWED... INDIA NEEDS TO STRENGTHEN THE IMPLEMENTATION OF PROVISIONS RELATING TO RORs"
–Biswajit Dhar

• SACHIN CHATURVEDI
In the past decade, India signed seven FTAs and four PTAs (preferential trade agreements). Upon analysing the performance of FTAs, we can see that imports have multiplied, but so have exports. In the case of ASEAN pre- and post-FTA, we find an average growth of 19.7 per cent in exports and 15.4 per cent in imports. The South Korea pre- and post-FTAs exports registered a growth of 6.4 per cent, while imports 15.5 per cent. For Japan, exports saw a growth of 14.4 per cent while imports, 10.7 per cent.

Many of these agreements do require upgradation. The ASEAN countries have agreed to renegotiate the agreement. There are schools of thoughts, which want the principle of ROR to be negotiated.

Q.

How should one understand Prime Minister Modi's '*atmanirbhar* Bharat' slogan in this context? Is it possible to draw a legible policy line between self-reliance and interdependence?

• BIBEK DEBROY
I think this should be interpreted not as isolation and insulation but as building up domestic competitiveness. The government's policies are designed to ensure that. Given the uncertain, worsening external environment, sources of growth will have to be endogenous.

• AJAY SAHAI
"*Atmanirbhar*" refers to self-reliance, which is aimed at developing capabilities indigenously without shunning imports. Though our domestic supply is currently not very efficient, it is reliable, and in the trade-off between reliability and efficiency,

the former should get a preference over the latter. We all were dependent on our reliable neighbourhood *kirana* stores and not on the 'efficient' e-commerce marketplaces during the COVID-19 crisis. It is good that we are focusing on import substitution to reduce imports in some key sectors.

We need to evaluate on a sector-specific basis to see whether self-reliance is feasible or if turning to other countries will be a better option. Even if we focus on self-reliance in some sectors, we need to build an ecosystem to level the playing field for such manufacturers. This means we not only need to give them parity of import tariffs, but also extend concessional credit along with competitive electricity tariffs and efficient logistics. Currently, Indian manufacturers pay more for inland freight, while supplying machinery, say, from Visakhapatnam to Ludhiana, than a foreign supplier dispatching it from North or Southeast Asia to Ludhiana.

● R.C. BHARGAVA

I understand the prime minister's lamentations over our failure to be a competitive manufacturing country, and being dependent on large imports to sustain our manufacturing and export industries. '*Atmanirbharta*' requires India to grow manufacturing rapidly and become highly competitive.

● N.R. BHANUMURTHY

There appears to be some ambiguity with regard to the economic philosophy of '*atmanirbhar* Bharat'. In my view, it is an extension of this government's policies like 'Make in India'. While there is a need for intellectual discussion on this, I do not agree that it is against trade. Rather, the ultimate objective, in my view, is that India producing a whole lot of commodities for both Indians and for the world as a whole is almost the same as what China has done for the world for the past three decades.

● ASHWANI MAHAJAN

'*Atmanirbhar* Bharat' is not a protectionist campaign but an effort to rejuvenate domestic manufacturing and products. Nobody wants India to stay isolated, but industry in India must be strengthened, more opportunities should be given to access the best technology, be more productive, be more competitive, excel and export in the global market.

● BISWAJIT DHAR

The PM did not elaborate as to what he meant by '*atmanirbhar*', but several ministers have interpreted the concept as shunning imports. This implies that the concept should be understood as "self-reliance" in the classical sense, which would then require India to adopt import substitution policies yet again. My personal view is that this policy is neither feasible nor desirable in the 21st century. It is not feasible because the country lacks both financial and technological resources needed for implementing this policy. It is not desirable because to follow this path, India would have to embrace autarchy, and shut itself off from the rest of the world.

"CHINA HOLDS STRONGER CARDS AND A TRADE WAR WILL HURT INDIA. BUT OUR INDUSTRY AND CONSUMERS MUST TIGHTEN THEIR BELTS"

–Arun Maira

● SACHIN CHATURVEDI

If India has to become a super power, trade, investment and interlinkages with technology development would have to be nurtured in a way with value chains to help in localisation of production architecture. Self-reliance is not an autarchic concept, it envisages global linkages.

● ARUN MAIRA

Ten years ago, India's then ambassador to China pointed out that while the volume of India-China trade was growing no doubt, the pattern of trade was worrying. China's exports to India were many times India's to China. Also, while India was exporting more raw material, China was exporting finished goods, and many high-tech ones. This, he said, was the trade pattern between a colonial power and its colony.

In 1990, India's industrial capacity was the same as China's and, in some sectors, India was ahead—in machine tools and power equipment, for example. By 2010, India was importing not only sophisticated power equipment, machine tools and electronic items from China but also toys, footwear and other simple, easy-to-manufacture products.

China has built strong industrial capabilities since the 1990s; India's industrial policy, if it had one, clearly failed. Our trade policy, industrial policy and foreign policy have to be interlinked. What has been done over the past 30 years cannot be undone. China holds stronger cards than does India on the industry and trade fronts. India's economy will be vulnerable in a trade war. However, India's consumers and industries must be prepared to tighten their belts, just as our soldiers are along the border. India needs jobs to provide incomes to its citizens, it needs industries to provide these jobs, and it needs to balance the trade with China to make it a trade between equals. *Atmanirbhar* Bharat is essential, otherwise 'interdependence' will be a colonial interdependence, as our ambassador astutely pointed out. ■

JULY 2020

INDIA TODAY

THE STATE OF THE STATE
UTTAR PRADESH

THE MOST IN-DEPTH ANALYSIS OF THE STATE.
WHAT IT'S DOING RIGHT AND HOW TO MAKE IT BETTER

CM Yogi Adityanath at his official residence in Lucknow

STATE OF THE STATE REPORT 2020
UTTAR PRADESH

SEEKING AN ECONOMIC MIRACLE

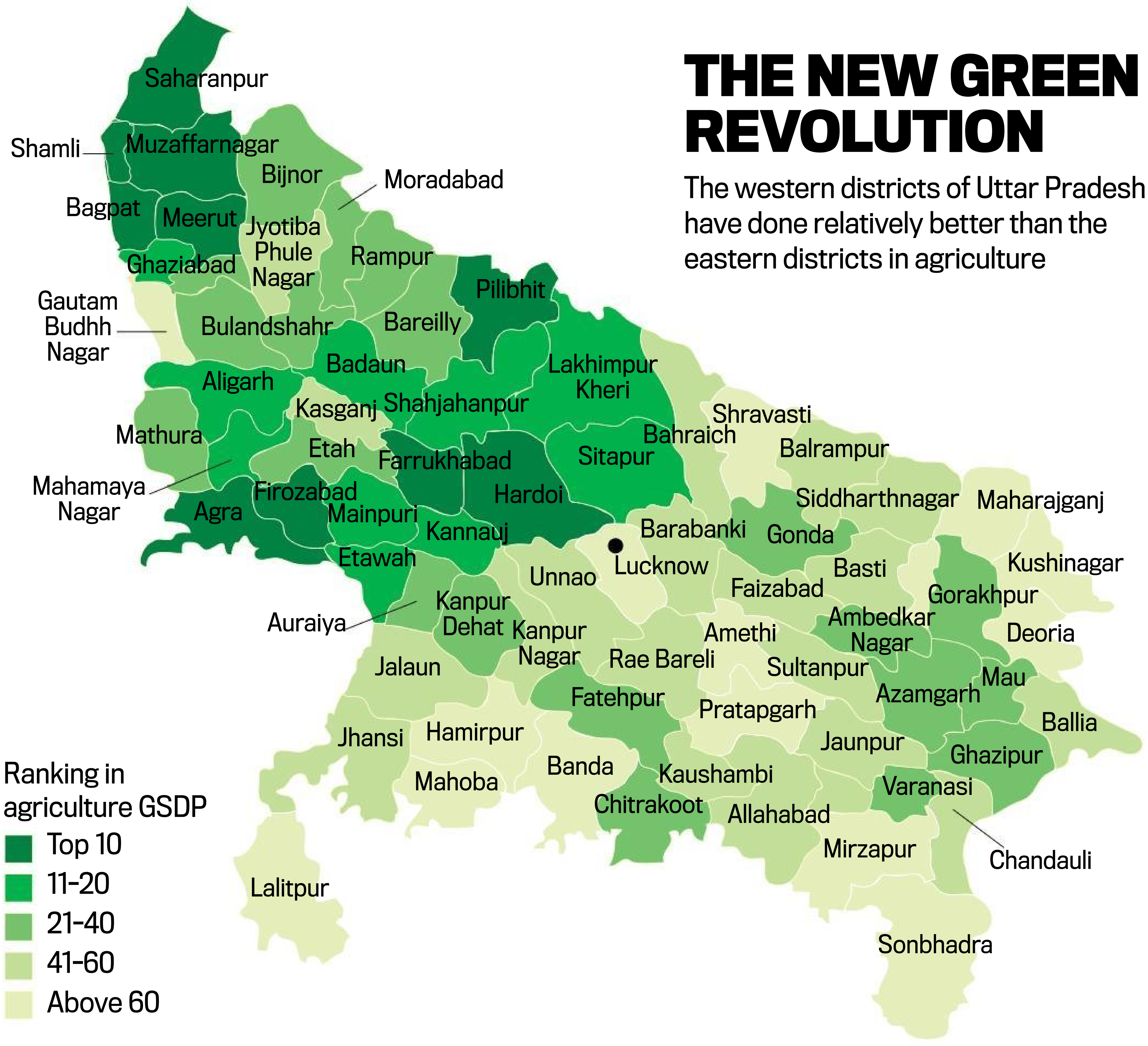
Despite its political heft and cultural pre-eminence, Uttar Pradesh has historically been an economic laggard. Nonetheless, the Yogi Adityanath-led state government has an ambitious target—to grow the state's economy past the $1 trillion mark by 2024

By Ajit Kumar Jha

Photograph by BANDEEP SINGH

THE NEW GREEN REVOLUTION

The western districts of Uttar Pradesh have done relatively better than the eastern districts in agriculture



Map not to scale
Source: Nielsen

Colour coding is based on a composite index of four variables: district agriculture GDP, foodgrain yield, gross irrigated area to gross sown area and percentage of net irrigated area by total tubewells; 1-10 are the top 10 districts, and so on

Graphics by TANMOY CHAKRABORTY

With a Rs 5.13 lakh crore budget for 2020-21—the largest in Uttar Pradesh's history—and plans to build vast amounts of new infrastructure, including 11 airports, seven universities and 28 medical colleges, the Yogi Adityanath-led state government has made notable efforts to achieve its stated aim of growing the state's economy past the $1 trillion mark by 2024. Over the past three years, it has also made a major push to reduce regional inequality across the state's districts by fast-tracking infrastructure, education and health-related development in the state's poorer regions—Purvanchal, Madhyanchal and Bundelkhand. However, the economic shock of the coronavirus crisis has raised a major challenge going forward. If Chief Minister Adityanath proves able to pull the state out of its low per capita income trap, improve wages and labour productivity and create the jobs required for a structural transformation of the state, he is likely to leave a deep impact on Uttar Pradesh, bettering his chances of making a strong comeback in 2022.

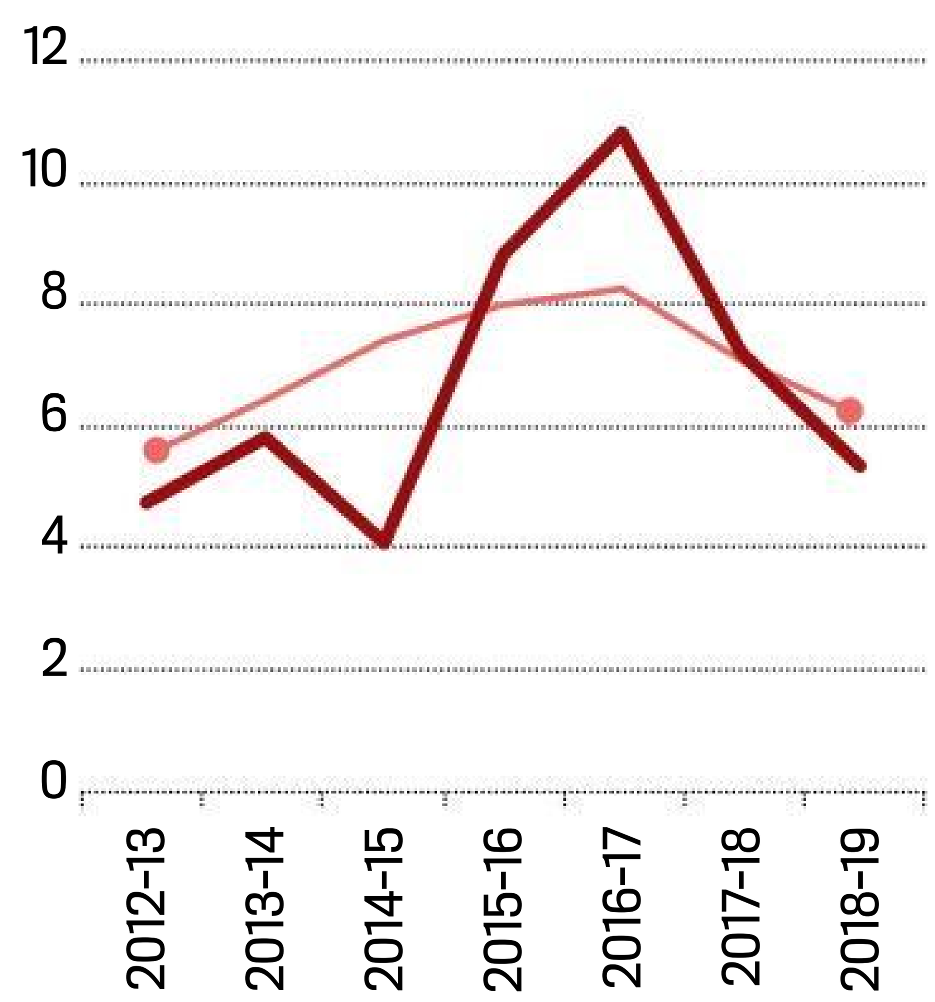
> **"In the COVID-19 crisis, Chief Minister Adityanath has proved an astute administrator in the process of bringing migrant workers and students back home"**
>
> **PROF. BADRI NARAYAN**
> Director, Govind Ballabh Pant Institute, Prayagraj

THE COVID-19 CRISIS

As early as March 27 this year, just two days after the national lockdown was implemented to prevent the spread of COVID-19, CM Adityanath had begun discussions within his government on how to tackle the migrant exodus. He quickly fired up the bureaucracy, arranging for thousands of buses in April to carry migrant workers who wanted to leave UP back to their home states. From May 4, as the movement of

UP BATS BELOW THE ALL-INDIA AVERAGE

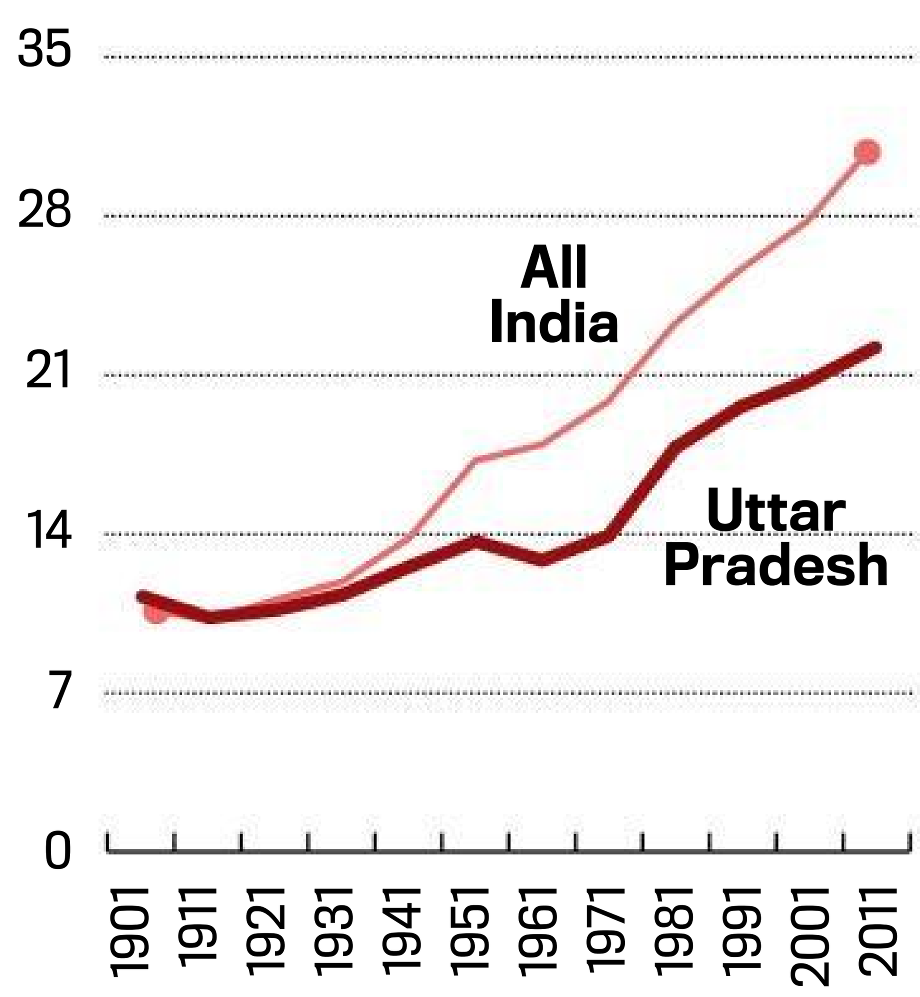
UP GSDP GROWTH VS INDIA GDP GROWTH AT CONSTANT PRICES (2012-13 to 2018-19)
(Year-on-year %)



