

## Ruling the charts

AI is fuelling Nvidia's rise

The evolution of Nvidia from game-chip designer to the world's most valuable company is not accidental. It is directly connected to its expertise in designing semiconductors that are good at intensive number-crunching. The timeline is straightforward. ChatGPT was publicly released in November 2022, sparking a frenzy of artificial intelligence (AI) development. In 2023, Nvidia more than doubled revenues to \$60.9 billion as its chips became the hottest commodity in the world. Nvidia's net profits expanded six times to \$29.7 billion. The company's market capitalisation crossed \$1 trillion for the first time in May 2023 and it has tripled in the next 13 months. Nvidia is unusual in that it is a chip-maker that doesn't make chips. It designs specialised semiconductors, which are manufactured to specification by contract fabricators. It is even open to having its chips manufactured by foundries owned by rivals like Intel.

Nvidia's initial focus was the gaming market and it remains the dominant player with around an 80 per cent market share in gaming. Gaming created a demand for co-processors (also called graphics processing units or GPUs) to handle complex calculations for image-rendering, while leaving the central processing unit (CPU) free to handle less calculation-heavy tasks. AI requires similar but even more intensive processing by GPUs and Nvidia's expertise has helped it become a leader in AI. Apart from expertise in chip design, the company has unusual characteristics in terms of corporate culture. It has a small workforce for a trillion-dollar corporation with fewer than 30,000 employees. Among other trillion-dollar concerns, Microsoft has more than 220,000 employees, while Apple has a headcount of over 160,000 and Google more than 180,000.

Its name derives from wordplay on "Next Version" and "Invidia", which is the Latin word for envy. For many years, internal messaging from its President and Chief Executive Officer, Jensen Huang, always started with a warning: "Our company is thirty days from going out of business." This was actually the case in 1997, when Nvidia was on the brink of folding up. The messaging embodies the sense of frenetic desperation that continues to drive Nvidia. It is now involved in a number of partnerships for research and deployment, including many partnerships in India, notably with Tata and Reliance Groups, as well as several of the Indian Institutes of Technology.

The US has blocked the export of certain Nvidia chips to China because of possible military applications. Some of its top-end GPUs, costing \$100,000-plus, are in such short supply that they are delivered under armed guards, and can be resold at significant premiums. The company has also been criticised by Linux developers (including Linus Torvalds) and by the gamer community for not open-sourcing drivers — the codes that run its chips. This makes it hard for developers and game designers to optimise Nvidia performance. However, Nvidia has bowed to community and peer pressure and started to open-source because its rivals Intel and AMD do so. Management theorists might cite one significant concern. Nvidia has risen to monopoly status, which is why it is valued so highly. It is such a critical component of the AI supply chain that a slight blip in its performance could derail the entire industry. Until such time as its rivals develop credible competencies, this would remain cause for worry.

## Demanding questions

All India exam protocols need a rethink

Controversies over the National Eligibility Cum Entrance Test (NEET) and the University Grants Commission-National Eligibility Test (UGC-NET) focus the spotlight squarely on the capabilities of the National Testing Agency (NTA) to conduct such nation-wide examinations for admission to institutes of higher education. The NTA was set up in 2017 as an autonomous institution to create a scientific exam system on a par with global standards, superseding bodies such as the All India Council of Technical Education and the Central Board of Secondary Education and colleges and institutions that conducted these exams before. It is one of the world's largest competitive testing agencies, conducting, among others, such exams as the Joint Entrance Exam for engineering colleges, the Common Management Admission Test and so on. Ironically, the NTA appears to be facing the same problems that it was set up to counter — of questionable practices in conducting exams by a myriad of institutions.

Problems have been showing up in piecemeal fashion since the NTA started functioning in 2018, such as substitute candidates appearing to write an exam (and topping it), incorrect scores, papers distributed in the wrong medium, and so on. Many of these problems converged on the current controversy over the NEET, for admission to undergraduate medical, dental, Ayurveda, and other courses, and the matter has reached the Supreme Court. Among the complaints were irregularities and discrepancies in the results, which were declared on June 4, the same day as the results of the Lok Sabha elections. Chief among them was the unusually high number of perfect scores, many of them reportedly from students in one centre in Haryana. Additionally, it emerged several students were granted "grace marks" for candidates facing paper-related issues, raising questions of transparency. There were also allegations of paper leaks in Bihar and Godhra (Gujarat). The Union government has since rescinded the grace marks and ordered a re-examination later this month. The latest UGC-NET, for entry-level teaching jobs and admission to PhD programmes, was cancelled by the Ministry of Education following reports from the Ministry of Home Affairs that the integrity of the exam might have been compromised. Interestingly, both allegations of paper leaks have emerged just months after Parliament passed a law to curb this India-wide menace.

The NTA's shortcomings are one aspect of the problem. But the current controversies also point to larger questions about the structure of the education system. The immediate one is whether centralising exams, involving enormous numbers spread across wide geographies, is a practical option. For instance, some 2.4 million students sat for the NEET and 900,000 for the UGC-NET in over 300 cities. The broader problem lies in the shortcomings of India's schooling system and the inadequate number of quality institutes of higher education. Students sitting for the NEET compete for 109,000 MBBS seats, for example. As a result, middle-class and lower-middle-class parents tend to invest their life savings on enrolling their children in expensive coaching classes to crack these exams. The high number of suicides by students who fail to make the cut is a direct result of these pressures. All told, the stakes for Indian students are unconsciously high. At the very least, the NTA urgently needs to address its own inefficiencies so as not to add to them.

# Agenda for regulatory reform

Improving the governance of omnipotent regulators who currently dominate the economy and the lives of Indian citizens should be at the top of the new government's priorities

ILLUSTRATION: BINAY SINHA



Regulation impacts our lives much more than we realise. From the coffee we have at breakfast, the e-platform-based taxi we use to go out, the e-payment we make for that journey, and our medicines and nutritional supplements — all these activities take place in regulated markets. The performance and soundness of each of these sectors is undergirded by the level of state capability of one or more regulators.

Today, there are over 20 Statutory Regulatory Authorities (SRAs) at the Union level, spanning sectors such as finance, telecommunications, electricity, water, food safety, competition, warehousing, airports, major ports, insolvency, medical professionals, dentists, nurses, auditors, and valuers, among others. Many SRAs also operate at the state level. Collectively, these directly regulate over 75 per cent of India's gross domestic product (GDP). The performance of these organisations, or the lack thereof, is now of strategic import for the future of the Indian development project.

In many respects, regulation has yielded good outcomes for consumers and society at large. Most regulators have been successful in maintaining a certain level of safety and quality in the goods and services that are delivered by regulated entities. However, this has not been an unmitigated blessing. Alongside these triumphs, there are many problems that have arisen. The initial optimism about setting up specialised regulators has given way to concerns about their working. The concerns can be classified under the buckets of the rule of law, competition, consumer protection, and economic dynamism.

Many equate the performance of a complex organisation with the individuals at the top and thus place an emphasis on recruiting the best people as the path to performance. Recruitment decisions do matter:

The character of the persons at the top has a substantial impact upon the skill, strategy, morale and ethics of the team. But sustained high performance by organisations cannot emerge only from bringing in the best people. Organisational performance is shaped by organisational design that creates checks and balances, which shape the incentives of the personnel (including the best people).

Regulators are very unusual public organisations in that they fuse the powers of the legislature (e.g. the parliament drafts the law), the executive (e.g. the role of the police and the public prosecutor), and the judiciary (the judge who writes the order). This gives them sweeping power over one sector at a time, the likes of which has not previously been witnessed in the Indian state. Regulators such as the Securities and Exchange Board of India or the Reserve Bank of India have detailed and intrusive control over their regulated entities in a manner that was not present anywhere in pre-reform India of 1991, and is not present in any advanced economy. While regulation by such bodies has helped in market development and deepening, this level of power has now begun to hamper private sector confidence, hinder innovation, and potentially hold back India's emergence as a successful economy.

Such immense power needs to go with immense care in designing checks and balances in the formal processes that must be followed at the SRA. This takes us to the organising principles of people, autonomy, process, and accountability. Such a reforms agenda will create conditions that are good for economic development and beneficial for the people.

**People:** Technical expertise and subject matter knowledge of the regulated domain are supposed to be the reasons why regulators are created. At present, the senior level people in almost all SRAs are largely former/serving government officials. In part, this is

AARTHIKAM CHINTANAM

K P KRISHNAN

## The rise and rise of technology

In June 2014, shortly after Prime Minister Narendra Modi commenced his first term, a pivotal meeting took place. The Ministry of Electronics and Information Technology was tasked with presenting its action plan for the next five years, later branded as Digital India. The presentation outlined various initiatives, including those that became popular as JanDhan, Aadhaar and Mobile (JAM), direct benefit transfer (DBT), as well as the promotion of electronics manufacturing. Towards its conclusion, a significant financial requirement was stated to implement these initiatives. Anticipation filled the room, with many expecting concerns to be raised over the substantial funding request. Mr Modi, who attentively followed the presentation, noted that investing in technology was inherently beneficial. He asserted that the returns from these investments would significantly surpass the initial costs. The Prime Minister was arguably the first to fully grasp the transformative power of technology in a way that eluded many in the room and some of his predecessors.

Throughout history, technological advancement has reshaped human existence, marking distinct trends that underscore its evolving influence across four dimensions: social progress and development, military power, economic strength, and geopolitical leverage. Initially, technological progress primarily symbolised progress and development, enhancing living standards. The discovery of fire, the advent of agriculture, and the invention of the wheel, for example, these breakthroughs marked the dawn of human progress, setting the foundation for subsequent advancements and laying the groundwork for societies.

As human societies grew and formed nation-states, the role of technology evolved beyond mere progress. It became a source of military power, with advancements used to develop superior weaponry and tools, conferring significant advantages to those who possessed them. The use of metal in weapons and armour revolutionised warfare, making armies

more powerful. During the industrial revolution, technological advancements further transformed military capabilities, shaping global power dynamics. The era of colonisation and the World Wars in the 20th century epitomised the critical role of technology in military capabilities. Nations with advanced technology, such as tanks, airplanes, and nuclear weapons, held significant power on the global stage.

Beyond the developmental and military dimensions, technological advancement also became the cornerstone of economic strength. The trend formalised through the increasing importance of intellectual property (IP) over physical assets. The rise of digital technologies accelerated this shift, with the information age giving rise to multiple trillion-dollar companies, whose physical assets represented a small fraction of their economic value. The IP assets of these companies, a consequence of technological prowess, surpass the physical assets of many nations, becoming a pivotal driver of economic growth.

In the contemporary global landscape, technological advancements have transcended their initial roles of driving development, enhancing military capabilities, and boosting economic strength. Today, technology serves as a critical instrument of geopolitical leverage, shaping international relations and global power dynamics. Nations with technological supremacy wield significant influence, using their technological advantage to assert dominance and protect their strategic interests.

One prominent method of leveraging technological advancement for geopolitical gain is through trade restrictions and export controls. By limiting access to critical technologies, nations can hinder the progress of their rivals. A recent example is the US restrictions on the sale of advanced semiconductor and artificial intelligence (AI) technologies to China, aimed at curbing China's technological advancements in areas critical to national security and economic competitiveness. In retaliation, China has imposed export restrictions on rare earth elements essential for advanced materials

because the appointment process is dominated by the executive government with nominal external expert participation. The tenures of these appointments are also varying and unpredictable. The idea of a diverse group of subject matter experts with predictable and fixed long tenures to go about regulation in an essentially technical manner, with minimal political consideration at play, is still some distance away.

**Autonomy:** Operational autonomy, a distance from the department of government, is a foundational argument for SRAs. We need to harmonise different legislative provisions to empower all SRAs to make regulations without government approval. This domain autonomy, in turn, requires a degree of human resource and financial autonomy. But these legislative provisions need to combine resource autonomy with checks-and-balances to protect against mission creep, self-aggrandisement and other abuses.

**Process:** The regulations written by regulators are law. In democratic societies, the power to make laws is with elected bodies that are formally accountable to the people. One would therefore expect elaborate safeguards on the exercise of this power when it is delegated to non-elected bodies. Most Indian statutes do not write down the processes through which regulators will exercise this power. There is thus a "democratic and legitimacy deficit" in regulation-making, where the task of writing laws is shifted to the regulators and the elected representatives of the people to the hands of unelected officials. Similarly, formal processes need to be written down by the legislature on how the executive and judicial functions of regulators should be carried out.

**Accountability:** All public agencies have to be accountable for their operations and outcomes through the parliament to the people. This is a standard principle of constitutional democracies. The primary accountability designed in most Indian SRA statutes is a parliamentary oversight of the working of these authorities, secured through open discussions on the annual performance and financial report of the SRA. This sort of discussion has not happened even once in the Indian Parliament for any SRA. Accountability requires three reforms: A correctly structured board with clarity of functions and role, appeals at a tribunal, and audit by the Comptroller and Auditor General of India.

A decade ago, a comprehensive report on the reform of SRAs was written in the context of financial sector reforms by the Financial Sector Legislative Reforms Commission. Headed by a former Supreme Court judge with subject matter experts drawn from different backgrounds, the Commission presented a detailed report on sector-specific governance reforms for the SRAs in India. It is time to take this report out of the proverbial closet, update it to meet current day-needs, and swiftly act upon its recommendations.

The writer is an honorary senior fellow at the Isaac Centre for Public Policy, and a former civil servant

## OFF THE GRID

AJAY KUMAR

social progress

and development,

military power,

economic strength,

and geopolitical leverage.

Initially, technological

progress primarily symbolised

progress and development,

enhancing living standards.

The discovery of fire, the

advent of agriculture, and

the invention of the wheel,

for example, these break-

throughs marked the dawn of

human progress, setting

the foundation for subsequent

advancements and laying

the groundwork for societies.

As human societies grew

and formed nation-states,

the role of technology evolved

beyond mere progress. It

became a source of military

power, with advancements

used to develop superior

weaponry and tools, confer-

ring significant advantages

to those who possessed them.

The use of metal in weapons

and armour revolutionised

warfare, making armies

more powerful. During the

industrial revolution, tech-

nological advancements fur-

ther transformed military

capabilities, shaping global

power dynamics. The era of

colonisation and the World

Wars in the 20th century

epitomised the critical role

of technology in military

capabilities. Nations with

advanced technology, such

as tanks, airplanes, and

nuclear weapons, held

significant power on the

global stage.

Beyond the developmental

and military dimensions,

technological advancement

also became the corner-

stone of economic strength.