Uttar Pradesh — All-India

Source: MoSPI (UP GSDP), RBI (India GDP)

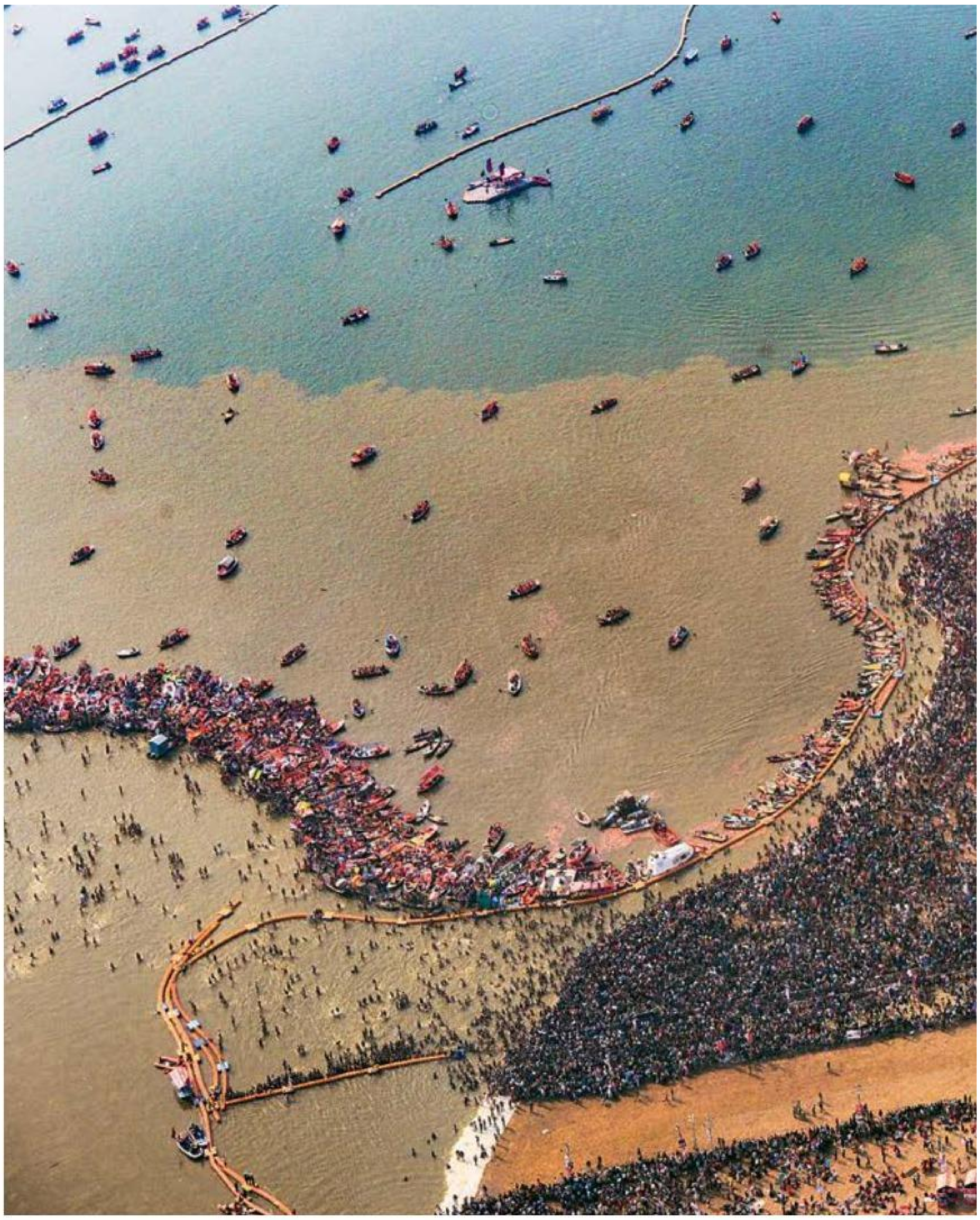
TRENDS OF URBANISATION, UTTAR PRADESH VS ALL-INDIA (%)



% of urban population: Uttar Pradesh
% of urban population: All India

Source: Census of India, 2011

Source: Central Statistical Organisation (CSO)

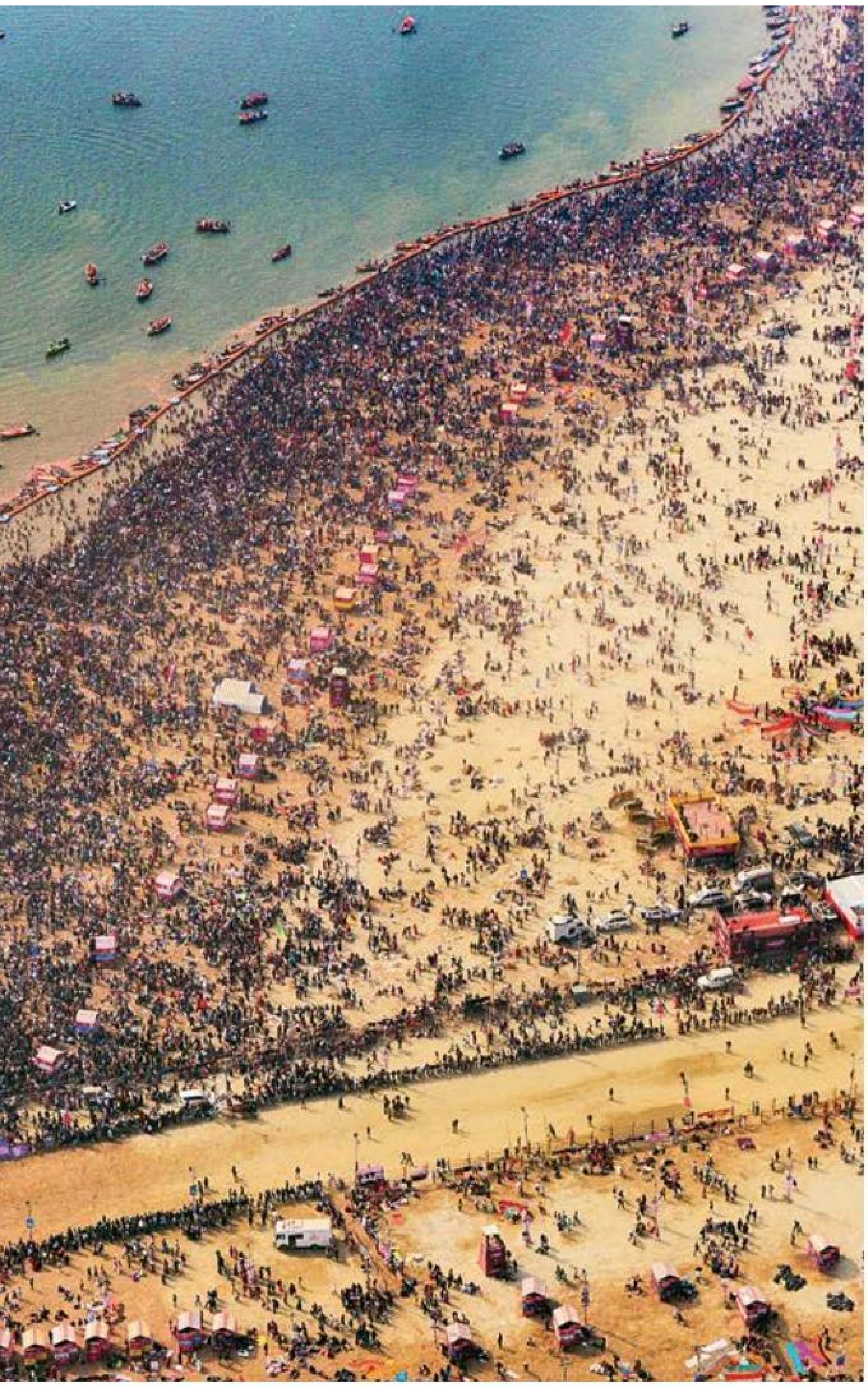


PURUSOTTAM DIWAKAR

migrant workers across the country began to gather steam, thousands of returning migrants began arriving at the Charbagh railway station in Lucknow every day, aboard Shramik Special trains from Maharashtra, Gujarat, Karnataka and Andhra Pradesh.

Senior government officials were tasked with arranging food, water and quarantine facilities, with the Adityanath administration promising Rs 1,000 to each returning migrant, three months of free rations and announcing plans to provide jobs. "About 800,000 migrant workers have been provided fresh ration cards. We see them as the main strength of Uttar Pradesh," says Sidharth Nath Singh, state minister for exports, investment and MSMEs (micro, small and medium enterprises). Senior officials were also appointed as nodal officers to liaise with other state governments to ease the return process. "By June 3, over 3 million migrants had returned [to UP]," says additional chief secretary Awanish Awasthi. "They have been provided transport, food, medicines and accommodation during their quarantine."

Primary schools and intermediate colleges, emptied by the lockdown, were designated as isolation centres where returning migrants were housed for the mandatory 14-day quarantine. Various local bodies and workers were brought into the effort, from village surveillance committees and *anganwadi* and ASHA (accredited social health activist) workers in villages to ward councillors and resident welfare associations in urban areas. Though the state's Covid numbers are surging—23,492 cases and 697 deaths as on July 1—they remain lower than those of other



The state government says a record 240 million people visited the Ardh Kumbh Mela at Prayagraj in 2019

large states like Maharashtra, Gujarat and Tamil Nadu. This, in part, is a direct result of the comprehensive efforts that have been launched by the state government.

"Despite his firebrand image, Chief Minister Adityanath has [shown himself as] an excellent team player and an astute administrator in the process of bringing migrant workers and students back home," says Professor Badri Narayan, director of the Govind Ballabh Pant Institute in Prayagraj. "He has displayed a rare degree of medical alertness."

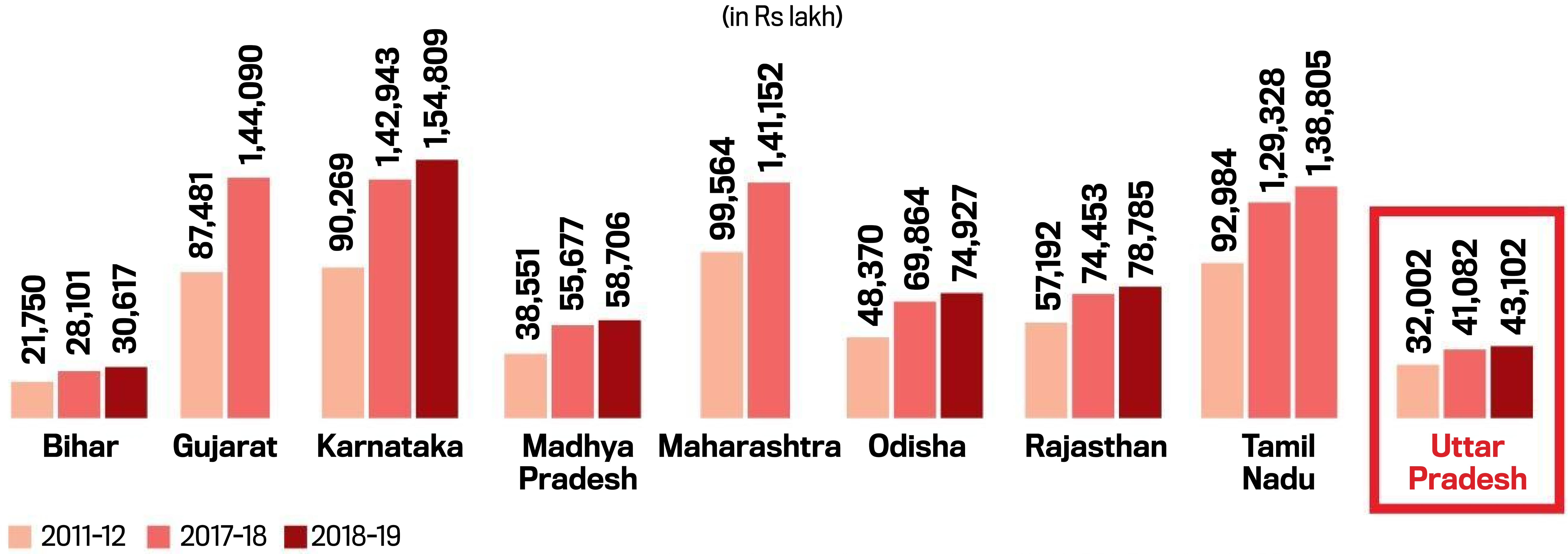
A TRILLION-DOLLAR MANTHAN

Before the pandemic began, the state government had embarked on a singularly challenging effort—to grow UP's economy past the $1 trillion mark before 2024. On July 27, 2019, the chief minister had met with professor Archana Shukla, director of the Indian Institute of Management, Lucknow (IIM-Lucknow) at an official dinner. Their meeting led to three *manthan* (brainstorming) sessions in September that year at the sprawling IIM-Lucknow campus on Sitapur Road, where cabinet ministers and key bureaucrats from the state government worked

DEVELOPED STATES RACE AHEAD OF UP AND OTHER BIMAROU* STATES

PER CAPITA NET STATE DOMESTIC PRODUCT AT CONSTANT (2011-12) PRICES

(in Rs lakh)

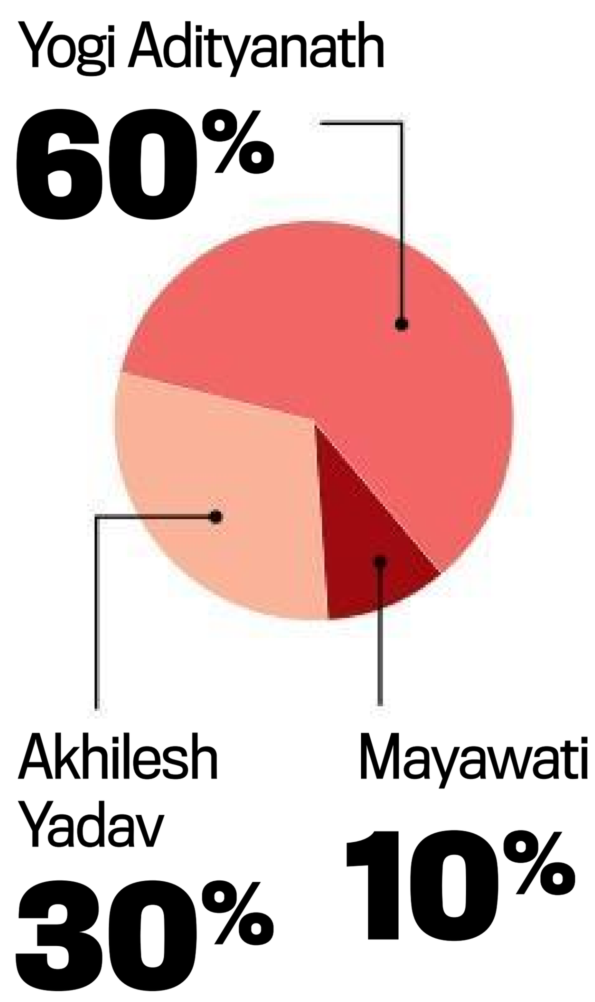


Source: National Statistical Office (NSO), RBI; For 2018-19, RBI provided figures for a few states only; *BIMAROU states include Bihar, MP, Rajasthan, Orissa and UP

ON A SCALE OF 1-10, HOW WOULD YOU RATE CHIEF MINISTER YOGI ADITYANATH'S PERFORMANCE IN THE PAST 3 YEARS?

All	6
Bundelkhand	6.2
Madhyanchal (Central)	6.1
Paschimanchal (Western)	6
Purvanchal (Eastern)	6
Poorest 100 Blocks	6

WHO WOULD YOU RATE AS UP'S BEST CHIEF MINISTER?