The trend formalised

through the increasing im-

portance of intellectual

property (IP) over physical

assets. The rise of digital

technologies accelerated

this shift, with the informa-

tion age giving rise to mul-

tiples trillion-dollar com-

panies, whose physical as-

sets represented a small

fraction of their economic

value. The IP assets of these

companies, a consequence

of technological prowess,

surpass the physical as-

sets of many nations, be-

coming a pivotal driver of

economic growth.

In the contemporary

global landscape, techno-

logical advancements have

transcended their initial

roles of driving develop-

ment, enhancing milita-

ry capabilities, and boost-

ing economic strength.

Today, technology serves

as a critical instrument of

geopolitical leverage, shap-

ing international relations

and global power dynam-

ics. Nations with technol-

ogical supremacy wield

significant influence, us-

ing their technological ad-

vantage to assert domi-

nance and protect their

strategic interests.

One prominent method

of leveraging technological

advancement for geopol-

itical gain is through trade

restrictions and export

controls. By limiting ac-

cess to critical technol-

ogies, nations can hinder

the progress of their

rivals. A recent example

is the US restrictions on

the sale of advanced

semiconductor and arti-

ficial intelligence (AI) tech-

nologies to China, aimed

at curbing China's tech-

nological advancements

in areas critical to

national security and

economic competitiveness.

In retaliation, China

has imposed export

restrictions on rare

earth elements essen-

tial for advanced

materials

used in electronics, space, and nuclear technologies. China's dominance in rare earth production provides it with significant geopolitical leverage, as seen when it restricted exports to Japan in 2010 amid a territorial dispute. The pandemic showcased the critical role of technological advantage was used for geopolitical leverage through vaccine diplomacy. Additionally, control over international standard-setting bodies allows certain nations to dominate emerging technologies and block competitors' technologies from the global market.

Due to the increasing importance of geopolitical leverage through technology, discussions on technology are becoming increasingly central in international engagements, whether multilateral or bilateral. Critical topics such as cybersecurity, AI, semiconductors, electric vehicles, deep ocean exploration, space exploration, biotechnology, and beyond, and quantum computing are important parts of international discussions and negotiations.

What makes geopolitical leverage so crucial? It acts as a force multiplier across other dimensions. When a nation secures a trade concession by offering advanced technology, its benefit is twofold: it gains economically from the value of the technology and additionally from the trade concession. Similarly, supply of advanced military equipment helps forge strategic alliances that enhance military might as well as economic return.

While technology's influence across dimensions has unfolded sequentially, its impact is increasingly across the four dimensions. Its impact has undeniably grown over time. Today, the geopolitical leverage of technology is particularly evident. Overall, technology's influence has broadened, expanding its footprint on human existence. Moreover, history indicates that technology will continue to expand its influence not only in known dimensions but also in new and unforeseen ways.

As Prime Minister Modi embarks on his third term, his vision to propel India to the forefront of technological advancements through strategic policy initiatives will be crucial. As the head of a coalition, he must bring together all stakeholders along India's journey of technological advancement.

The writer is distinguished visiting professor, IIT Kanpur, and a former defence secretary

## UP's power dynamics



### BOOK REVIEW

ADITI PHADNIS

When the past illuminates the present, it is truly a moment of epiphany. Shyamal Yadav records in his book: The year was 1999 and Atal Bihari Vajpayee's government had been defeated by one vote. Elections were held in September-October and after counting was complete, the BJP's Lok Sabha seats from Uttar Pradesh (UP) had fallen to 30 out of 85. However, Vajpayee had managed to retain the parliamentary tally of his party at 182 and had taken oath again as Prime Minister, at the helm of a complicated system of alliances.

Sound familiar? Kalyan Singh was UP chief minister (CM) at the time. Relations with Vajpayee were not cordial. So when he was summoned to Delhi for a review meeting along with Rajnath Singh, Lalji Tandon and Kalraj Mishra, he decided not to attend and went to Ayodhya instead where he criticised Vajpayee publicly for not fulfilling the Ram Mandir promise. He was stripped of the chief ministership and the Bharatiya Janata Party (BJP) leadership (that wanted to retain him) did not want him for fear he might leave the party) replaced him with the venerable Ram Prakash Gupta as CM.

Kalyan Singh resigned in November, 1999. Days after that he attacked Vajpayee, terming him a "conspirator, liar and a mask of the BJP". He followed this up with another charge: That for the past year, Vajpayee and other upper caste leaders had been conspiring to dethrone him from the CM's post because he belonged to the backward class. He was expelled from the BJP, formed his own party and in the 2002 Assembly elections

performed below par but damaged the BJP so much that the Samajwadi Party came to power — which he supported, becoming a minister in the Mulayam Singh-led state government, along with his son, and associate Kusum Rai.

The parallel to the political conditions today is admittedly not exact. But electoral setbacks and thwarted ambition can have an unpredictable effect on leaders.

Just saying. It is for meticulous recounting of incidents like this that this book is so valuable. The author has laid out the volume as a political history of UP's CMs beginning with G B Pant. He explains the importance of UP in national politics — not just for its centrality in the Lok Sabha but also for the role the state plays in the rise and fall of political parties. It can't have been easy to write the story, as it traverses by-lanes of history with unexpected twists and turns and a wrong turn in narration can end up in a blind alley. But Mr Yadav has pared it off all but the essential facts and has relied only on sources that can be accurately documented — such as the proceedings of the UP Legislative Assembly, authorised biographies of

CMs, published interviews, and his own reporting on the state.

Multiple terms of individual CMs have been analysed in the context of extant political conditions. For instance, Chandra Bhanu Gupta's tenure is marked by upheavals in the Congress, the problems of succession, resentment and suspicion at Nehru's plans to hand over the party's leadership to his daughter Indira Gandhi, and the rise of the Syndicate that asked CMs to decide

whether they were in the tent or out of it. This theme recurs through UP's history. Even today, the importance of UP in serving CMs of the state — Mulayam Singh Yadav, in office for more than six years, and Mayawati or seven — had to juggle lies in their party with the help of allies from the Opposition. It makes you wonder: How could CMs have the authority to rule and govern when they were so unsure of their numbers? Amazingly, CMs did more than just fend off challenges to their position.



The book notes Sucheta Kripalani's contribution to UP's version of the Green Revolution; Charan Singh's encouragement of Urdu as a language in state administration; Kalyan Singh, Virendra Bahadur Singh and VP Singh's initiatives to curb gangs and gangsters in politics and the way the dark empire hit back when Rajnath Singh's move to end copying in examinations led to a perverse backlash, with the top scorers percentage in examinations dropping so precipitously that students and parents just wanted him out!

The sterling quality of this book is that it is factual. It passes no judgement on CMs except by the parameters they may have set for themselves. For instance, it notes

their handling of communal riots while describing the role played by the Provincial Armed Constabulary (PAC), possibly the only law and order force in India during the 1940s. The PAC's part in the killings of Muslims









# Opinion

FRIDAY, JUNE 21, 2024



**GREEN MEASURES FOR INDIA**  
Union minister for environment Bhupender Yadav

The nation should save the biological diversity as life is connected to nature...Environment sense is the need of the hour

## Much to gain from labour

Definitive policy steps are needed to salvage industries that create jobs from a precipitous decline

**T**HE HEADLINE GDP numbers of 8.2% for FY24 and 7.2%, predicted by the Reserve Bank of India and Fitch, for FY25 must be comforting, especially as consumer confidence is reported to be rising both at home and abroad, and the rural demand is seen slowly recovering from a long trough. Moreover, the share of private sector in the "newly announced investment projects" has been above 80% over the last several quarters, a smart recovery from the nadir of 50%. The concerns, however, are as much regarding the sustainability of the current growth paradigm and its credibility, as they are about the travails of those left out like the sizeable number of small and medium companies, the unorganised sector units, and earners of sustenance wages.

There is enough proof to conclude that the share of a clutch of large corporates in the GDP has gone up quite significantly in recent years, at the expense of micro, small and medium enterprises (MSMEs), and several thousands of decent jobs they used to provide. This has apparently raised the incremental capital output ratio significantly. Each unit of output is already much harder to produce than it was before the pandemic. It's also worrisome that different sets of economic data don't easily reconcile with one another any longer — a gap of over 4 percentage points between the growth rates of the GDP and private consumption in FY24, for instance. Gross fixed capital formation at 33.5% of the GDP in FY24 was led by real estate demand, rather than industrial investments.

There is also the question of whether and how much the GDP estimate was boosted by the tweaking of sparse MSME data in tune with corporate-sector value addition, even while the wedge between the two has apparently widened. The way the economy is going can be well illustrated from the fact that exports from key job-generating sectors like textiles and garments, leather and leather products, diamond and gold jewellery, and marine products were 12% lower than in FY18 in absolute dollar terms. Actually, in most of these sectors, 2023 exports were lower than the 2015 levels. So, while these industries together accounted for nearly 30% of the country's total merchandise exports in FY18, their share dropped steeply to 18% in FY24.

For a better economic balance and productivity spike, the sectors holding employment potential should receive policy support. The production-linked incentives or the massive sops for semiconductor fabrication units would need to be supplemented with measures aimed at bolstering labour productivity, wages, and job creation, and thereby broad-based consumption. India's textile industry has seen massive investments in the spinning sector thanks to a liberal interest subsidy scheme that ran for two decades, and the removal of growth-stunting reservations. Yet, even as China ceded quite a bit of its share in the global textiles market, the gainers were Bangladesh and Vietnam, not India.

Worse, the European Union carbon tax is a looming threat for the sector. The policy bias favouring the upstream man-made fibre (polyester and viscose) players still requires to be fully corrected. Import tariffs for key inputs and synthetic fabrics must come down further. Lowering of goods and services tax rates for the textile value chain, heightened co-lending by banks and non-banking finance companies to the whole spectrum of MSMEs, and effective use of competition regulations are also necessary. Gems and jewellery units would require debt relief, as their prospects finally look bright, thanks to the free trade agreement with the UAE, and other such pacts on the anvil.

## Nvidia's explosive growth masks AI disillusionment

**DOES ANYONE IN** Silicon Valley know the saying, "The bigger they are, the harder they fall"? Perhaps it's just a matter of time before it reveals.

Tech company leaders should be winning at the rapid ascension of Nvidia Corp. now that the artificial intelligence rally has propelled the chipmaker to become the world's most valuable company. This is a firm that has set coveted AI chips to a handful of cloud giants who are reaping the short-term benefits of AI hype, even as things are looking murkier downstream. It's hard to see how Nvidia chief executive officer Jensen Huang will sustain such growth (even as he steers his company into selling software), and he can thank himself and his peers, Tech giants like Alphabet Inc., Amazon.com Inc., and Microsoft have evened expectations for generative AI's contribution to profits. They will pay for that if they don't temper expectations.

Further down the value chain, away from the glow of Nvidia, lurk signs of discontent. Businesses have cut back on whizzy new AI tools out of concern for hallucinations, cost, and data security. The proportion of global companies planning to increase spending on AI over the next 12 months has slipped to 63% from 93% a year earlier, according to a recent survey of 2,500 business leaders by software company Lucidworks Inc. Meanwhile, just 5% of companies in the US are using AI, according to the Census Bureau.

If you were to measure the malaise with the Gartner Hype Cycle, AI would be deep in the "trough of disillusionment".

Gartner's chart illustrates a common path for new technology and suggests a "plateau" can be reached once its true usefulness registers in the market's consciousness. How to get there? First, tech companies need to identify where their hype machine has gone wrong. They didn't set expectations for AI's capabilities too high; they framed its use as being too general purpose.

You can partially blame that on Sam Altman, who leads OpenAI, and Demis Hassabis, who leads Google's AI efforts, who both chased lofty goals of building computers with "general" intelligence before they sparked the recent AI arms race. Artificial general intelligence (AGI) is a vague term referring to computers that can surpass the multifaceted abilities of humans and thus fix myriad problems. There lies the issue.

Sometimes, tech companies have a clear North Star to aim for. Think of Salesforce Inc.'s vision to help companies better connect with their customers with its software tools, or Netflix Inc. trying to become the world's leading entertainment service with streamed content. OpenAI's and Google's AGI goals are even grander, so much so that they've lost all meaning, from creating abundant wealth for humanity, according to Sam Altman, to solving climate change and curing cancer, according to Hassabis.

The truth about AI is that it can be useful and even financially beneficial when people are given time to experiment with it. The technology's biggest proponents should remember how the advent of mobile first took off, with office workers bringing their early iPhones and other personal devices into work and demanding that IT plug them into the corporate email system. Much the same phenomenon could happen with generative AI, as some of the most successful case studies come from individuals who use it for personal productivity.

AI isn't a jack-of-all-trades but a master of a few. The sooner business leaders realise they can apply it to an array of niches and not for everything, everywhere, all at once, the sooner they can make the technology useful for them. But they'll need more level-headed guidance from tech firms, which must resist pitching AI as a general-purpose quick fix and "magic." Such rhetoric is fuel for a bubble if they don't.



PARMY OLSON

blomberg

**A**THE WAR between Russia and Ukraine rages, leaders of the seven most industrialised countries announced at the G7 summit in Italy that they would use proceeds from Russia's frozen assets in Western central banks to give Kyiv a loan of \$50 billion. Yet, the G7 Summit is not the only move afoot in dealing with Russia's invasion of Ukraine. A pivotal peace summit in Bürgenstock, Switzerland, organised by the latter, has been, at present, the most far-reaching effort to help resolve the over two-year war. Several countries agreed to send representatives, including India, which sent a senior official. Moscow was not invited to the summit, which makes the possibility of brainstorming ways to put an end to the conflict, let alone ending it, a non-starter. Indeed, China, Saudi Arabia, and Turkey have stated clearly that progress without Russia's participation in the summit would be difficult.

The Russians, for their part, have set their preconditions, making it clear that they want Ukrainian neutrality with Kyiv, forsaking any commitment to joining the North Atlantic Treaty Organization. Paired to this is the demand made by President Vladimir Putin that the international community concede and accept the Russian annexation and occupation of four Ukrainian oblasts — Kharkiv, Donetsk, Luhansk, and Zaporizhzhia. The Russian aim is to pre-empt or even compel the West to pressure Ukraine into conceding its demands that would significantly compromise Ukrainian sovereignty and integrity. Nevertheless, Ukraine's people seem to think otherwise. Polling data across multiple public opinion surveys conducted in Ukraine indicates clearly that

## HARSH V PANT KARTIK BOMMAKANTI

Respectively, vice president-studies and foreign policy, and senior fellow, strategic studies, Observer Research Foundation



roughly 60% of Ukrainians support the war effort and believe that all of Ukraine, including under Russian occupation in the east and south-east, will be liberated. Notwithstanding the optimism of the Ukrainian public, battlefield realities present a grim picture for Kyiv.