Source: India Today-Karvy Insights UP Citizen Survey March 2020

The Buddha statue near Ambedkar park, Lucknow

MANEESH AGNIHOTRI

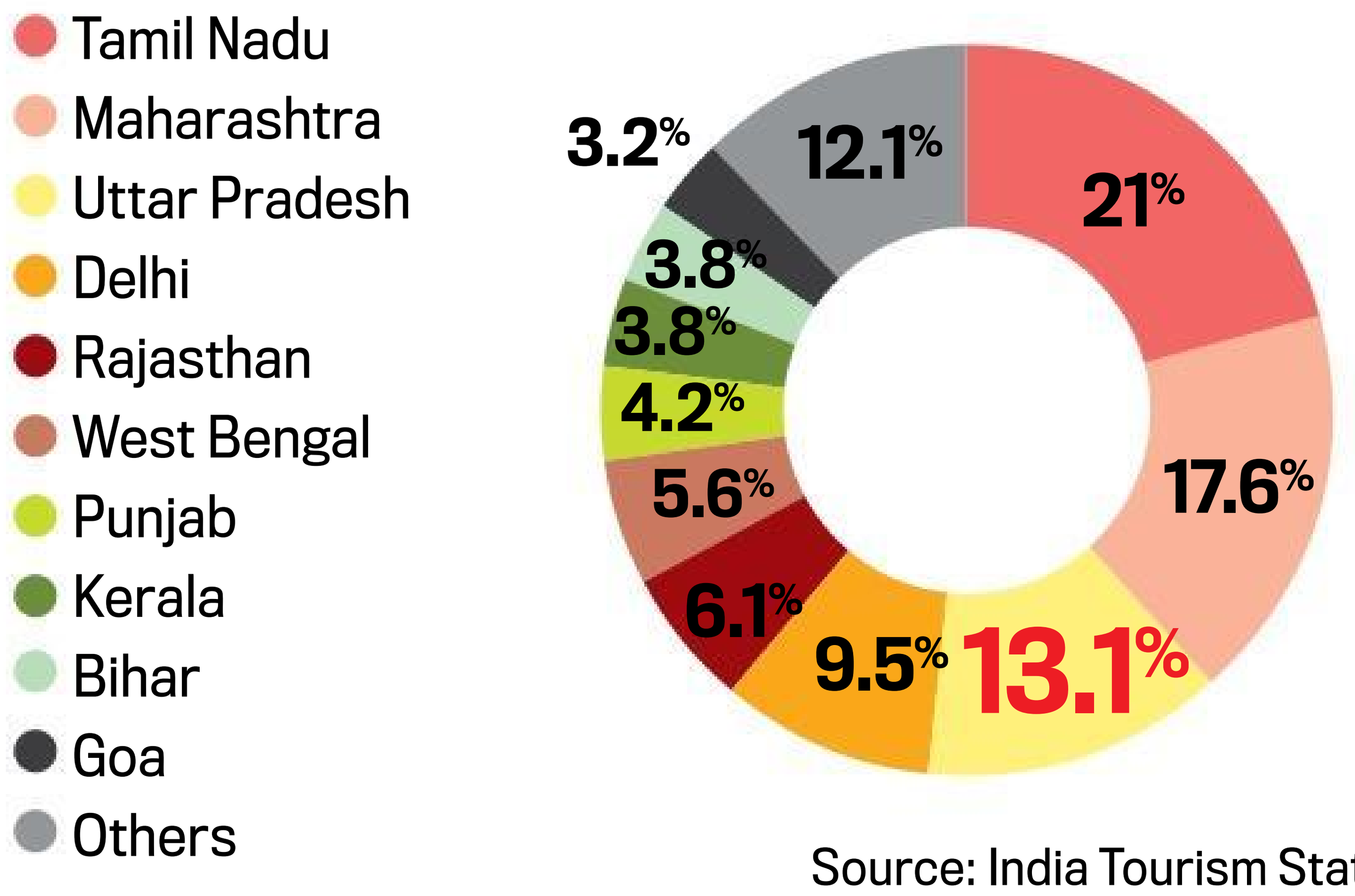
on a blueprint to achieve that economic goal.

"The chief minister was present on all three days, along with his cabinet ministers. Key bureaucrats were also present in the last two sessions. Priority areas and sub-areas were identified by the participants, with the IIM faculty acting as moderators," says Shukla. She says that the identified priority areas included the agriculture, infrastructure, MSME, health, religious tourism, industrial, services and energy sectors. Simultaneously, the importance of improving education, skill development and law and order was highlighted. The *manthans* also emphasised on the need for coordination across administrative departments, helping to identify the overlapping concerns of different sectors. "The fact that there was a deadline, and that resources are limited meant that the focus was on identifying the most effective manner in which these [sectors] could be boosted; on capacity building and action plans," says Shukla.

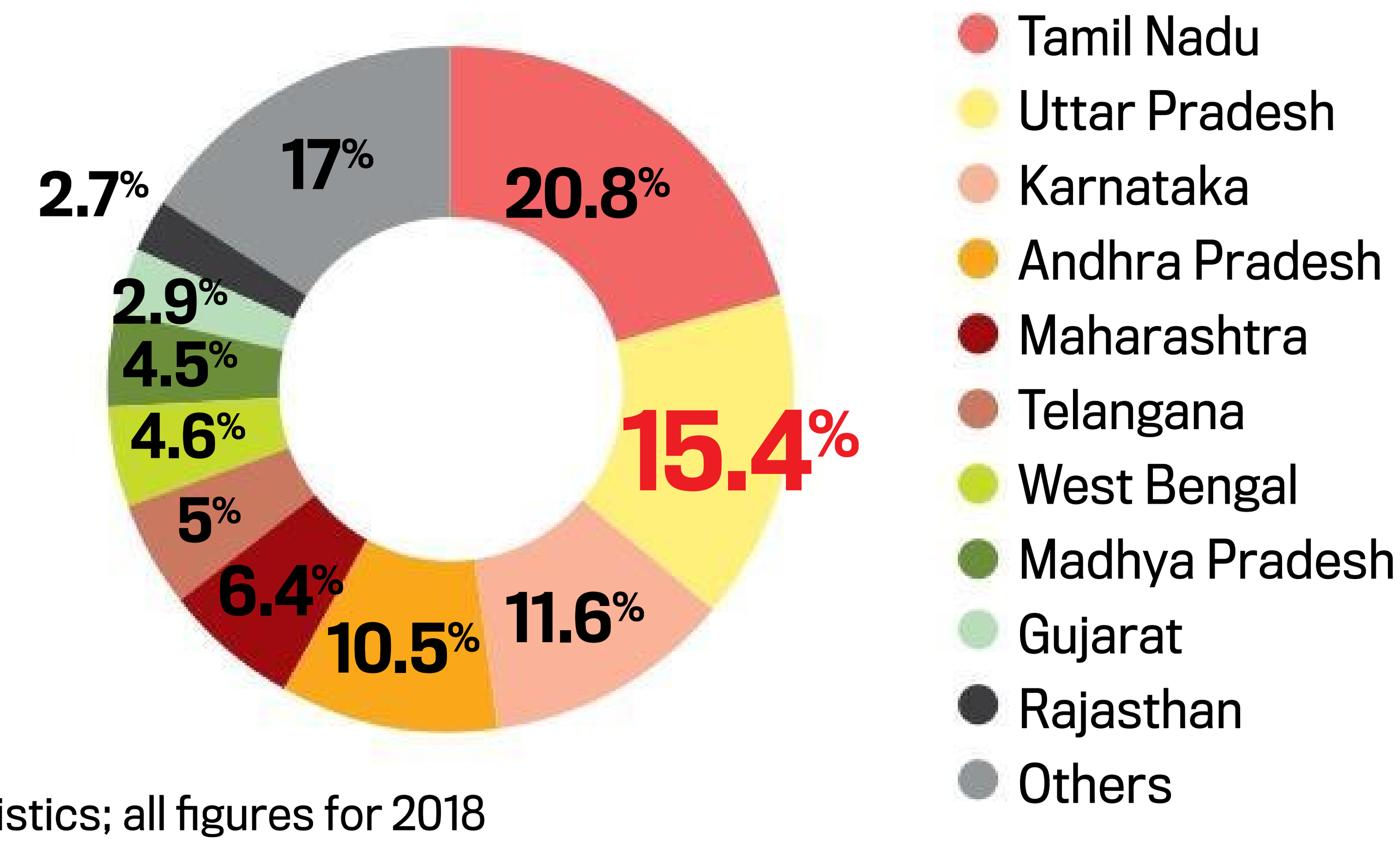
Though UP is a politically prominent state, it remains an economic laggard. The paradox is intriguing: despite nine of India's 14 prime ministers being from the state and despite accounting for 80 MPs in the 545-member Lok Sabha, UP has never had the economic heft of Maharashtra or Gujarat. Even the fact that the Indo-Gangetic plains between the holy river Ganga and the Yamuna are among the most fertile alluvial plains in the world did not until recently translate into agricultural might. Instead, India's political pivot remains the quintessential BIMAROU state, with migrant labour

UP'S TOURIST FOOTFALLS ARE AMONG THE BEST

FOREIGN TOURIST VISITS



DOMESTIC TOURIST VISITS

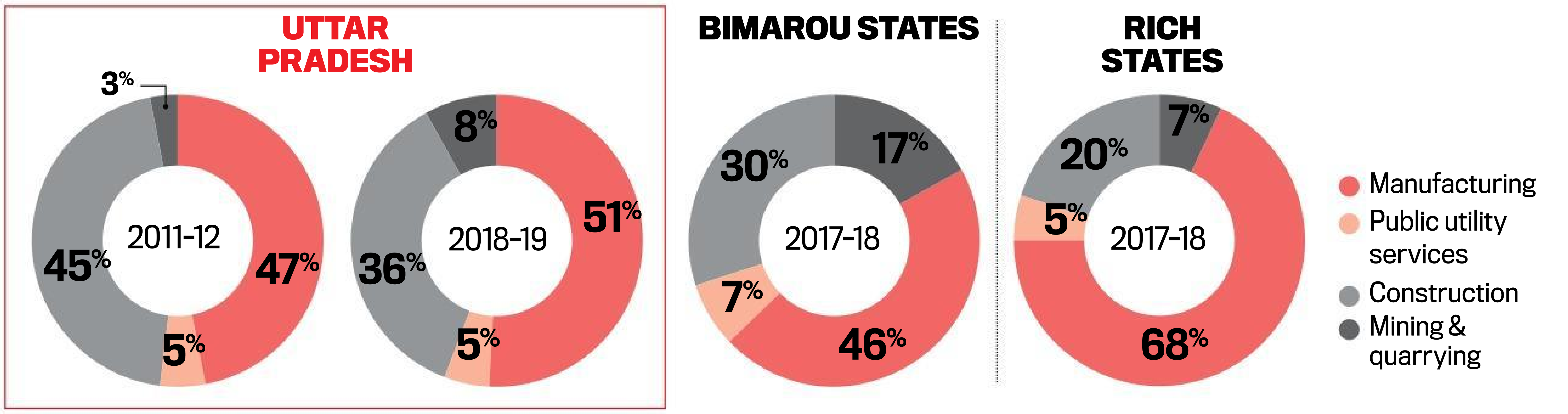


Source: India Tourism Statistics; all figures for 2018
(Note: Figures may not total to 100% due to rounding off)

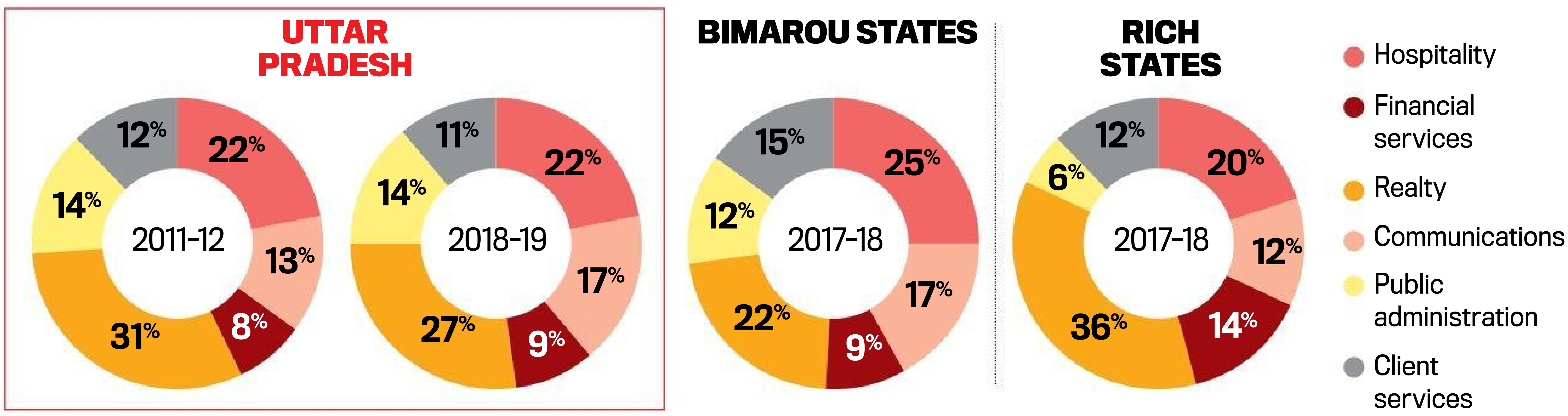
A LONG WAY TO GO

UP lags behind in manufacturing, but has caught up with rich states in services

INDUSTRY SECTOR SHARE



SERVICES SECTOR SHARE



Source: MoSPI

Overall, the services sector has grown but share of real estate has fallen while that of communication and financial services have increased between 2011-19

being a chief export—the Union finance minstry's 2016 Economic Survey pegged the nation's migrant workforce at over 100 million. Professor Amitabh Kundu, a demographer with the Research and Information System for Developing Countries, a New Delhi-based policy research institute, estimates that 25 per cent of India's interstate migrants are from UP.

Curled around the mighty Ganges and Yamuna and crisscrossed by their tributaries, UP is the most populous state in India, with 16 per cent of India's population (about 230 million) living in only 7 per cent of its geographical area. The state accounts for just 8 per cent of India's GDP, a result of its historic lack of industrialisation and urbanisation. Of late, the state has become the largest producer of grains, oilseed and milk and the second-largest producer of sugarcane and sugar in India. Despite that, its agricultural and labour productivity and wages are among the lowest in the country.

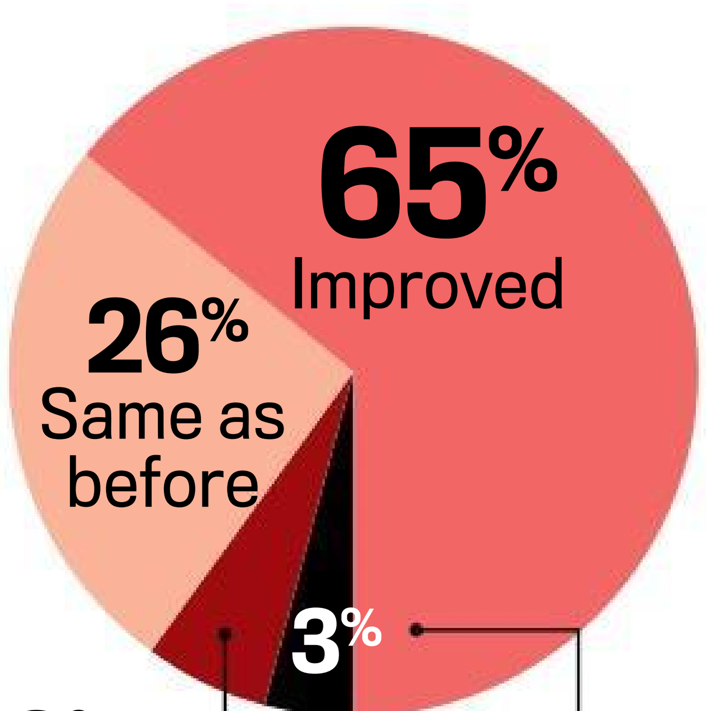
ANALYSING THE ECONOMY

UP's GSDP (gross state domestic product) grew 6.5 per cent in 2018-19 over the previous year, dropping from the 8.8 per cent growth rate in 2015-16. This is partly explained by a general decline in India's economic fortunes; nonetheless, this is about half the growth rates clocked by nearby states like Bihar and West Bengal in recent years. According to the state's budget papers for 2019-20, agriculture, industry (especially manufacturing) and services contributed about 24 per cent, 26 per cent and 50 per cent, respectively, to UP's economy in 2018-19. In comparison, these three sectors contribute about 17 per cent, 29 per cent and 54 per cent, respectively, to the national economy. In other words, compared to India as a whole, UP's economy is more dependent on agriculture than on manufacturing and services. This, says economist Sabyasachi Mitra of the

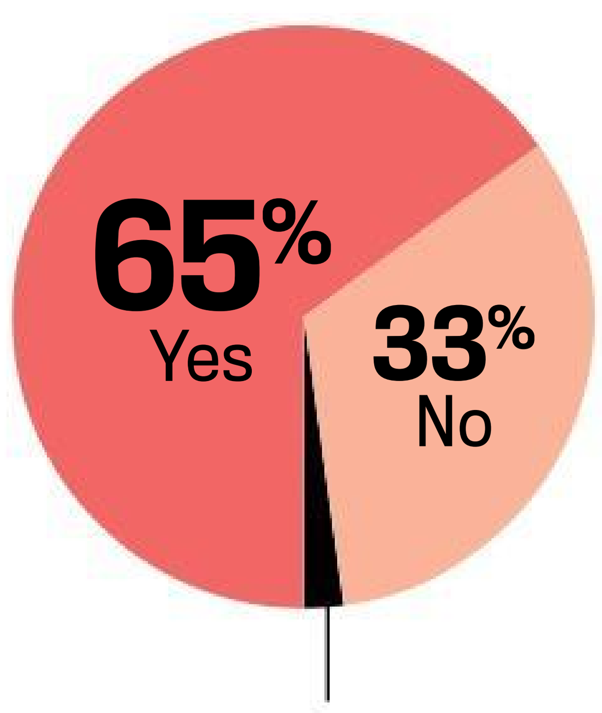
The 5.8 km Gomti Nagar to Sitapur bypass in Lucknow cuts travel time by 30 minutes

MANEESH AGNIHOTRI

HAS SANITATION (THE NUMBER OF PUBLIC TOILETS IN YOUR VILLAGE/ MOHALLA) IMPROVED OVER THE PAST THREE YEARS?