Irrespective of the measures by the G7 states in using Russia's frozen assets lodged in the West to finance Ukraine and the well-meant intentions behind the Swiss-sponsored peace summit, Moscow's offensive in Ukraine has acquired considerable intensity, visibly demonstrating its assault on the Kharkiv region in north-east Ukraine. This was the region that Moscow had attacked and occupied and was part of a key axis of attack during the initial stages of the Russian invasion of Ukraine in February 2022. In the subsequent counteroffensive, Ukrainian forces liberated the Kharkiv region, imposing significant costs on their Russian invaders. Russian forces, in their latest offensive (which started on May 10, 2024), advanced into the border town of Vovchansk, roughly 75 kilometres from Kharkiv city. By mid-May, Russian forces gained 278 square km of territory in the Kharkiv region, establishing another front for the Ukrainians,

who hitherto, had to contend with combating the Russians in the east and south-east since the onset of the Russian invasion in 2022.

Moscow's gains have been a direct consequence of Western, especially American, military aid drying up, which was only released on April 24 following the passage of aid bills worth \$60 billion stalling for months in the United States Congress. This interregnum in the supply of military equipment created a window of opportunity for the Russians to retake territory they had lost following hard-fought Ukrainian gains, which Ukrainian forces had to surrender due to the lack of artillery rounds, surface-to-air missiles, armoured vehicles, and anti-tank weapons. Indeed, getting the latter set of capabilities to Ukraine's forward deployed forces still remains the most pressing and immediate battlefield necessity for Kyiv. Preventing Russian fighter aircraft launching stand-off attacks from within Russian airspace is another urgent requirement for Ukraine, which Ukrainian forces can only counter if they secure long-range surface-to-air missiles. Coupled with these supply constraints, which have started to flow to the Ukrainians, there

**Ukrainian leadership is confronting shortages to meet recruitment targets, which the Russians too face, but not as much as Kyiv**

are restrictions on the use of American-supplied weaponry. Limits on the Ukrainians using American-origin weapons by Washington has shielded the Russians from incurring losses and suffering destruction against their logistics, supply lines, combat units, weapons depots, command and control nodes, and reserve forces located in rear areas. Notwithstanding a recent shift by the Biden administration to permit the Ukrainians to strike military targets within Russian territory, at best, only 15-20% of the territory controlled by the Russians has been rendered vulnerable to the US-supplied army tactical missile systems (ATACMS) and high mobility artillery rocket system. The remaining 80-85% of Russian territory still remains insulated, despite being within range of Ukrainian ATACMS. Washington's fears of escalation mean that such prohibitions on Kyiv render imposing costs on Moscow, and do not produce converged effects that the American weapons are intended to produce. This makes it very difficult for Ukrainian forces to shift battle lines in their favour significantly, let alone decisively.

Additionally, the Ukrainian leadership is confronting manpower shortages to meet recruitment targets, which the Russians too face, but not as acutely as Kyiv, because Moscow is also able to conscript soldiers by coercion, which Ukraine's democratically elected leadership cannot.

If or when push comes to shove, battlefield conditions and operational realities will determine the outcome of the peace settlement between Moscow and Kyiv. Ukraine, as of today, is on the backfoot, but Russia too cannot force a favourable outcome until well into 2025. Consequently, the peace Summit in Bürgenstock has turned out to be a futile exercise.

## Power infra needs climate resilience



### SOMESH KUMAR

Partner and leader, power and utilities, EY India

Forecasts and assumptions for designing, implementing, and operating power infrastructure must factor in climate change

**CLIMATE CHANGE POSES** many challenges to human civilisation. As the planet warms, extreme weather events become more frequent and intense, sea levels rise and ecosystems shift, all of which disrupt electricity generation, transmission, storage, distribution, and utilisation of energy. Deeper studies would help us understand the scale of the impact better and possible ways of mitigation.

Recently, I experienced the ineffectiveness of air conditioning and refrigerators in Kolkata. At 40°C with relative humidity of 50-55%, I felt very uneasy. Google said it feels like temperature is 48°C. The cooling devices were unable to pump out the heat adequately, as the ambient temperature and humidity were high enough to draw more power for the desired amount of cooling. Most of our power infrastructure either becomes ineffective or loses efficiency due to climate change. Our forecasts and assumptions for designing, implementing, and operating the infrastructure must factor this in. Let us explore the impact of climate change on power infrastructure and potential solutions.

### Heatwaves and energy demand

Peak demand continues to grow and reached 243 gigawatts (GW) last year. Rising energy demand needs additional power generation capacity, and strains existing grids. In places where the urban heat island effect amplifies temperatures, air conditioning escalates energy consumption, adding pressure on ageing infrastructure.

### Melting glaciers and hydropower

India has 145 GW of hydropower, mainly commissioned on glacier-fed

river streams flowing from the Himalayas. Glacier melt-down and annual rainfall in the Western Ghats affect hydropower generation. Forecasts made during the detailed project report development may become irrelevant, as many small hydropower projects are at risk from the changing course of rivers. Changes in glacier mass alter water availability and flow patterns, impacting the reliability and output of hydropower facilities. Also, more sedimentation and flooding caused by glacial melt or heavy rain further compromise the stability of the power system.

### Wind shifts from wind farms

As of April, India has installed over 46 GW of wind power. Climate change alters regional wind patterns, affecting the distribution and intensity of resources in potential wind energy regions. Shifts in atmospheric circulation, changes in weather systems, and variations in temperature gradients can influence wind speed and direction, leading to fluctuations in power generation. Long-term monitoring and modelling of wind resources are essential for assessing the potential impact of climate change on wind farm performance and optimising site selection and turbine design.

### Ambient heat and thermal power plants

Thermal power plants, including coal, natural gas, and nuclear facilities, rely on consistent access to water for cooling and steam generation. However, induced

shifts in precipitation patterns, prolonged droughts, and heatwaves pose significant challenges. As temperatures soar, power plants may struggle to dissipate heat. It is estimated that 30°C increase in ambient air temperature reduces the net power output by 18%, which decreases the mass flow rate of inlet air by 11%. On average, each degree of increase in ambient temperature results in 0.5% increase in consumption of coal.

### Solar radiation on panels

Solar power is a key component of the energy transition. India has installed over 84 GW of utility-scale solar power plants. Solar panels thrive on high radiation and cool temperature. High temperatures can reduce the efficiency of solar panels because of the temperature coefficient. As temperatures rise, solar panels become less efficient at converting sunlight into electricity — leading to decreased output and energy yields — and their lifespan are reduced.

Air pollution causes obstruction of solar radiation, altered cloud patterns, and greater variability in solar irradiance, affecting power generation from solar installations. Enhanced forecasting and grid flexibility are essential to mitigate the impact of solar variability.

### Temperature and energy storage

Today we need energy storage devices to integrate intermittent power of renewable energy with the grid in forms of batteries. However, studies by the Federal

University of Technology in Nigeria show the life of a battery decreases by roughly 50% for an increase in 10°C of ambient temperature. A lead acid battery with a 10-year lifespan at 25°C would have an effective "design life" of only 2.5 years if kept at 40°C, and its performance drops below 100% within two years. This is applicable for lithium-ion batteries for operating temperature above 45°C. Therefore, adequate planning is required for battery thermal management systems in energy storage.

While these issues may not hit the headlines, they impact output and revenue. There have been several instances where climate change has hit power infrastructure. The following are examples: Phata Byung Hydroelectric Project and transmission lines in Uttarakhand were washed during a cloudburst and flash floods in 2013; rooftop solar power plants were swept away by cyclone Fani in Odisha 2019; over 150 megawatts of Rewa Ultra Mega Solar power plant in Madhya Pradesh (MP) was damaged due to heavy rainfall and mudslide in 2019; a considerable portion of the world's largest floating solar plant, at Omkareshwar Dam in MP, was damaged by high winds in April.

Climate change poses complex challenges to power infrastructure and addressing them requires proactive measures. The measures include ones to strengthen infrastructure resilience, diversify energy sources, enhance grid flexibility, and improve emergency preparedness. By investing in resilient infrastructure, enhancing forecasting capabilities, and embracing innovation, the power sector can navigate such challenges and transition to a sustainable, low-carbon future.

## LETTERS TO THE EDITOR

### Disarmament dialogues

The recent report from the Stockholm International Peace Research Institute (SIPRI) presents alarming insights into the global nuclear landscape. Key findings indicate significant developments: India's nuclear arsenal now exceeds Pakistan's for the first time. Meanwhile, China's nuclear programme has rapidly expanded, adding approximately 90 warheads in

a year to reach a total of 500, prompting scrutiny of its strategic intentions. Across all nine nuclear-armed states, there's a worrisome trend of modernisation. Moreover, amidst deteriorating major power relations, escalating nuclear stockpiles intensify the peril of nuclear weapon use in crises. These revelations underscore the urgent necessity for international dialogue and stringent arms control, emphasising the

imperative of nuclear disarmament despite the inherent uncertainties. —Amarjeet Kumar, Hazaribagh

### Income tax concessions

Concessions on income tax are eagerly awaited in the full Budget to be tabled by the new government. A mere 2.2% of our adult population pays income tax. The pursuit of wealth creates a huge bonanza for a few, compounded by innovation and

technology, leading to a steep increase in income disparity. The zeal over taxes such as goods and services tax burdens the less privileged. That leaves the very rich and their fair share of the tax burden. Tax reforms will depend on political and economic conditions to then spawn arguments in support of a specific policy. —R Narayanan, Navi Mumbai

Write to us at feletters@expressindia.com





## The Indian EXPRESS

FOUNDED BY  
RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

## EXAMINE THE EXAM

Cancellation of NET, controversy over NEET, must lead to a larger reckoning. But first, responsibility must be fixed

LESS THAN three weeks, two examinations conducted by the National Teaching Agency (NTA) have invited controversy. The row over the recruitment examination to medical colleges, the National Eligibility Cum Entrance Test (NEET), has not subsided. Opposition parties have called for nationwide protests on Friday and the Supreme Court is hearing a slew of petitions on the alleged irregularities. On Tuesday, the Court told the government to "act fairly, and admit if there is any mistake in the conduct of NEET". A day later, the Ministry of Education (MoE), announced the cancellation of another examination — the University Grants Commission-National Eligibility Test (UGC-NET). The MoE took this decision a day after the test was held in 317 cities. This was perhaps the right thing, given that it had inputs from the Union Home Ministry about the integrity of the examination being compromised. Education Minister Dharmendra Pradhan has said that a high-level committee will be formed which will give recommendations on improving NTA's structure and functioning, the examination process, and security protocols. But much more needs to be done. The government needs to be sensitive to the concerns of the nine lakh students who appeared for the examination which holds the key to finding entry-level teaching jobs in universities and admissions to PhD programmes. Accountability for the irregularity that precipitated the cancellation must be fixed urgently.

The NET is the first centrally-conducted examination to be scrapped after the Centre introduced a new anti-paper leak law in February. The investigation could provide crucial lessons in applying the new law to stem a pressing problem that threatens to taint the credibility of the educational and public recruitment systems. In a country with myriad diversities and challenges, even one weak link in the examination chain — from setting papers to their distribution to the evaluation of answer sheets — can compromise fairness. Many states have anti-cheating laws but they have found it difficult to bust networks that, by all accounts, involve the exam mafia and the coaching-class industry. An investigation by this paper in February found more than 40 instances of paper leaks in 15 states over the last five years, which derailed the schedules of nearly 1.5 crore candidates who had applied for positions in various fields — education, engineering and public works, healthcare and police. In a country of predominantly young people with rising aspirations, such disruptions cause resentments and stoke insecurities. It's not surprising that in recent years several states have witnessed public outrage over the disruption of examination schedules. The issue was among the talking points in the just-concluded Lok Sabha elections as well as last year's assembly elections in Rajasthan, Telangana and Madhya Pradesh. The political class's shortage of ideas on the issue is disturbing in a country that intends to reap its demographic dividend in the next two decades.

The hyper-competitive nature of exams is symptomatic of the inadequacy of both the educational and the employment pie. Demand-supply gaps create opportunities for exam fixers and job mafia. Even as the government investigates the immediate controversies around NEET and NET, it cannot afford to delay addressing this longstanding problem.

## INJURIOUS TO HEALTH

US Surgeon General's proposal to put warning labels on social media reflects a growing concern. But it is only a first step

BEING YOUNG IS not easy. Academic and peer pressure apart, the rabbit hole of algorithm-determined content can lead one down to one's deepest insecurities. In 2019, the World Health Organisation warned of a global mental-health crisis, affecting nearly one billion individuals, including 14 per cent of adolescents. Studies have established a correlation between social-media usage and the possibility of mental-health afflictions. In the US, for instance, adolescents who use social media for more than three hours a day have double the risk of anxiety and depression. The sharp upward curve, especially among the young, that has prompted US Surgeon General Vivek Murthy to call for warning labels on social media, therefore, is timely. But it could only serve as the first step towards addressing what is, in essence, a global crisis. More needs to be done to protect the young from online abuse, harassment and exposure to inappropriate content.

A warning has its utility, though. In 1975, nearly a decade after the Federal Cigarette Labelling and Advertising Act came into force in the US, the India Gandhi government passed a legislation called The Cigarettes (Regulations of Production, Supply and Distribution) Act, 1975, which made statutory health warnings on all tobacco products mandatory. What it managed to create was better awareness among users, and, over time, better hygiene. Without any curbs, the social-media crisis is poised to escalate. As the world's second-largest smartphone market with a high internet penetration, it is especially true for the Indian landscape, where there is a sizeable demographic under the age of 18.

For the young, however, a warning can sometimes act as an invitation. It also runs the risk of putting the onus of protecting the children entirely on parents. In an opinion piece in *The New York Times*, Murthy writes, "These harms are not a failure of willpower and parenting; they are the consequence of unleashing powerful technology without adequate safety measures, transparency or accountability." For parents, the difficulty of social media is two-pronged, beginning with the digital gap of a large section with the sophistication of these platforms and extending to the impracticability of keeping a constant tab on their children's online activities. It makes legislation that is binding on Big Tech, similar to the Digital Service Act introduced by the European Union in February this year, an urgent requirement. It is only a combination of warning, legislation that bars targeted advertising or collecting sensitive data, and parental guidance that can protect the young and the vulnerable from the pernicious fallout of social media.