DO YOU, OR DOES ANYONE IN YOUR FAMILY, FRIENDS, COLLEAGUES OR CIRCLE OF ACQUAINTANCES HAVE A BPL RATION CARD?



Source: India Today-Karvy Insights UP Citizen Survey March 2020

Asian Development Bank (ADB), is "the major factor underlying the slow growth and high poverty rates in the state".

UP's agricultural growth rate increased from 5.6 per cent in 2015-16 to 7.6 per cent in 2017-18, a result of the good monsoon that year following two years of drought in 2014-16. However, in 2018-19, the growth rate fell to 3.5 per cent. According to the Central Statistical Organisation, manufacturing and services in the state grew at 5.9 per cent and 7.8 per cent, respectively, in 2018-19. Given the Covid pandemic, the figures for 2020 are likely to be worse.

Industrially speaking, Ghaziabad, Gautam Buddh Nagar, Kanpur, Lucknow, Faizabad, Sonbhadra, Mirzapur and Balrampur are the most developed districts in the state. Some of the state's prominent industrial sectors include the marble industry in Agra, woodcraft in Saharanpur, *chikankari* (embroidery) in Lucknow, leather in

NOT QUITE THERE YET

The state's primary school enrolment levels are still poor*; bank penetration is only marginally better

EDUCATION

		Boys in primary schools	Girls in primary schools
BUNDELKHAND	2011	54.8%	45.2%
	2017	52.3%	47.7%
MADHYANCHAL	2011	54.5%	45.6%
	2017	53.7%	46.3%
PASHCHIMANCHAL	2011	56.1%	43.9%
	2017	54.1%	45.9%
PURVANCHAL	2011	56.3%	43.7%
	2017	51.3%	48.7%

Source: UP government

*School enrolment of girls has improved slightly, but it is down for boys

BANK BRANCHES

	March 2009	March 2018
BUNDELKHAND	504	806
MADHYANCHAL	2,077	3,651
PASHCHIMANCHAL	3,946	7,025
PURVANCHAL	3,446	6,201

Source: RBI

Kanpur and Agra, brass in Moradabad, glass in Firozabad, ceramics and pottery in Khurja and carpet weaving in Bhadohi. Handlooms and handicrafts are a very important source of income in UP, with thousands of handlooms and power looms used by small and large manufacturers in the state, mostly in eastern UP. The main centres in eastern UP include Tanda, Varanasi, Azamgarh, Bhadohi and Mau. In western UP, the important centres are Meerut, Etawah, Etah and Kasganj.

A December 2019 research paper by the ADB highlights three points of concern for the state's economy. First, the gap between UP's per capita income and the national average has widened consistently since 2005—in 2017-18, it stood at less than 50 per cent of the national average. Second, overall labour productivity (output per worker) is also around half the national average. Third, labour wages in the state are about 14 per cent lower than the national average (according to data from 2015-16).

To develop UP's industries, the Yogi Adityanath government has made a notable push to attract investment, which has borne some fruit. For instance, at the UP Investors' Summit in February 2018, the state government signed memorandums of understanding with various public and private sector companies worth Rs 4.68 lakh crore, of which the development of industrial and infrastructure projects valued over Rs 1.25 lakh crore has begun. The government says that 371 projects have been implemented, with the state labour ministry estimating that all the proposed projects could (directly and indirectly) generate over 3.3 million jobs.

MONK WITH A MISSION

In March 2017, when Yogi Adityanath, *mahant* of the Gorakhnath temple and five-time Lok Sabha MP from Gorakhpur, was appointed chief minister, he was widely considered a surprise choice. However, for the Bharatiya Janata Party (BJP), which had won the UP assembly election with an unprecedented majority that year (312 of 403 seats), he was the natural choice because of his reputation for getting things done—someone who was seen as being able to deliver both political and economic results.

In the three years and three months that he has been chief minister, Adityanath has been seen as taking a hard line on crime. For instance, in the INDIA TODAY-Karvy Insights State of the States (SOTS) survey, when asked whether violence against women like harassment, molestation and rape had increased or decreased under his dispensation, 52 per cent of the respondents said it had decreased while only 14 per cent said it had increased.

Adityanath's government has also shown a focus on infrastructure—in 2017, it announced a 110-km, four-lane expressway to link Gorakhpur with the proposed 350-km Purvanchal Expressway (Lucknow to Ghazipur the longest such expressway in the country). These roads bring crucial 'north-south' connectivity to eastern UP, where all major roads are aligned east to west. The Gorakhpur expressway is also expected to connect with a new highway being constructed by the National Highways Authority of India that links Varanasi to Ayodhya—these roads, linking the state's three holy cities, could provide a major boost to religious tourism in the state—a central plank in the state government's plans for a $1 trillion economy.

According to the UP tourism department, in 2019, the Prayagraj Ardh Kumbh Mela saw the highest footfall the mela has ever witnessed—a record 240 million people, including 1.1 million foreign tourists. This was more than the annual tourist footfall in

the state between 2014 and 2017. The chief minister was widely congratulated for his use of this cultural event to supplement the state's coffers—the city of Allahabad (now Prayagraj), received a major infrastructural facelift with the funds generated. This development was central to religious tourism becoming a key aspect of the state's development blueprint.

The chief minister has also announced a number of social and income support schemes. An apprenticeship scheme offers educated, unemployed young people Rs 2,500 per month as training allowance, while a similar programme—the Kanya Sumangala Scheme for young women—has been given a budget of Rs 1,200 crore. A pension scheme for destitute women has been allocated Rs 1,432 crore, under which Rs 500 will be sent to beneficiaries every month. The state government is also conducting an awareness programme to prevent female foeticide in 68 of the state's 75 districts under the central governmnet's 'Beti Bachao, Beti Padhao' scheme. In a similar vein, the state government says it has constructed 1.3 million houses under the Pradhan Mantri Awas Yojana (Rural) and 26.1 million toilets under the Swachh Bharat Abhiyan (Gramin). The state labour ministry says that in 2019, 145.9 million man-days of employment were created under MNREGA, the Mahatma Gandhi National Rural Employment Guarantee Act.

Healthcare is another focus of the government—a new medical university is being planned in Lucknow, as well as a satellite centre of the King George Medical University in Balrampur. AIIMS-style medical colleges have been opened in Gorakhpur and Rae Bareli, with plans to open 28 medical colleges across the state in all.

BOOSTING INFRASTRUCTURE

The size and scope of UP's budget for 2020-21, passed on February 18, offers some insight into the state government's blueprint for a $1 trillion economy. Estimated at Rs 5.12 lakh crore, the budget's key focus areas are infrastructure, youth education and employment, women's empowerment and agriculture.

To boost infrastructure, the budget proposes the construction of 11 new airports at a cost of Rs 2,592.5 crore. Work on two airports has commenced. One is the Taj International Airport (Noida International Greenfield Airport) at Jewar in Gautam Buddh Nagar, 80 km from Delhi. Together with the fact that Noida is emerging as an IT hub in the state, as well as the expansion of Greater Noida and Ghaziabad, this airport is expected to boost western UP's global connectivity, revive the stagnant realty sector and generate employment, providing a fillip to the state's growth. The second airport, which has been allocated Rs 500 crore, is in Ayodhya. With the Ram Janmabhoomi issue having been legally settled, this city is expected to become a major destination for religious tourism, for which the new airport will act as a multiplier. Together with the airports at Varanasi and Gorakhpur—all three in eastern UP—it is hoped that the improved aerial connectivity will transform the fortunes of the penury-stricken Purvanchal region. An increase in tourism would generate employment, especially in the hospitality sector, boost consumption and reduce out-migration of both skilled and unskilled workers from the region.

THE STATE HAS CONSTRUCTED A RECORD 1.3 MILLION HOUSES UNDER THE PM AWAS YOJANA AND 26.1 MILLION TOILETS UNDER THE SWACHH BHARAT MISSION

Keeping in mind the regional inequality between the relatively prosperous western part of the state and the impecunious east, infrastructure development projects are focused on eastern UP and Bundelkhand. These include the 340 km Purvanchal Expressway, the 296 km Bundelkhand Expressway and the 596 km Ganga Expressway.

To speed up the pace of industrialisation, the state government has been organising investor summits, like DefExpo 2020, held in Lucknow on February 5, and the UP Global Investors Summit 2020, which had to be postponed because of the pandemic. The DefExpo was aimed at building a defence manufacturing corridor along the proposed Bundelkhand Expressway, to help India's self-reliance in defence production as well as bringing jobs and boosting growth in UP's economically backward region. The Adityanath government has also sanctioned 20 special economic zones (SEZs) in the state, focused on IT, ITeS (IT-enabled services), electronic

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The Lucknow Metro

hardware and software, handicrafts and agri-based industries.

PERFORMANCE ASSESSMENT

The India Today State of the State (SOTS) survey is aimed at identifying the strengths of each district in the state and the challenges facing them by analysing their performance over the past decade across 10 categories: Education, Infrastructure, Water & Sanitation, Health, Law & Order, Agriculture, Prosperity, Industry, Services and Overall. Each category has two 'winning' districts—the 'best performing' and the 'most improved'. For UP, the first SOTS survey was conducted in 2016. This year's survey follows the same template, but offers a richer and more robust analysis.

SOTS 2020 shows that western UP, as a whole, is above the state average in nine categories of development. Eastern UP is below the state average in three categories of development: Infrastructure, Water & Sanitation and the Overall category, ahead of the state average in Prosperity and on par in the five other categories: Education, Health, Agriculture, Services and Law & Order. The southern region of Bundelkhand, bordering Madhya Pradesh, has a slightly better record. Bundelkhand is below the state's average in Prosperity, equal to the state's average in Services but ahead in seven categories. Awadh, or Madhyanchal, with 21 districts, including the industrial corridor of Lucknow and Kanpur has a comparatively poorer record: it equals the state's average in Education and Services, but scores below average in the other seven categories of development.

The survey finds that in 7 of the 10 categories, the 'best performing' districts are in western UP. Seven out of the bottom 10 districts belong to the eastern region. In 'most improved' districts, the western region again secured the majority: 8 out of the top 10 districts. In the bottom 10, 5 districts belong to the eastern region. The survey also reveals that four out of the top 10 districts in Services belong to western UP. However, in terms of improvement in Services, eight out of 10 districts belong to eastern UP. To boost industrialisation and plug the regional imbalance, the Adityanath government has launched the 'One District, One Product' scheme as part of a broader strategy of concentrated agri and industrial development for each district, offering an array of fiscal incentives, credit and marketing and policy support.

GOVERNMENT INTERVENTIONS

As mentioned, in the three years and two months that Yogi Adityanath has been chief minister of UP, he has developed a reputation for taking a tough stance on crime and being willing to implement difficult decisions, even if they prove controversial. His government has taken significant steps to alter the infrastructural face of eastern UP's cities—some 300 projects worth Rs 30,000 crore have been launched in Varanasi, including highways, hospitals and sewage plants. Efforts have also been made to develop the state as a major investment destination via summits, including the UP Investor's Summit in February 2018, which attracted about Rs 4.7 lakh crore of investment, and another summit in July 2019 which marked the launch of projects worth 65,000 crore.

In 2020, chief minister Adityanath launched widespread police reforms, introducing a commissionerate system of policing for Gautam Buddha Nagar and Lucknow. The previous year, the state had been a major contributor to the Pradhan Mantri Awas Yojana, building 430,000 homes, according to one estimate. During the 2019 Lok Sabha elections, the BJP, in a spectacular performance, won 62 out of 80 seats despite the Samajwadi Party-Bahujan Samaj Party (SP-BSP) alliance. Although the Lok Sabha elections were fought with Prime Minister Modi as the main draw, Adityanath's campaign played a significant role.

As a result, the chief minister is well thought of across the state. The INDIA TODAY-Karvy Insights Citizens' Survey shows that Adityanath's

The night bustles with life at the historic ghats on the Ganga in Varanasi

approval ratings for governance are at about 60 per cent across the state—62 per cent in Bundelkhand, 61 per cent in Madhyanchal and 60 per cent in Purvanchal and Paschimanchal. Even in the poorest 100 blocks of the state, his approval ratings remain at 60 per cent. Other state leaders do not fare nearly so well—SP leader Akhilesh Yadav notched a 30 per cent rating, while BSP supremo Mayawati managed only 10 per cent.

The central and state governments' welfare programmes are also well known and spoken of with approval across the state. The top three are the BPL ration card scheme (which allows the purchase of food at government-regulated prices), the PM Jan Dhan Yojana (for bank accounts) and the PM Ujjwala Yojana (for gas connections). A majority of respondents said they had either benefitted from these schemes themselves, or knew someone who had—65 per cent for the first, 60 per cent for the second and 57 per cent for the third. The scheme that was least-well spoken of was MNREGA, the central government's employment guarantee programme for the poor.

The state government says that it has set a record in the construction of houses under the PM Awas Yojana (Rural)—1.3 million houses—and that 26.1 million toilets have been constructed under the Swachh Bharat Mission (Gramin). However, the INDIA TODAY-Karvy Citizens' Survey shows that, on average, only 42 per cent said that either they or someone they knew had got a house through the PM Awas Yojana. In backward Bundelkhand and Madhyanchal, the figure was only 39 per cent, while in prosperous Paschimanchal, it was 45 per cent. In short, even in the best-case scenario, 55 per cent of the respondents were unaware of anyone benefiting from the programme. This shows that either such programmes are not adequately publicised or have a long way to go before the benefits reach the intended beneficiaries. Similarly, when asked about the state government's financial support programmes—specifically for family pensions and pensions for widows—respondents largely said they were unaware of them, with only 36 per cent and 35 per cent, respectively, saying that they were aware of these schemes. Across the state, only 31 per cent of the respondents knew of someone who had benefited from the business loans available under the PM Mudra Yojana. The lowest awareness was of MNREGA—only 22 per cent knew someone who had got a job under this programme.

Sabyasachi Mitra of the ADB says that if the state government can increase per capita income to around 75 per cent of the national average by 2032-33, it will lead to better employment, industrialisation and livelihoods, as well as a reduction in poverty. However, this will require massive investment in all sectors of the economy, both public and private—a necessary precondition to achieving the government's goal of a trillion dollar economy in the next few years. Mitra argues for a demand-driven approach to promote industrial development and job creation.

However, achieving this would require more than a mega *manthan* of the type that was undertaken in Lucknow. What is needed is state intervention in infrastructure and

METHODOLOGY

The SOTS 2020 study of Uttar Pradesh's 75 districts outlines broad economic and social development trends in the state and produces a district-wise ranking of performance. It does this by combining two methods. First, an analysis of objective ground data from various credible data sources. Second, a separate analysis of 16,916 interviews of respondents on various development issues, in 822 development blocks across 75 districts, with at least 20 respondents in each block. While Nielsen collected the first set of ground level data, Karvy Insights collected the second set of interview-based data. The INDIA TODAY research team combined the two data sets to analyse the development trajectory of the state.

The evaluation of the Nielsen data has two segments: best-performing district at a particular time and the most improved district over the past decade. The data was collected from various sources before being standardised. Sources include the Census, the National Sample Survey, Central Statistical Office, the National Family Health Survey and the National Crime Records Bureau, among many others. Ten categories were selected, each a composite index of variables for which uniform, continuous data was available. The constituent indicators were arranged in a unidirectional manner, i.e., all indicators were positive or negative. For example, the higher the female literacy rate, the higher the level of educational development—a positive indicator of development. The most recent year was used to rank the best district. The difference between the most recent category value and the values from 10 years earlier was used to rank the most improved district. Between February 12-29, 2020, Karvy Insights conducted a block-level citizens' survey, with 55 questions on nine development parameters. The responses were recorded on 2-, 3- or 10-point scales. Weighted index scores were calculated for all nine parameters and an overall index score was computed through aggregation, initially at the respondent level, followed by indices which were derived at the block and district level.

skill development, a digital-based industrialisation strategy and planned urbanisation with the creation of smart cities in poorer zones such as Purvanchal, Madhyanchal and Bundelkhand. This will require the creation of a good governance framework.

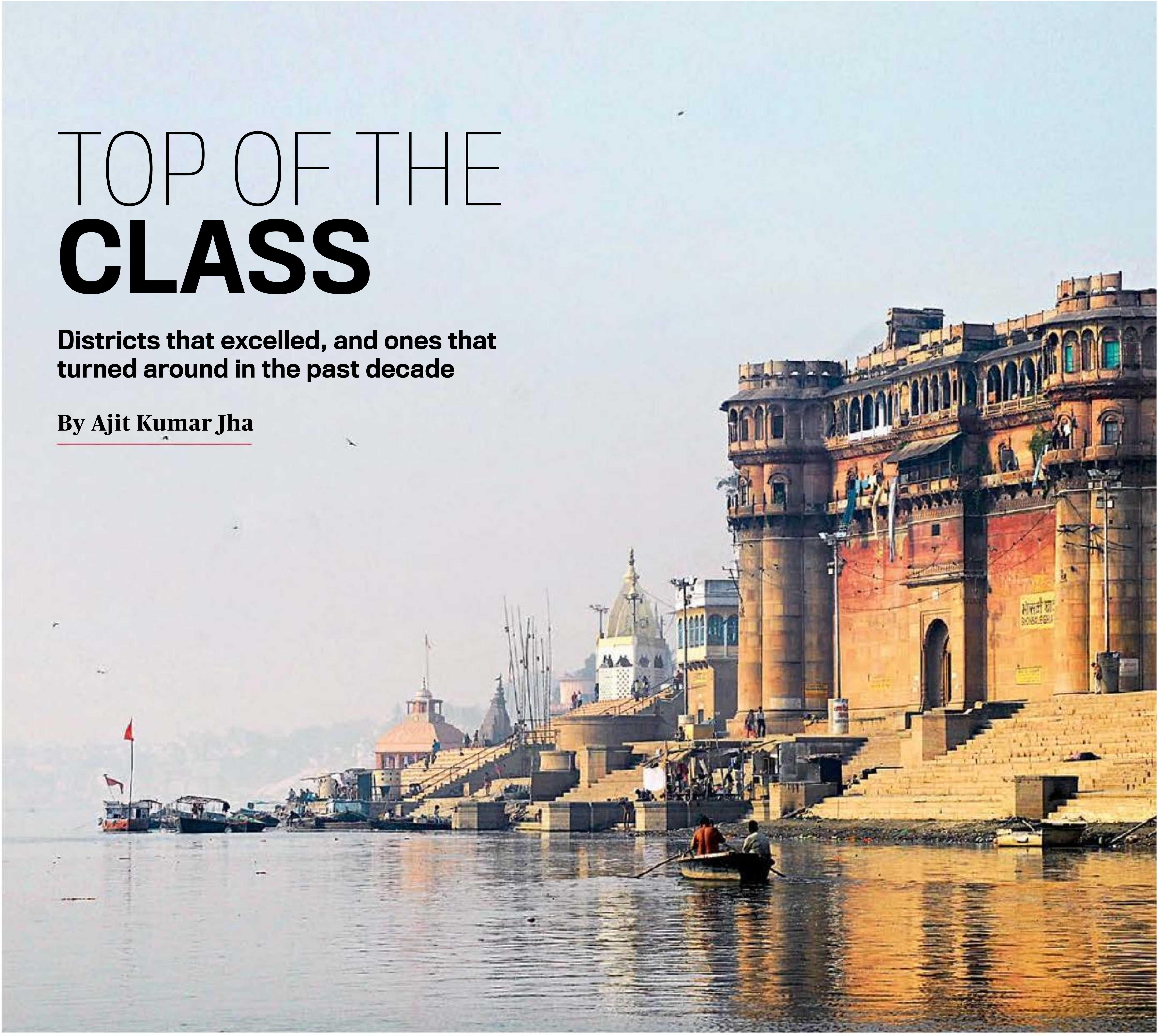
GROWING PROSPERITY

An immediate short-term requirement for such an economic transformation is a doubling of agricultural growth rates in the state, given UP's reliance on agriculture. In this respect, the state would do well to learn lessons from Punjab, Haryana and Madhya Pradesh. According to an ICRIER research paper, 'Doubling agricultural growth in UP: Sources and Drivers of Agricultural Growth and Policy Lessons', by Smriti Verma, Ashok Gulati and Siraj Hussain, a central requirement is that the government has to focus on erecting a robust procurement system for wheat and paddy that ensures the minimum support price to farmers. Some initial steps in this regard have been taken by the Adityanath government in 2020 to rescue the harvest of the rabi crop. The state needs to massively improve agricultural infrastructure and practices in the poorer eastern, central and Bundelkhand regions by focussing on improving irrigation systems and agricultural markets, as well as strengthening the supply chain by developing warehouses and cold storage units. Steps like these would improve agricultural productivity and raise wage rates in this sector.

Today, UP is India's largest producer of milk. Yet, Gulati and Hussain argue that the state needs to 'propel the dairy sector [forward] by raising milk processing levels from about 12 per cent now to at least 30 per cent over the next five years'. The state also has the second-highest output of sugarcane and sugar in the country, after Maharashtra. 'Yet, UP needs to rationalise sugarcane pricing based on the 2012 Rangarajan Committee formula. The state must free up molasses from all reservations,' says Gulati.

Innovative farming practices, including organic cultivation in the production of fruits and vegetables, is another requirement for doubling of agricultural growth rates. Restoring and enhancing the poultry and meat production sectors, together with the development of fisheries, will also go a long way toward improving output and incomes, as well as helping the state move up the export charts.

Agriculture would also benefit from infrastructural investments in rural roads, power supply to rural areas and improved irrigation, especially in the drought-prone Bundelkhand region. Better disaster management systems to control the recurrent floods in the Purvanchal region will help boost agricultural growth and restore sustainable livelihoods. If the Adityanath government implements this package of policy reforms on a priority basis, it can fulfil the prime minister's vision of doubling of farm incomes. It can also reap rich political and economic dividends through faster poverty alleviation, plug regional imbalance among and within regions, and bring about inclusive growth and development for all. Finally, such innovative interventions and structural changes are likely to save lives and take care of the problem of livelihoods, thus helping realise the dream of a trillion-dollar economy and making UP truly an 'Uttam Pradesh'. ■



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TOP OF THE CLASS

Districts that excelled, and ones that turned around in the past decade

By Ajit Kumar Jha

The INDIA TODAY State of the State (SOTS) districts awards are based on a sophisticated methodology founded on rigorous reporting and big data analysis of development parameters carefully collected over a decade. Aware that modernisation and development are often a corollary of urbanisation, and therefore that urban districts would invariably have an advantage over rural ones, the INDIA TODAY research team also sought to capture the pace of progress and award acceleration in action. As a result, economically backward districts in regions that have historically proved resistant to technological and cultural change are the surprise winners in some categories.

BEST OVERALL

VARANASI

POPULATION: 3.67 MILLION; AREA: 1,535 SQ. KM

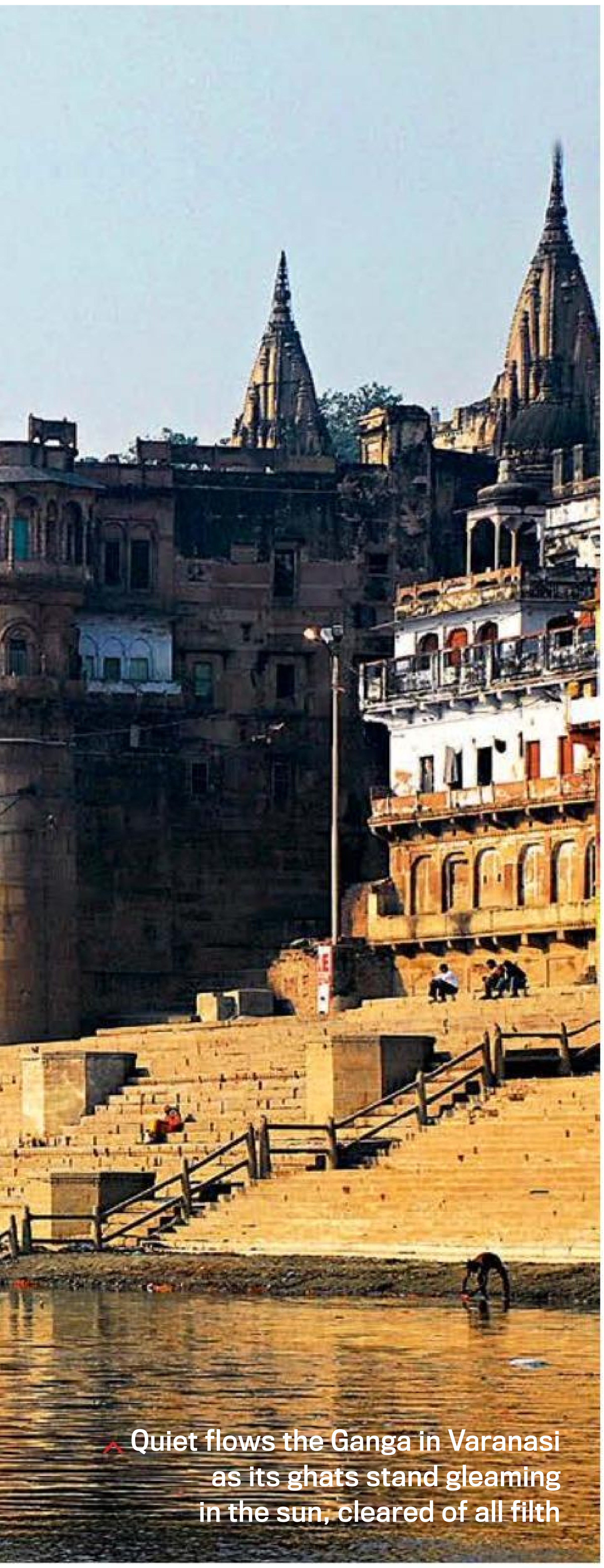
In the past five years, Varanasi district has made notable progress in infrastructure, building world-class roads, express trains, waste treatment plants and modern traffic control systems. In a bid to promote riverborne commercial transport in India, the central government, in November 2018, inaugurated a multi-modal river terminal system on the Ganga, with one of three ports/ container depots in Varanasi city. The city is also the site of the Kashi Vishwanath Dham project, a revival of about 30 ancient temples. "This is Prime Minister Narendra Modi's flagship project for his parliamentary constituency," says Ashutosh Tandon, district in-charge and state government cabinet minister. Varanasi district won the overall 'best district' category because it had the highest overall rank—#1 in infrastructure, #3 in services, #4 in health, #6 in prosperity, #8 in industry and #9 in education and law and order.

MOST IMPROVED OVERALL

SULTANPUR

P: 2.43 MILLION; A: 2,673 SQ. KM

Winning this category in part because of its significant effort in implementing government schemes, Sultanpur has shown visible results in the recent past. A substantial portion of the state government's flagship Purvanchal Expressway—a 350 km+ highway connecting Lucknow to Ghazipur and Varanasi,



Quiet flows the Ganga in Varanasi as its ghats stand gleaming in the sun, cleared of all filth

passing through nine of the state's districts—goes through Sultanpur. In SOTS 2016, Sultanpur stood at #3 in health and #4 in the most improved industry categories. This year, it has topped the most improved list, having scored the top spot in law and order and also ranking in the top 10 in three out of nine parameters—infrastructure, agriculture and health. Predominantly agricultural, the major crops grown here include sugarcane, rice and wheat.

BEST IN EDUCATION
KANPUR DEHAT

P: 1.79 MILLION; A: 3,021 SQ. KM

This district is overwhelmingly rural, with a consistently high literacy rate—75.8 per cent as of Census 2011. It has 2,384 primary schools (1,604 government-run) with 674 higher primary schools. R.K. Singh, district magistrate, highlights Kanpur Dehat's educational achievement, saying, "Libraries have been established in every school in the district." Ramesh Chaurasiya, headmaster at the primary school in Akbarpur says, "The education department has taken many steps to increase the registration rate of students, [including] drinking water facilities and indoor and outdoor sports in each school." Kanpur Dehat ranks #1 in pupil-teacher ratio, #12 in number of schools per 1,000 people, #16 in dropout rate and #22 in the ratio of boys to girls. In UP, the central districts lead the way in education. Of the top 5, three districts—Kanpur Dehat, Unnao and Fatehpur—are from this area.

MOST IMPROVED IN EDUCATION
KUSHINAGAR

P: 3.56 MILLION; A: 2,906 SQ. KM

This district has emerged as a major education hub in the past decade. It has 2,971 primary schools and 822 higher primary schools. Bhupendra S. Chaudhari, district magistrate, says, "265 schools in this district were renovated under the Kayakalp Yojana, [which refurbished] all basic facilities related to education and teaching. About 70 new English-medium schools were started last year to strengthen the private education system." Kushinagar had the second-highest improvement in the pupil-teacher ratio and the ninth-highest improvement in the ratio of boys to girls in primary schools. The district ranks #17 in the number of schools per 1,000 people, and stood #23 in terms of the dropout rate. It has made substantial progress in education by setting up hundreds of new private and government institutes as well as boosting enrolment numbers.

BEST IN HEALTH
GORAKHPUR

P: 4.44 MILLION; A: 3,321 SQ. KM

After the encephalitis outbreak in March 2017, which left over 500 children dead, the Gorakhpur administration made major improvements to its health facilities. A new 71-bed hospital with a paediatric intensive care unit was established in 2018 in BRD Medical College and a neonatal ICU was set up in the paediatric department of the Gorakhpur Medical College (GMC). A new 500-bed hospital, especially for children, is also under construction on the premises. In this category, the SOTS study analysed variables such as immunisation of children aged 12-23 months, infant mortality rate, number of allopathic hospitals/ dispensaries

The paediatric intensive care unit at BRD Medical College, Gorakhpur

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and primary health centres per 100,000 people. On average, Gorakhpur performed well in all variables, although it did not top in any one.

MOST IMPROVED IN HEALTH
JHANSI

P: 1.99 MILLION; A: 5,024 SQ. KM

The district won this award as a result of major improvements in women's and children's health. Jhansi was ranked #2 in infant mortality, #14 in women's awareness of HIV/ AIDS and #16 in the number of allopathic hospitals/ dispensaries and community/ public health centres per 100,000 people. Though Jhansi has only one medical college and two district hospitals (aside from smaller health centres), the district has seen a significant reduction in maternal and child mortality rates through effective patient management techniques. Andra Vamsi, district magistrate, says: "There has been a significant increase in the number of beneficiaries coming to district hospitals. In 2018-19, 676,265 patients were treated here; by 2019-20, the number had gone up to 713,989. The number of patients managed in emergency care has also gone up by more than three times."

BEST IN INFRASTRUCTURE
VARANASI

P: 3.67 MILLION; A: 1,535 SQ. KM

Since 2014, Varanasi has seen a complete transformation of its infrastructure. With Phase 1 of construction of a ring road bypassing the city completed in November 2018, traffic movement across the city has become much smoother. The recently developed 17-km-long airport road—called the gateway of Varanasi—has made travel to and from the airport much easier. From superhighways and express trains to underground cabling and waste treatment plants, Varanasi's infrastructure has been comprehensively upgraded. In SOTS 2020 analysis, Varanasi ranks #2 in the connectivity index in the state, #3 in total length of surfaced roads per 1,000 sq. km, #5 in the number of bus/ railway stations and #13 in households with electricity connections.

MOST IMPROVED IN INFRASTRUCTURE
SONBHADRA

P: 1.86 MILLION; A: 6,905 SQ. KM

Ranked #1 in the state for new bus/ train stations in the past decade and #2 in the total length of surfaced roads per 1,000 sq. km, Sonbhadra has massively improved its infrastructure in the recent past. In 2006, it was listed among India's 250 most backward districts; today, it is referred to as the energy capital of India because of the number of hydroelectric and thermal power stations located here (aside from many cement, aluminium and chemical plants). The National Thermal Power Corporation has three power plants here, generating 11,000 MW. Bhupesh Chaube, MLA for Robertsganj in Sonbhadra, says: "The government is trying its best to develop roads, schools and hospitals here. These will change the lives of the people."

BEST IN WATER & SANITATION
MEERUT

P: 3.44 MILLION; A: 2,559 SQ. KM

One of the first in UP to be declared 'open defecation free', the district saw 109,810 toilets constructed from 2013-14 to 2017-18, with an estimated 100,000 families benefiting. The administration has also offered financial support of Rs 12,000 per family to over 8,000 underprivileged families for the construction of sanitation facilities. It has also launched a widespread rainwater harvesting campaign, covering 220 schools and panchayat offices, 12 blocks, 296 private buildings and all government buildings. About 200 water bodies have been revived in urban areas. In SOTS 2020, aside from topping the Water & Sanitation category, Meerut ranked #4 in percentage of households with improved sanitation, #6 in number of households with tap water (piped) as their main source of drinking water and #11 in percentage of households with improved drinking water facility.