## YOU SNOOZE, YOU WIN

India's Olympic contingent has sleep kits, advisors. Those calling for more work and less rest must take note

IN THESE TIMES of hustle, it is a relief to come across high achievers who don't believe that you lose if you snooze. Ahead of the Olympics in Paris next month — the biggest sporting event on the planet and a make-or-break gig in an athlete's career — the Indian contingent has been assured that should performance anxiety keep them awake in the watches of the night, there will be help available in the form of a "sleep advisor" and "sleeping kits". A well-rested athlete is a better athlete and less prone to injuries.

It is too much to hope that this official recognition of the importance of a good night's sleep — true rest, in other words — will penetrate the smugness of those who extol the virtues of "obsession with work", as the newly-elected MP Kangana Ranaut, did recently? She's not alone. Last year, Narayana Murthy exhorted India's youth to work 70 hours a week. Other titans of industry and political leaders, like Elon Musk, Martha Stewart and Bill Clinton, too have spoken about working up to 18 hours a day and, as a natural corollary, sleeping for less than the recommended six. Sleep deprivation as a recipe for success, in other words.

For most people, however, it is merely a recipe for disaster. While there are enough studies to back the importance of sleep for such functions as memory formation, processing of ideas and decision-making, for anyone who has hit the snooze button once too often and ended up a groggy mess chugging Red Bulls and coffee at the workstation, experience is instructive enough. Perhaps the day will come when the strivers will stop sleep-shaming the rest. One can certainly dream about it — but for that, one must first sleep.



K SUJATHA RAO

THE LATEST INSTANCE of the NEET controversy is the culmination of a scandalous situation brewing over years. Papers have been routinely leaked; the release of incorrect results has been connected to aspirant suicides; in this year's exam, over 67 students got perfect scores against the average of two or three per year; grace marks were awarded to over 1,560 students for non-transparent reasons, resulting in the loss of trust in the NTA. The nationwide anger over the NEET exam has not subsided. Meanwhile, the government has cancelled the NET examination conducted by NTA, compounding doubts about its institutional integrity. What is important to understand is that cheating or fraud in NEET or NET and other such highly competitive examinations is only a consequence of bad policy.

The policy for instituting NEET was actively considered in 2010 at the Ministry of Health to address three problems. One, standardising the educational competence of students at the entry level as a majority of students of medical colleges were found to have negligible knowledge of basic sciences such as Chemistry, Physics and Biology. Two, reducing the number of entrance examinations from an estimated 46 to one. And three, to eliminate the capitation fees levied by private medical colleges by reducing their discretion and granting admissions based on scores.

Implementation of the "one exam NEET policy" was attempted in 2013, but was stalled due to the suspension of the scheme by the SC in response to private college petitions stating that NEET had centralised the admission process, taking away institutional autonomy. In 2016, a five-judge bench restored NEET.

A key issue that emerged in implementing this policy was the standard to be adopted for the examination since India does not have a uniform standard for school education. While central government schools follow the CBSE syllabus, states have their own syllabus that is of lesser difficulty compared to the CBSE. Of late, we have another standard of International Baccalaureate (IB) in most high-end private schools. With such wide variations in standards of education, it is a challenge to arrive at a mean standard, resulting in bias in favour of CBSE. The immediate implication has been that students passing the state examinations are forced to undertake additional coaching, resulting in the mushrooming of a Rs 58,000 crore coaching industry

## The big test

NEET and NET irregularities point to a policy that needs a revamp based on inputs from all stakeholders

The coaching industry is a consequence of a failed school system due to poor governance. Lackadaisical approaches, unending tinkering with the syllabus, a focus on rote learning rather than enquiry and scientific temper, poor quality of teaching and supervision, large vacancies and inadequate infrastructure have taken their toll. If the once famed government schools have deteriorated, the high-end public schools are only marginally better, giving rise to the policies of one national examination and coaching institutes. Even high-end schools are facing the reality of ghost classes with parents requesting their children to be enrolled in the school but allowed to attend coaching classes. Clearly, holding one-size-fits-all national examinations is a lazy response to fundamental systemic neglect of the school system over the years.

try growing at 15 per cent per year.

The coaching industry is a consequence of a failed school system due to poor governance. Lackadaisical approaches, unending tinkering with the syllabus, a focus on rote learning rather than enquiry and scientific temper, poor quality of teaching and supervision, large vacancies and inadequate infrastructure have taken their toll. If the once famed government schools have deteriorated, the high-end public schools are only marginally better, giving rise to the policies of one national examination and coaching institutes. Even high-end schools are facing the reality of ghost classes with parents requesting their children to be enrolled in the school but allowed to attend coaching classes. Clearly, holding one-size-fits-all national examinations is a lazy response to fundamental systemic neglect of the school system over the years.

With the failure of the school system, alongside the intention to centralise the education system, which in reality is a concurrent subject, in 2017, the NTA was constituted with the mandate to conduct several examinations such as NEET. Since its establishment, the NTA has been ridden with complaints of irregularities, demonstrating its inadequate capacity to conduct complex and important examinations. Of concern is that both the ministries of education and health have virtually abdicated their responsibility to redress the adverse consequences of the policy of centralisation.

Tamil Nadu has always been opposed to the NEET exam as it was against their perfectly functioning state policy of linking medical college admissions to high school performance. In 2021, Tamil Nadu constituted an Expert Committee headed by Justice A K Rajan. The Rajan Committee brought out startling evidence, showing how rural students from Tamil medium schools lost out heavily in clearing the NEET — between 2017-21 from an average of 15 per cent admissions of Tamil-medium students, the number had fallen to 1.6-3.2 per cent. Likewise, the number of rural students admitted to government medical colleges fell from 62 per cent to 50 per cent. Clearly, NEET disadvantaged rural and poorer students. Tamil Nadu was particularly affected as its sound public health system relies on students from rural backgrounds willing to work in primary health centres without ambitions of migrating abroad unlike their counterparts — the rich, affluent upper-middle class, urban-bred

students aspiring for careers in corporate hospitals and going abroad. The state government made several requests to the Ministry of Health to review the NEET policy and even had their legislature pass a law scrapping the need to pass NEET for entry into medical colleges. This never got cleared due to the stubbornness of the Governor acting without jurisdiction.

The NEET policy needs a revamp based on inputs from all stakeholders, going beyond the polarised politics of today. Perhaps an all-party committee like the JPC would be able to harmonise local realities and varied levels of educational standards across states. Ideas for consideration could range from making the MBBS degree for six years with a pre-medical one year to bring students to "standard" in critical subjects of Zoology, Chemistry and Physics as was the case during the 60s and 70s; de-centralising the examination to states and universities as it was during pre-NET times; constituting regional boards or centralising only the qualifying examination for practising outside the state or going abroad and so on.

Both the education and health departments need to reflect and set right a policy gone wrong. The political leadership needs to build a more consultative and accommodative approach to manage the contradictions and flaws. The media needs to hold all states, not just Opposition states, accountable. And the judiciary needs to fill the void of poor governance and provide comprehensive guidelines for governments to act upon in the short and medium term.

The current NEET crisis is symptomatic of a failed state that is unable to ensure high-quality school education, like in most countries, standardised schooling of good quality enables admission to colleges based on marks obtained in the school final examination. But in India, since standards are so varied and quality not assured, examinations for most professional courses are centralised. Due to the tough competition, committing irregularities for monetary gains becomes a great incentive. Clearly, the long-term solution is improving schooling quality, decentralising examinations, and institutionalising strict oversight and governance to restore confidence and credibility. Till that is done, the leakage of papers will continue to plague us.