MOST IMPROVED IN WATER & SANITATION
AMBEDKAR NAGAR

P: 2.39 MILLION; A: 2,350 SQ. KM

Located in northeastern UP, this district ranked #2 in improvement in percentage of households using improved sanitation facilities, #11 in households

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> The Police Control Room in Lucknow's Gomtinagar, one of the state police's most high-tech initiatives

Road widening work on NH-2 in Rajatalab, Varanasi

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with tap water (piped) as their main source of drinking water, and #21 in percentage of households with improved drinking water facilities. The local administration here has done extensive work to improve the supply of such facilities. For instance, Rakesh Kumar Mishra, district magistrate, says: "The administration surveyed all primary and secondary schools, and found that hundreds of schools lacked proper water and sanitation facilities. Under Mission Kayakalp, water facilities were installed in 664 [such] schools." In UP, the eastern districts lead the way in improvements in water & sanitation. Of the top five, four—Shravasti, Pratapgarh, Fatehpur and Kushinagar—are in this region.

BEST IN AGRICULTURE
MEERUT
P: 3,44 MILLION; A: 2,559 SQ. KM

Meerut has emerged as UP's best agricultural district by ranking #1 in district agricultural GDP at #3 in the foodgrains yield and gross irrigated area to gross sown area categories. With adjoining Muzaffarnagar and Baghpat, this district has been at the centre of the green revolution in western UP—major crops grown in this district include sugarcane, potato, wheat, maize, rice and sugarcane. Agriculture in Meerut district benefits both from the abundant groundwater resources in this area, as well as the rainfall it receives. Two districts in its immediate vicinity—Shamli and Baghpath—are also among the top 5 in this category.

MOST IMPROVED IN AGRICULTURE
CHITRAKOOT
P: 0.99 MILLION; A: 3,216 SQ. KM

Chitrakoot has been ranked #1 in this category because it tops the ranks in gross irrigated area to gross sown area, and the fact that it consistently came in at #1 from 2006-2016 in the ranking of increasing foodgrains yields—despite being a drought-prone district. From 2011-2017, it ranked #18 in improvement in agricultural district GDP. Recent efforts by the state administration in micro-irrigation and rainwater conservation from 2017 onward also contributed to its rank in this category. "To conserve rainwater, 1,773 ponds were constructed in farms across Chitrakoot in the past three years. This reduced direct dependency on rainwater for irrigation," says Shesh Mani Pandey, Chitrakoot district magistrate.

BEST IN INDUSTRY
GHAZIABAD
P: 4.68 MILLION; A: 1,179 SQ. KM

In SOTS 2016, Ghaziabad district stood #2 in this category. This year, it claims the top spot—ranked #3 in industry-to-GDP ratio and percentage of workers employed and #2 in industry GDP per capita. A rapidly industrialising urban area, Ghaziabad city has experienced a population boom in recent years, and is home to a leading MSME cluster in products like chemicals, mechanical engineering equipment and packaging material. The state government has also planned a new urban development—the Trans Delhi Signature City in Loni, just 2.5 km from the Delhi border. Rajiv Gupta, a senior officer in Udyog Bandhu, describes it as an "integrated industrial township developed over 1,600 acres of land and powered by a captive power plant".

MOST IMPROVED IN INDUSTRY
FIROZABAD
P: 2.49 MILLION; A: 2,407 SQ. KM

In SOTS 2020, Firozabad has emerged as UP's most improved district in terms of industry, mainly because of the strength of its glass sector, with about 400 businesses registered in this district. It ranks #4 in industry GDP per capita, #7 in industry to GDP ratio and #10 in percentage of workers employed in industry. Following the closure of environmentally dangerous factories in the district over the past five years, the administration has started programmes for craftsmen to help regulate the handicrafts industry. "The administration is providing training to the workers of glass industry under the Kaushal Vikas Yojana," says district magistrate Chandra Vijay Singh. Four of the top five districts in this category are from the state's western region.

BEST IN LAW & ORDER
SULTANPUR
P: 3.7 MILLION; A: 4,436 SQ. KM

Sultanpur ranks well in police statistics for checking serious crimes. Though an economically weak district, it ranks among the top 25 in the state in policing four categories—the number of kidnapping and abduction cases as a percentage of total cognisable crimes, murder as a percentage of total cognisable crimes, rape as a percentage of total cognisable crimes and total cognisable crimes per 1,000 people. In this category, three of the top five western districts are from the western region. Sultanpur has shown remarkable improvement in the recent past—to check crime, the district police have put up check posts at 32 points across the district, and have brought in police vans to keep a moving eye on suspected criminals. Shiv Hari Meena, superintendent of police, says, "As a result, in 2020, 19 wanted criminals have already been arrested." Most of Sultanpur's 17 police stations function effectively.

MOST IMPROVED IN LAW & ORDER

AMROHA

P: 1.84 MILLION; A: 2,249 SQ. KM

One of UP's western districts, Amroha tops this category because it has seen the greatest reduction in total cognisable crimes per 1,000 people and rape as a percentage of total cognisable crimes and the fifth highest reduction in murder as a percentage of total cognisable crimes in the state. Much like the office of the superintendent of police (SP) in Sultanpur, the Amroha SP's office also has a strong public grievance redressal system—citizens are sent 'postcards' that can be filled and mailed directly to a senior authority to register complaints against government officers. Vipin Tanda, Amroha's superintendent of police, says: "Citizens can use these postcards to write their complaints to the SP's office. These are then looked into." Complaints from women are handled by the Nari Utthan Kendra, so those facing domestic violence are legally empowered and supported.

BEST IN SERVICES

LUCKNOW

P: 4.58 MILLION A: 2,528 SQ. KM

Retaining its 2016 SOTS rank in services, Lucknow comes in at #1. This is because the state capital ranks #1 in the percentage of workers employed in the service sector and #2 in district GDP ratio and the services GDP per capita. The bureaucracy in Lucknow has also begun setting up welfare services. Abhishek Prakash, district magistrate, has launched an initiative known as '*Prashasan apke dwaar* (Administration at your door)' to improve governance. "Under this initiative, on the second and fourth Saturday of every month, district-level officers visit rural areas to address public grievances," he says. The Lucknow police have also launched 'Operation Lucknow' to cultivate a people-friendly image.

SHEKHAR GHOSH

Mall of India in Noida, Gautam Buddha Nagar

"Many people do not reach out to the police. Under this campaign, police reach out to the public instead, to hear their grievances," says police commissioner Sujit Pandey.

MOST IMPROVED IN SERVICES

SONBHADRA

P: 1.86 MILLION; A: 6,905 SQ. KM

Sonbhadra ranks #1 in most improved district in services for its performance from 2011-2018. The district is ranked #2 in services-to-district GDP ratio, #15 in services GDP per capita and #29 in the percentage of workers employed in the sector. In a rare showing for this analysis, UP's services sector is dominated by districts in the eastern part of the state—all of the top five are from that region. Sonbhadra in particular has also ranked #1 in most improved district in industry. The government had been expanding power distribution in the district's rural areas, which has notably boosted its services sector. Under the Saubhagya Yojana, a total of 181,000 electricity connections have been distributed in the past three years, and under the Ujjwala Yojana, over 87,000 LED bulbs have been distributed to beneficiaries.

BEST IN PROSPERITY

GAUTAM BUDDH NAGAR

P: 1.64 MILLION; A: 1,282 SQ. KM

In SOTS 2016, Gautam Buddh Nagar ranked #1 in four categories, including best overall and best prosperity. Since then, other districts like Varanasi have raced ahead in overall development. Even so, SOTS 2020 finds Gautam Buddh Nagar, which accounts for 25 per cent of the state's total revenues, ranked #1 in prosperity once again. This district attained the #1 rank in two of six critical variables (per capita GVA and bank credit per 1,000 people), rank #2 in population served by fair price shops and rank #3 in the percentage of households earning less than Rs 75,000 per annum. "The district administration has provided favourable facilities to companies working here, which attracts private companies and enhances the prosperity in the district," says B.N. Singh, Gautam Buddh Nagar district magistrate.

MOST IMPROVED IN PROSPERITY

BUDAUN

P: 3.68 MILLION; A: 5,168 SQ. KM

In SOTS 2016, Budaun had ranked #3 in most improved prosperity. In SOTS 2020, it ranks #1. It scores well on several parameters, ranking #3 in most improved district in the percentage of households earning less than 75,000 a year, #8 in the employment rate and #7 in most improved district in terms of per capita spending. The district administration is known for its effective ration distribution—63.6 per cent of the urban population and 73.15 per cent of the rural population in the district receive rations under the National Food Security Act, 2013. Kumar Prashant, the district magistrate of Budaun, says: "Videography is used to confirm every step of food distribution to beneficiaries. Brokers are out of the system." Swami Prasad Maurya, cabinet minister in the state government and minister in-charge of this district, says: "The district administration is providing all the needed facilities to people to enhance the prosperity of the district. I am trying to develop it as one of the model districts of Uttar Pradesh." ■

—With inputs from Ashish Misra

Q+A

A MEDICAL FEAT THAT SAVED INFANT WITH FOUR HOLES IN HEART

The popular Narayana Multi-speciality Hospital, Jaipur was recently once again in the limelight of media and people's attention with a medical feat carried out by Dr C.P. Srivastava, Director & Chief Consultant - Cardiac Surgery alongwith Dr Pradeep Goyal, Clinical Director and HoD Anaesthesia and Critical Care and team, who successfully operated an infant with congenital four holes in heart. Dr Srivastav shares the experience of this complicated surgery with India Today.

■ Why most hospitals do not take up hole in heart cases as in the case of the infant whom you operated recently?

Usually, such cases are only taken up by healthcare institutions such as Narayana Hospital where paediatric cardiac surgery is carried out regularly and complicated cases can be taken up with the support of an experienced team of well-co-ordinated experts, state-of-the-art infrastructure facilities enabling extra precaution in handling such sensitive cases.

This is a critical operation because a hole in the heart ultimately affects the lungs and the affect appears soon in the patients because the fine arteries in the lungs, in medical parlance known as Pulmonary Arterial Hypertension (PAH), undergo change due to extra flow of blood. When the hole is closed it stops blood to flow ahead, otherwise the patient would die on the operation table itself as survival is nil.

■ Could you share about the surgery of the four holes in heart conducted recently on the child?

This one-and-a-half-year- old child who belongs to Hathras, Uttar Pradesh, was reaching that stage where the condition could be inoperable and could die, a fact that was conveyed to the parents after going through the cath data that showed a small hole. The parents who had earlier knocked every door but met with disappointment, on meeting us gave the go ahead and then we operated. The post-operative period also needed critical care and the child was kept under strict monitoring. The child came out of the situation safe after 4-5 days, a period of intense apprehension for us.

In this case, we were caught unawares when we chanced upon two more holes while operating which was not detected in the Echo showing only two holes. Once we saw the situation, which could be fatal for the patient if not operated completely, we went ahead with the surgery of all the four holes in the heart. And to our joy the child recovered.

In such cases early detection and early treatment can reduce discomfiture or else patients could come to the critical stage of no return. Infants with hole in heart, when 6-8 months old, should be operated or it could be too late.

How do you convince the parents of such children to go for such a risky surgery?

Parents come to us only after a thorough verification of your background or track record. Also, when the patient is refused treatment at all other places then the parents come with a mind-set that wherever or whoever offers some hope then they will go ahead reposing complete trust in the doctor. But they do accept the higher risk. Sometimes, we get the desired result and sometimes we don't.

What are the survival chances of patients with hole in heart cases?

If we close the heart holes in the early stages and there is no development of pulmonary artery diseases then mortality is less than one per cent. But if the disease progresses where changes in the lungs occur then the mortality rate maybe upto 20 percent. The recent case where we operated four heart holes falls in this high-risk category because of which many hospitals refused to operate. We also do not like to accept the chances of mortality and work so very hard to save lives. With the advent of new drugs, which are very effective and high-end technologies, the success rate is very high ensuring negligible loss of life.

How big was the team handling the case of the child operated for four holes in heart?

The entire team consisted of 25-30 members. In such operation, we shut the heart-beat of the child taking the circulation on the heart-lung machine and only then open the heart for the surgery. A surgery of a normal hole in the heart takes about half-an-hour so in this case to do the actual operation it took nearly two hours, otherwise from shifting to shifting it takes nearly 4 hours. In total it took us about 5 hours to carry out this operation with meticulous precision.

Considering the Covid-19 pandemic what were the extra precautions taken by you?

As it was a very risky case, we had all the mandatory protective covering that included the PPE equipment, double masking, double gloves, etc. Most importantly, we got the Covid-19 test of the infant and its mother done to rule out any chances of infection, because the child is in close contact of the mother. If there is Covid infection in cardiac surgery the mortality rate is 100 per cent.

What are the risks of delayed detection and chances of survival?

Four to five per 10,000 children have this congenital problem of hole in heart. But the survival rate depends on several factors such as the size of the hole. If it is very small children survive and then the symptoms of pulmonary vascular diseases emerge gradually with time, but if the hole is big then the chances of mortality is very high and we do not operate. About 25 percent of children die by the time they turn one. Very small holes at times remain undetected and when the children grow to reach 25-30 years of age, then in that condition they become inoperable. So close monitoring is necessary and at times people think it is only a small hole which can be operated later on, but then it affects the lungs and becomes so severe that it is inoperable. We can mend the holes but the lungs become completely diseased. We call it the Eisenmenger situation. Ultimately, the only option left is to go for heart and lung transplant.

Affordability is a big challenge for the poor. What financial relief can they get?

Firstly, parents should not ignore hole in heart. Another important fact is that those who cannot afford such treatment mostly lead to delays and in worse condition death of the patient, which could be avoided. Narayana Group of Hospitals and other such reputed healthcare institutions have tie-ups with several philanthropic societies, who help in bearing the costs for operations of such children. Some support part of the expense and some full, depending on the financial situation of the parent. Over and above, Narayana Hospital also offers subsidised rates as our intention is that whoever comes to us for treatment goes back treated.

What do such milestones mean to you?

The best feeling is when the patient goes out of the hospital cured. It gives immense satisfaction that the operation went off successfully and a life is ready to bloom. When a patient comes to us happy that is the best feeling we derive, the ultimate joy. The renowned cardiac surgeon, Dr Devi Shetty, Founder and Chairman of Narayana Hospitals always encourages us to take up challenging cases. He congratulated the entire team for this rare medical success.

MANDAR DEODHAR

Mohammad Asif Altaf Shaikh, a dressman on Bollywood shoots, in his shop in Andheri. During the lockdown, he has been stitching clothes whenever he gets orders and also selling packed snacks to eke out a living

CINEMA

A LENGTHY INTERMISSION

Even as the film industry takes tentative steps to get the show on the road again, too many behind-the-scenes personnel find themselves cast adrift

BY SUHANI SINGH

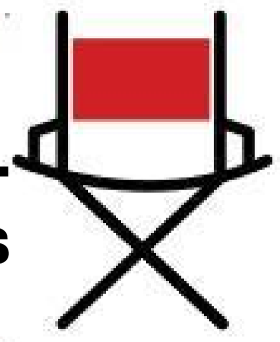
He misses the chaos of a film shoot and removing the creases from the clothes of Bollywood stars. A dressman by profession, Mohammad Asif Altaf Shaikh, 35, has worked on films such as *Go Goa Gone* and *Fukrey Returns*. One 12-hour shift would fetch him Rs 3,000; the thrill of working in Bollywood, though, was priceless. Today, however, he has had to turn to a few stylists to ask for monetary help, but they don't take his calls. With negligible savings, the father of three has begun tailoring from home and selling packed snacks. "When there's no work, you have to do something to run the house," he says.

The Indian entertainment industry seems to be in the middle of one long intermission. Losses have run into thousands of crores, but the worst hit seem to be the daily wage-earners who rely on film shoots to make a living. Film and television shoots have resumed in parts of the country under Unlock 2.0 but under the shadow of standard operating procedures laid down by the various state governments (see *Shooting by the Covid Rulebook*). Things will certainly not be the same as before corona and Shaikh is not alone in his worry that work will be hard to come by. "We are

Shooting by the Covid Rulebook

Shoots to resume with 33% of the original crew strength

The standard director's chair to make way for easy-to-disinfect plastic variants



Each film crew to include an ambulance driver, a doctor and a nurse

Each set needs to have a pulse oximeter

No pregnant women to be permitted on set

Neither fiction nor non-fiction shows to have audience participation

Casting ideally to be done through digital platforms like Zoom, Skype, FaceTime

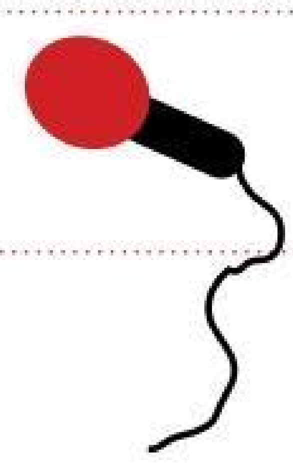
No elaborate sequences, like marriages, markets or big fights to be shot until Covid is contained

Junior artistes to be avoided or reduced in number in scenes

All hairstylists and/ or make-up artistes to wear a face shield

No children below 10 years allowed on sets, and only one person to accompany children participating in reality TV shows

Mics to be labelled with names of actors



Illustrations by RAJ VERMA

Velu Vazhayur, an associate art director in Malayalam films, is without work for the first time in his 17-year career

AGHIN KOMACHI

ready to work, but will the artists be ready?" he asks. "I see this continuing for the rest of the year."

With Mumbai being among the epicentres of COVID-19, the film industry is understandably reluctant to return to work. Madhuri Dixit-Nene, who was set to begin a Netflix series with Dharmatic Entertainment, the digital focused arm of Karan Johar's Dharma Productions, is eager to get back to work, but only after "all precautions" are in place. "There should be a plan for how we are going to shoot without endangering anybody's life," she says. "How is a dining table scene that requires actors to be in close proximity going to be shot?"

Things are no better for the regional film industry. Kubera Shreshthi, nicknamed Kumara, was an assistant to Kannada actors such as Pranita Subhash (*Leader*), Devaraj (*Santhu Straight Forward* and *Karva*) and Kirti Kharbanda (*Masthigudi*). Before the lockdown, he was busy doing 12-hour shifts and earning a minimum of Rs 20,000 per month. Now, the 31-year-old resident of Laggere, Bengaluru, has had to rely on loans from friends and family and ration kits supplied by the industry to survive the Covid lockdown. Debt, too, is mounting. "No film producer will pay me the same wages as before Covid," he says. "I will be happy if I make even Rs 400 per day. Even then, I will not be able to clear my debt for a year at least. If the film industry doesn't stabilise, I might have to find a job in Hubballi or Belagavi and return only when things get better."

In Kerala, Velu Vazhayur, an associate art director in over 70 Malayalam films, including Mohanlal-starrers such as *Odiyan* and *Rasathanthram*, found himself without work for the first time in his 17-year career. "It is unbearable. I have no idea when I can start working again," he says. He would earn Rs 15,000 for a 15-hour shift. But all shooting in Kerala was suspended from

SUBIR HALDER

Once wielding the camera on sets of television serials, Kolkata-based cameraman Trinath Das is now reduced to setting up a vegetable cart daily; (inset) Das on the camera

Make-up artist and hair stylist Kritika Gill's last assignment was on March 14, when she accompanied Karisma Kapoor for the promotion of the AltBalaji web show *Mentalhood*

March 11 till May 25. The 47-year-old has survived the lockdown on free ration and food kits provided by the state government and an aid of Rs 7,500 from the Film Employees Federation of Kerala (FEFKA). "It's not enough to meet our daily expenses," says Vazhayur, who has his wife and nine-year-old daughter to support.

Yet, filmmakers are adapting to shooting in the time of COVID-19. Ram Madhvani, whose web show, *Aarya*, debuted on Disney+ Hotstar, had the show's actors dub their lines at home and share the files. Directors are resigned to working with a smaller crew. Tamil filmmaker Mani Ratnam, at a recent webinar, compared the current scenario to a Wimbledon final interrupted by rain. "The roof closes and the players come back later, but their rhythm has changed.... Yet the game goes on." Wimbledon 2020 stands cancelled, but the Indian film industry cannot afford the luxury. Ratnam has war sequences to shoot for his historical drama, *Ponniyin Selvan*. "I need a crowd," he said. "I don't know how I will do it, but I will manage." He, like S.S. Rajamouli, will have to wait as both Chennai and Hyderabad are still grappling with the virus.

Unlike films, shooting for television serials has resumed in bits and pieces, and amid strict rules. The damage, though, is already done. According to a press release sent out after a meeting late in May between Chief Minister Uddhav Thackeray and the film bodies in Maharashtra, home to Hindi and Marathi cinema, the television industry as well as offices of OTT platforms, shooting activities of around 120 serials, including 70 Hindi, 40 Marathi and 10 streaming shows, stopped midway due to Covid, affecting the livelihoods of around 300,000 workers and technicians. The cumulative loss is estimated to be nearly Rs 3,000 crore. The Indian Motion Picture Producers' Association (IMPPA) has requested that no rentals be charged for the lockdown months (March to June) for sets already erected in Film City and that rates be subsidised once shoots resume.

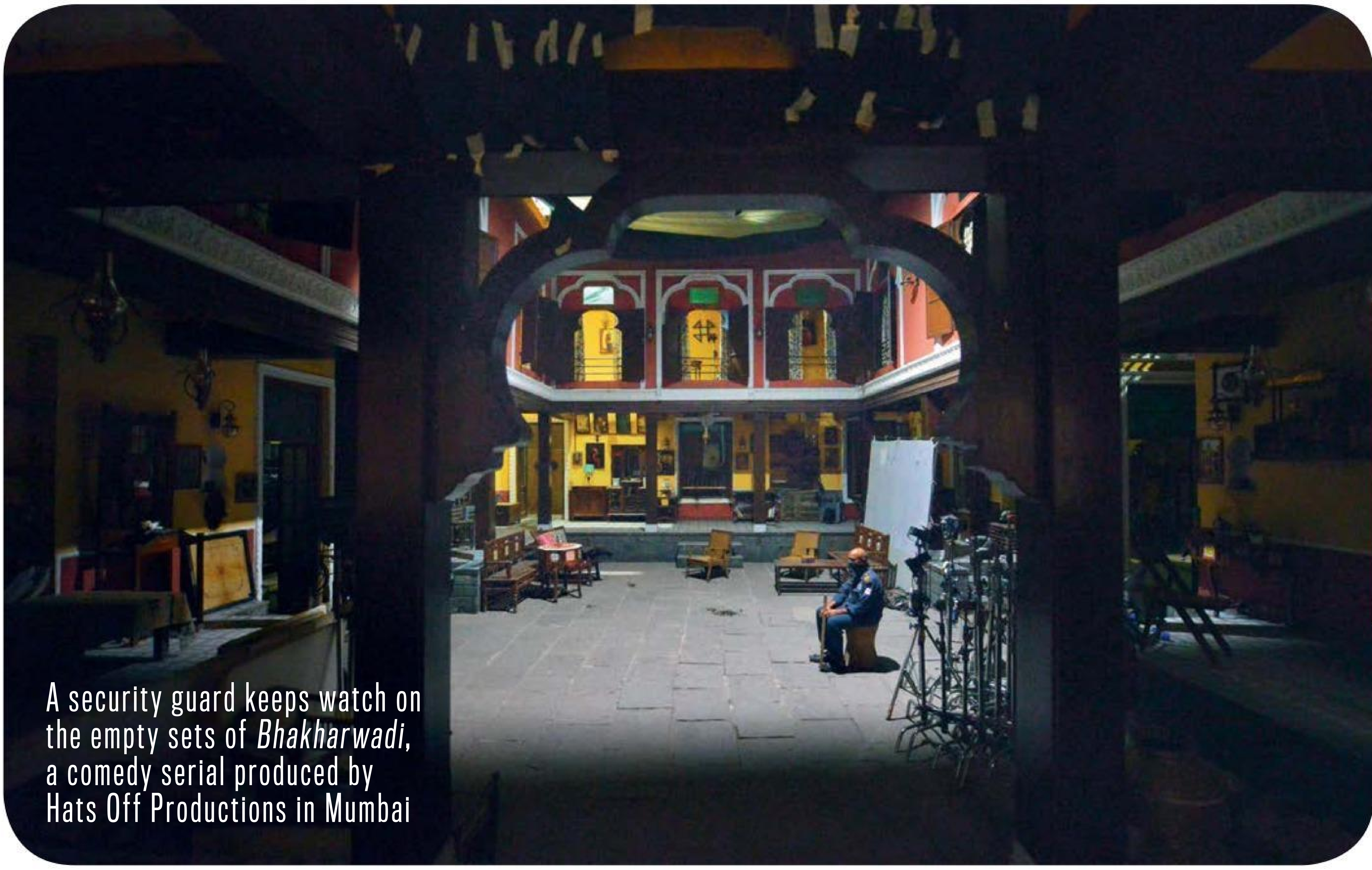
"There should be a plan for how we are going to **shoot without endangering anybody's life**"

–Madhuri Dixit-Nene, Actor

Entertainment channels have lost both ad revenue and audience to OTT platforms. Some have had to abruptly terminate shows. While Sony TV pulled the plug on popular prime time shows *Beyhadh 2*, *Patiala Babes* and *Ishaaron Ishaaron Mein* for lack of resources to continue the shoots, Colors TV terminated its social drama *Vidya*. "The story of *Vidya* is incomplete...the show was affected by corona. It's a COVID-19 death. There is no other reason for its premature demise," producer Mahesh Pandey wrote in a post on Instagram.

The shutdown has even claimed lives, though it was Sushant Singh Rajput's suicide that became the talking point. TV actors Manmeet Grewal, 32, and Preksha

MANDAR DEODHAR



A security guard keeps watch on the empty sets of *Bhakharwadi*, a comedy serial produced by Hats Off Productions in Mumbai

Mehta, 25, committed suicide in May and June, respectively, apparently over financial constraints and career woes. It prompted the Mumbai TV fraternity to call out the delay in payments. The Federation of Western India Cine Employees (FWICE), with more than 500,000 members in Maharashtra, and the Indian Film and TV Producers' Council (IFTPC) reached an agreement on June 24 to reduce the period of credit clearance from 90 days to 30 days.

Corona safety measures will lower output and make shooting challenging, says J.D. Majethia, TV producer and chairman of the TV and web wing of the IFTPC. Majethia, whose Hats Off Productions had the comedy *Bhakharwadi* on air, has experienced huge losses during the period. "We could have cancelled [*Bhakharwadi*] and started a new one after three months," he says. "But more than a business, it is about having a bond. Our production controller and many in the team have been with us for 18 years. We have to stand by our people." The lights are back on the sets of *Bhakharwadi* in Mira Road, but Majethia will first create a bank of episodes before going on air.

Not everyone, though, is as lucky. Independent professionals hired on an assignment basis are finding it particularly tough to navigate the Covid upheaval. Till three months ago, Kolkata-based Trinath Das was a cameraman for reality TV shows such as *Sa Re Ga Ma Pa* and *Dance Bangla Dance*, earning Rs 1,500-2,000 for a day's work. These days, you will find him getting up early to sell vegetables to feed his own family, which includes his eight-year-old son Abir. The 41-year-old has already sold his two cameras—a Z-70 (Sony) and NX 100—to settle a debt and meet medical expenses for his heart ailment. Das doesn't know when he can get back to doing what he knows best.

"It's like a Wimbledon final interrupted by rain. The roof closes and players come back, **but the rhythm has changed...yet the game goes on**"

—Mani Ratnam, Director

Others have managed to survive so far. Mumbai-based make-up artist and hairstylist Kritika Gill's last assignment was on March 14, when she accompanied Karisma Kapoor for the promotion of AltBalaji's web series *Mentalhood*. Gill, 31, hasn't had to dip into her savings yet, living off earnings from assignments done before the lockdown. Having worked with actors such as Kareena Kapoor-Khan, Alia Bhatt and Frieda Pinto, Gill already observed a lot of hygiene practices like cleaning brushes, now mandatory as per government guidelines. Now she is ready to don masks, face shields and gloves too. "It will be weird, but it will be fine," she says. "All of us want to get back to work." ■

—With Aravind Gowda, Jeemon Jacob and Romita Datta

MAHARASHTRA
Maharashtra Pollution Control Board
महाराष्ट्र प्रदूषण नियंत्रण मंडळ

An IMPACT Feature

MAHA TOPS IN PCB TEST

MPCB RANKS FIRST IN POLLUTION CONTROL IN INDIA

Maharashtra ranks number one in India, following a Pan India audit undertaken on parameters of pollution control measures, as adjudged by the Central Pollution Control Board (CPCB). We spoke to Maharashtra's young and dynamic Environment Minister, ***Aditya Thackeray*** *on this major achievement…*

Q So how did this top ranking come about? What preparations went into achieving this result?

Well, the result is the outcome of the Pan India performance audit carried out by the CPCB that has ranked Maharashtra as having the best state pollution control board in India. Comprehensive preparation and execution were the key. A comprehensive short and long term action plan for air quality improvement in 18 cities in Maharashtra, that were cited by the National Green Tribunal (NGT) for example, was one of the main areas we focused on.

After the CPCB approved our action plan for 17 cities (and recommended a distinct roadmap for Thane city) vigorous implementation was then ensured. A steering committee helmed by Chief Secretary, Ajoy Mehta, an air quality monitoring group headed by the Principal Secretary for environment and the third, a city-level implementation committee led by the district collector/municipal corporation commissioner/chief, were tasked with stringently keeping to the prescribed course. The results are there for all to see as our efforts to curb pollution were ratified by the CPCB that gave us top marks for work done in this regard.

Q How has Maharashtra fared on monitoring air quality?

MPCB monitors ambient air quality manually under the National Ambient Air Quality Monitoring Programme (NAAQMP) across 78 locations as well as 3 select locations under the state level ambient air quality plan. In addition to the above, the board established a network of continuous ambient air quality monitoring stations

SHRI ADITYA THACKERAY,
Hon. Minister for Enviornment, Tourism & Protocol, Maharashtra

at 23 locations across the state with the data transferred online to the National Air Quality Index Service (NAQIS) set up by the CPCB at New Delhi. A further 40 NAAQMP stations and 130 manual stations in every districts of the state are now proposed to strengthen the existing network. Work is at the tendering phase now.

Q What about industrial pollution and the monitoring of the same?

The CPCB, Delhi, declared 94 industry clusters in India, including five in Maharashtra, as critically polluted areas. We therefore focused our efforts on Chandrapur, Dombivali, Tarapur, Navi Mumbai and Aurangabad and have in place short term and long term action plans to bring these polluted areas under active control to curb pollution levels.

Maharashtra has introduced a star rating program to monitor industrial zones on the basis of how they control particulate matter emissions (PME). A new feature added to this star rating website is the city rating segment, based on PME concentration levels.

Citizens of Maharashtra can now see both the ambient air quality as well as the status of industrial emissions in their respective cities by a simple click of the mouse on one single online platform.

Q How will we tackle transport oriented pollution in the State?

MPCB will roll out a Commuter Choice Program (CCP) under the National Clean Air Programme (NCAP) with the pilot project being implemented at BKC and Lower Parel areas in Mumbai.

The state board held a multi-stakeholder meeting on February 28, 2020 to discuss effective measures to mitigate urban pollution caused by transportation. A one day conference on eco-friendly mobility for cleaner air was organised on June 15, 2019 where aspects of urban mobility that need a rethink were identified with the aim to promote pollution free transport.

Q What was the impact of the COVID-19 led Lock-down on air quality standards recorded in Maharashtra? What about Bio waste generated by the contagion?

Real time data available at NAAQMP stations for the month of March 2020 that have been analysed for AQI and a before-and-after comparison of data from the time of enforcement of the lockdown, when restrictions were placed on travel, non-essential activities were shutdown (including air polluting industry) and construction activities, reveal that air quality has remarkably improved.

Particularly, the re-suspension of road dust and PME reduced considerably. This data record of the lockdown period will be very useful to the board for further analysis and implementation of action plans in the 18 non attainment cities for which the roadmap has already been prepared. The long term schedule for cities, in consultation with local self bodies is also a work in progress, at various stages of implementation. We have prepared and published guidelines for collection, transportation and disposal of suspected COVID-19 waste for various types of establishments and the public too.

Twenty nine common treatment facilities for such biomedical waste from hospitals, containment zones and quarantine residences were created. In the month of April 2020, 208.70 metric tonne of covid-19 bio medical waste was collected, while the figure more than doubled in May 2020 to 430 metric tonne of such waste, that was collected safely.

Q What has been the role of technology in efforts to reduce pollution in the state?

The MPCB undertook a pilot project to monitor ambient air quality to understand the dispersion pattern as also three-dimensional air quality at various height levels using unmanned aerial vehicles (UAVs) in Mumbai city at select locations. Similarly we are using the SODAR system to study the influence of weather parameters like wind speeds, direction, temperature and also mixing height which is important to understand the dispertion of populants and impact of air pollution in a particular area, local level atmospheric disturbances and dispersion of air that can now be predicted by using the SODAR system. The state pollution control board issued work order for the installation of SODAR system at Mumbai. This is one of the best remote sensing technologies available that provides constant real time data on air pollution levels, meteorological parameters such as mixing height and inversion height and atmospheric boundary layer readings.

Q Any specific efforts being taken to control industrial pollution in Maharashtra?

The power sector, one of the major contributors of pollution, has been issued directions in Maharashtra to upgrade pollution control systems within a fixed time frame for which the deadline is fixed at March 2022.

Q How is the cleanliness of rivers being ensured?

There are 53 polluted river stretches identified in Maharashtra on the basis of water quality data. We have constituted the River Rejuvenation Committee (RRC) and prepared action plans that are being implemented. This is an active work in progress as we speak. Similarly, we have emphasized the use of common effluent treatment plants (CETPs) that will not only will help industry to control pollution but also ensure a clean environment to the benefit of society at large. There are 26 such CETP plants operating in Maharashtra at this moment.

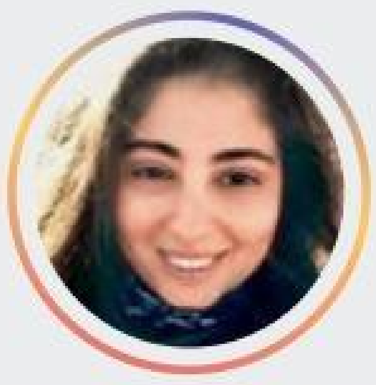
Q What is the status of the plastic ban that has was notified in Maharashtra?

Regular inspections were carried out in local self body regions as well as by the Maharashtra pollution control board to regulate the plastic ban in industry as well right up to May 2020. Rs. 6.5 crore in fines were collected and the total quantity of banned plastic items seized stands at 1422 metric tonne. There were 405 industrial units issued directions of closure for non compliance with the government notification. Similarly, 62 plastic waste recyclers (plants) with a capacity of 2,17,620 TPA have been registered with the MPCB and the quantity of recycled plastic waste for the year 2017-18 and 2018-19 were 8853 and 27560 MT respectively.

Also, 656 tonne of plastic waste was funneled in the production of waste to oil by plastic recyclers in the fiscal year 2018-19. We are also using this plastic waste as construction material to build state highways, roadways in districts and other construction projects.

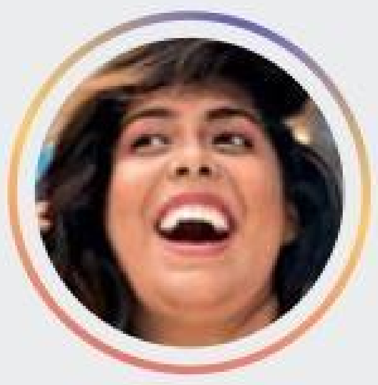
TIME RUNS OUT FOR TIKTOK PG 91

Q&A WITH VIKAS KHANNA PG 92



Roxanne Bamboat
Food and travel influencer

Following | Message | Email

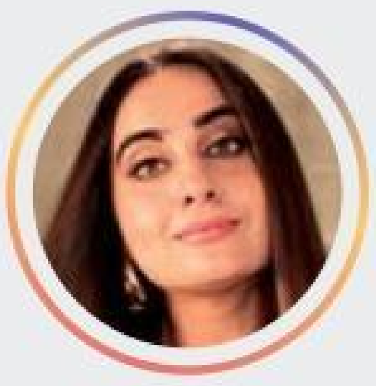


Shreeya Khade
Plus size model

Following | Message | Email

Karuna Ezara Parikh
Writer

Following | Message | Email



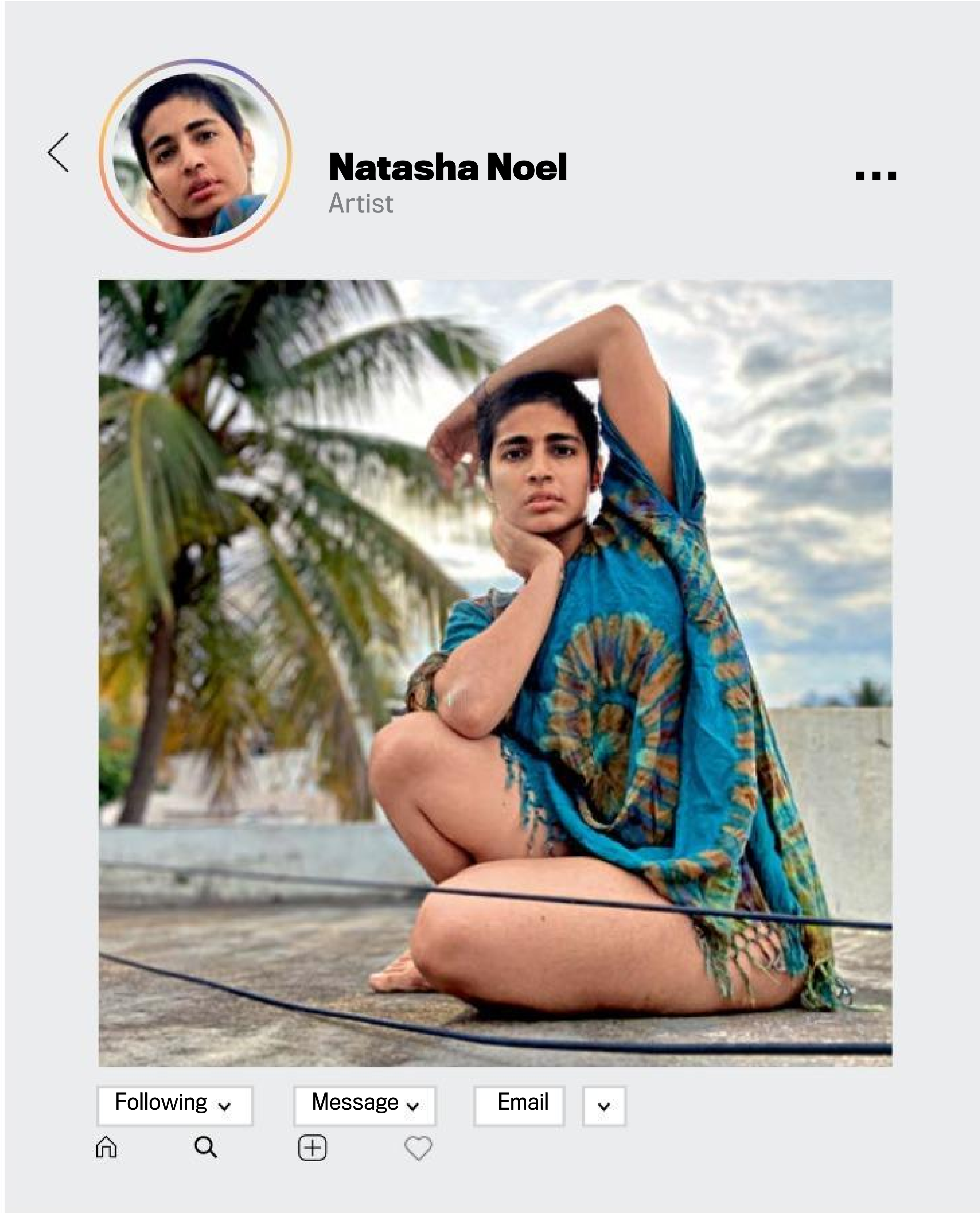
Kusha Kapila
Digital creator

Following | Message | Email

SOCIAL MEDIA

UNDER CORONA'S INFLUENCE

As brands tighten budgets, social media influencers are reinventing themselves



For the first few weeks of the COVID-19 lockdown, Karuna Ezara Parikh barely posted anything on her Instagram account. She didn't feel like creating content about things that did not resonate with her. But then she started writing about poetry and books. "With the news reaching a fresh heaving pitch of insanity, death count and injustice recently, I felt the need to jump into something otherworldly," she posted one day to her 75,000 followers. The text accompanied a photograph of her collector's set of *The Lord of the Rings*. "We may not roam with elves and dwarves, but we do know a thing or two about fighting doom," the caption read.

Parikh is a writer who posts about poetry, literature and activism. She is also an influencer. This means she endorses brands on social media; in her case, sustainable and homegrown. But now, the collaborations have slumped: "I have taken this moment to reassess the influencing industry. It is based on consumerism and shallow practices. I want to look deeper."

Used to drawing likes and hits in the thousands, Indian influencers like Parikh have all been forced to change their goal posts and adapt to the new world order. As investments in products have plummeted, their work too has dried up. If work comes at all, rates are lower than usual. Like many professionals, they too have had to reinvent themselves.

At the beginning of the lockdown, Roxanne Bamboat, 34, observed the panic and fear trickle from real life into social media feeds. Where to buy vegetables and fruits? How to access groceries? Bamboat, a food and travel influencer, thought it callous to post food and travel pictures on Instagram, where she has about 12,000 followers. "Putting up throwbacks seemed too insensitive. Travel is literally the last thing on anyone's mind right now," says Bamboat. And with no travel on the anvil, Bamboat's work has come to a grinding halt. Food collaborations are still happening, she says, but not as frequently as before. These days, she has been posting recipes and photos of food she prepares at home.

Influencing as a viable and sustained profession has only recently entered our new-age lexicon. The term was unheard of until Instagram launched in India. If it was heard, it was something that people in the United States did. Like everything else, the trend swam across from American shores and made it to India. Many of today's influencers trace their roots to blogging, but as they took to social media, platforms like Instagram and Facebook were also becoming more shopping-friendly. Companies and brands found in the popularity of some social media accounts a ready stage on which to market their products. Influencers are now not just messengers. They are also helping design advertising campaigns for food, fashion, make-up, travel and so on.

Natasha Noel, 27, a fitness influencer with 250,000 followers on Instagram and 500,000 on YouTube, does campaigns for sportswear, athleisure, electronics and health food. Though the brands she's already associated with are still around, newer collaborations have been far fewer

Collaborations with fashion and luxury brands have shrunk, but those with utilitarian ones have gone up during the lockdown

since the pandemic. Earlier, she would get offers for at least one every week; now she gets one a month. “I teach yoga, so am grateful that I have other means of income. I have also started doing virtual classes and I now have students from as far as the US, Netherlands, Australia,” she says.

Shreeya Khade, 28, a plus size model, says she is picky about who she works with. So far, she has collaborated with Humans of Bombay, We Were Equal and Shein, among others. “The brand has to do some kind of activism in women’s empowerment, feminism or mental health,” she says. But since the lockdown, no such work has come her way. “Brands that talk about all these important things should, in fact, be investing now more than ever,” she says. In the absence of those, she has taken it upon herself to host live chats with people on mental health.

If collaborations with fashion and luxury brands have shrunk, those with utilitarian ones such as food items, FMCG and women’s products are having their moment. “I have experienced 10-20 per cent income cuts overall. But utility-based collaborations have increased,” says Kusha Kapila, a comedian who calls herself a creator, not an influencer. She has 1.1 million followers on Instagram. She has worked every single day of the lockdown for brands such as Netflix, Amazon Prime, Ola and Slice. Given the situation at hand, she has laid out strict boundaries about what she will and will not promote during the pandemic: “I am not going to do anything that is insensitive. I won’t promote a mask company, for instance, and if I do, I will not take money for it.”

This year was supposed to be yielding in terms of opportunities, says Kapila, but things have completely changed now. She hasn’t been doing any shows. She has been shooting alone at home. “I have no complaints, though. This is the least that creators can do. If we have a home to shoot in, we are privileged.” ■

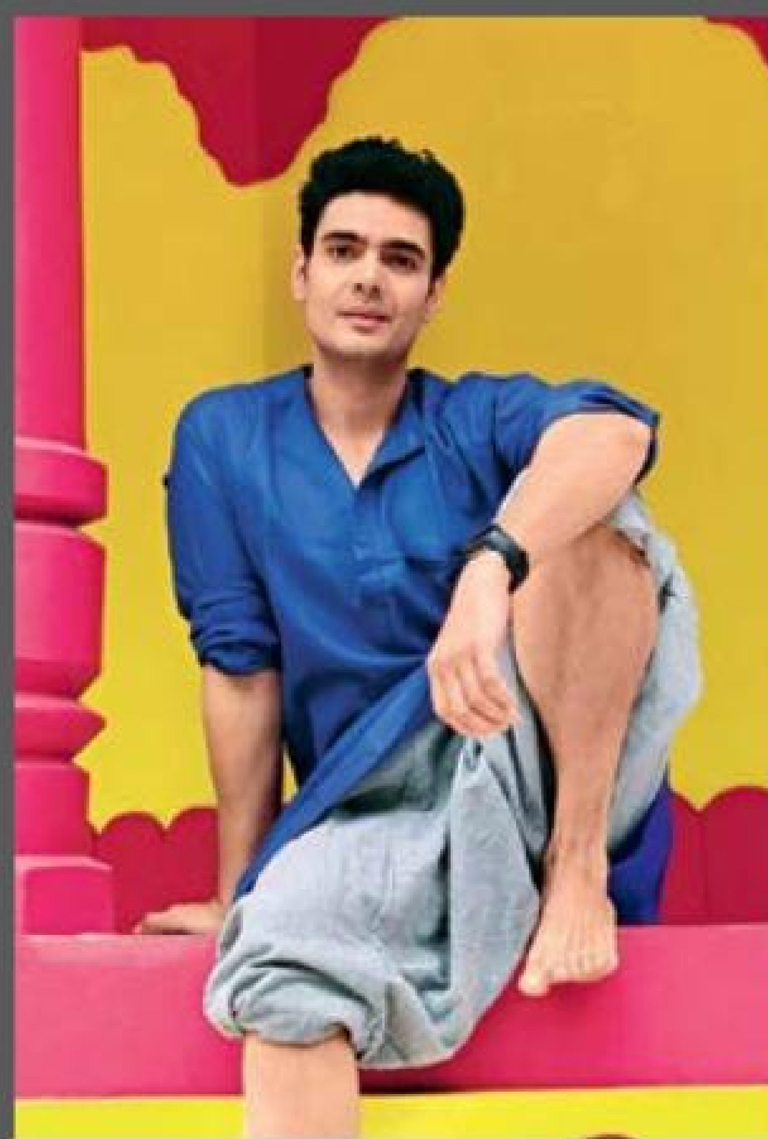
–Sukhada Tatke

SOCIAL MEDIA

Time Runs Out for TikTok

India bans TikTok, but for some influencers, the platform was home

PARAS TOMAR



DIMPLE MANGAL

SHIVANI KAPILA

Minutes after India announced a ban on 59 Chinese apps, Paras Tomar put out a succinct video on TikTok. “Follow me on Instagram,” the model and actor urged his 3.3 million followers.

Tomar was one of the first users of TikTok in India, an “incubated creative”, he says. If he posted a video on Instagram, he got maybe 30,000 likes. But on TikTok, the same video got up to 400,000 likes. TikTok catapulted his popularity to such a stratospheric level that he rode on its wave to launch a skincare brand. “The sales were massive,” he says. Additionally, brands approached him frequently for collaborations.

So, what now? “The TikTok ban is likely to affect a lot of businesses,” says Tomar, whose screen age is 24. “We were just closing in on some deals when it was announced. But it’s a good decision. As creators, we make Rs 150,000 to 200,000 a month. That’s nothing compared to what China makes from TikTok.” Despite his Imploring, he doesn’t expect his fan base to migrate to Instagram. “It’s a different demographic.”

TikTok has been most popular among people from Tier II and III cities. Until the ban, India accounted for 350-400 million active users; it had been downloaded 600 million times. The app made celebrities of hitherto unknown people from far-flung corners of the country. Stars were born from their sheer ability to entertain.

“It was very easy to grow if you posted consistently. Like you could easily hit 500,000 to a million followers,” says Dimple Mangal, a 22-year-old health and fitness influencer. Even though she wasn’t a fan of the platform, Mangal concedes the reach was unparalleled. It helped increase her follower count on Instagram and YouTube, her mainstays. “The ban doesn’t affect me much because it wasn’t my main platform,” adds Mangal, who believes her following of 90,000 on TikTok was always “small”.

For some influencers, life without it is unimaginable. “I was born on TikTok,” says Shivani Kapila, who had 10.5 million followers, and did collaborations with popular brands like Myntra, Lifestyle, Dettol, Pepsi, Fanta. Kapila downloaded TikTok in 2019 on a whim. She liked its ease. Suddenly, her videos started going viral. She left her HR job to focus full time on TikTok, unaware of the windfall it could yield. Her mother-in-law featured in many of her videos; when she went out, strangers recognised her. “We are not like the typical *saas-bahu*. Thanks to TikTok, we are friends,” she says. “I could never have imagined I would one day become a star. I can’t believe it. I’m in this dreamland.” Sadly, the ban’s cut her stay short. ■ **–Sukhada Tatke**

Q+A

Feeling the Hunger

Vikas Khanna's #FoodIndia drive has delivered over 17 million meals to Indians on the brink of starvation. Coordinating efforts from his New York home, the chef says he's just getting started

YASIR IQBAL

Q. This pandemic has made many of us put ourselves first. What made you want to feed the hungry?
I did it for my mother. She told me this is the time to feed my country. When I told her I can't do it from New York, she asked, "What do all your PhDs and training amount to? Taking a selfie at home?" That hurt a little, but as a result, our operations are delivering food in 125 Indian cities today.

Q. When you read reports of distress coming out of India, do you fear your efforts may not be enough?
We fail every day and at a very large scale at that, but every day we reboot. It is not like running a restaurant, because restaurants don't have to face the problem of godowns being locked in red zones.

Q. During a recent BBC interview, you clarified your experience of hunger comes from New York, not India. You have lived in the West. You won a Michelin star. Have you always had to fight stereotyping?
Of course! In 2008, I sold everything in the US to go study in France. In Paris they said, "When this brown sh*t cooks, we cannot eat it." I couldn't touch a pan because of my skin colour. Chefs would spit in my coffee. In the end, though, I am perhaps the only civilian ever to refuse to stand in a queue to meet the Queen. She came to my table. They called it arrogance, but I call it pride.

Q. The plight of widows in Varanasi is well-known. Your first film, *The Last Color* (2019), is about one such woman. Do you think Varanasi and the nation have both let these widows down?
I wanted to pull problems out from under the carpet in the hope we might find a solution. The film will be releasing on a platform soon. You'll see the pain of these widows but also their small pleasures.
—with Shreevatsa Nevatia