The writer is former Union Health secretary, Government of India

## SECURITY, IN BLACK & WHITE

A national security doctrine can spell out clear-cut ends, yet bank on delegation



K J SINGH

AT A RECENT book-release function, the Chief of Defence Staff (CDS) made an interesting comment about the formulation of a National Security Strategy (NSS). He reportedly stated, "When we talk about the National Security Strategy, I believe it consists of policy, processes, and practices to succeed. In our country, probably all three are addressed. The only thing missing is a written policy. I don't know why people insist on that." This signals a major shift in policy.

The obvious questions are: Why have we been engaged in this exercise for the last two decades? More importantly, an apex-level Defence Planning Committee chaired by the National Security Advisor was set up in 2018 to formulate the NSS and National Defence Strategy. However, the progress of the much-publicised exercise is not known. Currently, we are managing with the cryptic and inadequate RM's Operational Directive.

One is tempted to ask if what the CDS said reflects his personal opinion or an official policy articulation. It bears reiteration that Manohar Parrikar, former defence minister, first announced a major shift in nuclear policy — jettisoning the "No First Use" doctrine, which was later retracted — by describing it as his personal opinion in a seminar. The lengthy explanation by the CDS, and listing of recent successes like Balakot, indicate a desire

to scuttle the endeavour to codify NSS. Most relevant nations, including the otherwise opaque China, not only promulgate an NSS but also publish periodic White Papers. Even Pakistan has promulgated its first National Security Policy (2022-26). But neither can set the template for us — our challenges differ.

A well-crafted NSS would foster a "whole of nation" approach and build synergy for harnessing comprehensive national power. It would also set out milestones for capability-building for modernisation, infrastructure and the atmanirbhar mission. The current status of defence planning is worrying and in transition as Defence Plans (five years) and Long Term Perspective Plans (15 years) have been discontinued. New formats of the Integrated Capability Plan (10 years) and Defence Capability Acquisition Plan (5 years), are yet to stabilise. At the same time, the government must be commended for enhanced traction for and visibility of defence modernisation.

The present system of reviews by the Parliamentary Standing Committee and Auditor General is sub-optimal. These need to be backed up with net assessment and statistical tools both for periodic audits and, more importantly, for predictive and dynamic goal setting. The NSS, as a reference for peer review by think tanks, will hopefully reduce ambiguity and build meaningful accountability.

The most critical issue is related to operational clarity. The NSS is relevant in a system where Army Commanders don't even undertake a meaningful handing-over procedure — the process is brief and primarily ceremonial. The current model has delivered largely due to the competence of the present leadership. The system suffers from over-centralisation and, in the long term, needs to be replaced by a decentralised directive style of command.

The NSS could spell out clear-cut ends, ways and means, yet bank on delegation, synergy and operational freedom. At a cutting-edge level, it will foster initiative, innovation and improvisation. The NSS is also a prerequisite for the operationalisation of theatre commands and transformation. A clearly-spelt-out NSS will breed audacious commanders like Field Marshal "Sam" Manekshaw, Lt Gen Harbakhsh Singh and Lt Gen Sagat Singh.

As India moves into Amrit Mahat, it is time to discard hesitation and ambiguity. Every NSS has a classified portion and that can take care of confidentiality. If required, targeted ambiguity can be retained for messaging. It is also necessary to move to informed debates based on NSS rather than daily rabble-rousing Twitter campaigns.

The writer is a former Army Commander and State Information Commissioner

## JUNE 21, 1984, FORTY YEARS AGO

### ARMS SEIZED IN PUNJAB

SECURITY OPERATIONS CONFISCATED weapons across Punjab. General R K Gaur told the press that the seized load of arms included six self-loading rifles, pistols, bore re volvers, shot pistols along with some recovered bullets. There was also a box of precious stones recovered from the Golden Temple complex. General Gaur added that 92 security personnel had been killed in the operations while 4,220 had been arrested.

### PM ON ARMY ACTION

PM INDIRA GANDHI said it would've been

"catastrophic" if the government hadn't chosen to flush out terrorists from places of worship in Amritsar and other parts of Punjab, without which there'd be severe repercussions on the nation's security and unity. She urged citizens to stay away from the "false propaganda" created by miscreants in the nation and focus on strengthening the nation.

### \$4000 Mn IN AID

AID-INDIA CONSORTIUM OFFERED 4,000 million dollars worth of aid to India, for the next fiscal year, as concluded in Paris, on June 20. This is a 300 million dollar increment from the previous year, a marginal increase given

the five per cent inflation rate in the country. There was also a 9.4 per cent rise in the aid commitment to SDR from the previous year.

### IT ACTION ON NTR

THE INCOME TAX department has initiated action against Andhra Pradesh's Chief Minister N T Rama Rao for not disclosing income worth Rs 7.45 lakh during the 1981 assessment. The income tax department of Hyderabad had asked Delhi authorities for advice, regarding penal action against NTR. The undisclosed income was discovered during a surprise raid on the sets of a film being produced by NTR.





## OUR VIEW

## MY VIEW | TECH WHISPERS



## Euro 2024: Boardrooms must tune into football

The Euro 2024 football competition holds lessons for companies on team creation and goal orientation. *Hint: Look at the age profile of key players and diversity of Europe's top teams*

**T**he market for HR professionals is teeming with trainers, coaches, life hack experts and motivational gurus. Companies are keen to imbue employees with diverse skills, both hard and soft. Among the capabilities that businesses want their staff to acquire, a particularly hard-fought one is team spirit. Crucial as teams are for enhancing productivity, or accelerating learning, they also play a pivotal role in achieving other corporate aims, like better communication and coordination, crunched delivery timelines and reduced errors. Companies often engage external experts to conduct team-building workshops who then deploy a variety of exercises to test and expand people's capacity for problem-solving. Trainers borrow heavily from a variety of real-life sources to enliven these sessions. This summer, managers and trainers would do well to observe the Euro 2024 football tournament being played in Germany for some key lessons in team creation and goal orientation.

Euro 2024 showcases, even if involuntarily, the willingness of national football associations to shed stale ideas on eligibility. One of the most amazing aspects of it is their inclination to discard the illogical practice of ageism. The competition highlights how various national teams are relying on a clutch of ageing players who, through their skills and gameplay, defy the notion that age can be a handicap. Defender Pepe, for example, is a regular in Portugal's team, even though he turned 41 a few months ago, an age considered fit for retirement not only from national teams, but also from club football. His compatriot Cristiano Ronaldo, aged over 39, is not only supremely athletic and in possession of a fantastic footballing brain, but

also acts as a source of inspiration for younger players. Croatia has Luka Modric, also 39, who helped Real Madrid win this year's Champions League. Corporate boardrooms also need to appreciate how age can encapsulate multiple facets needed for better performance: institutional memory, an ability to deal with crises and the experience of having withstood the vicissitudes of varied business cycles.

There is another aspect of international football—and Euro 2024 in particular—that should guide corporate recruitment for leadership teams, especially those swearing allegiance to the credo of diversity, equity and inclusion (DEI). The teams of Europe's top footballing countries today look very different from their earlier configurations. Germany has selected Ilkay Gundogan, son of Turkish migrants, to lead its quest for the Euro 2024 trophy. France has the gifted winger Kylian Mbappé, a first-generation French national born to Algerian and Cameroonian immigrants, as its captain. Selectors have gone a step ahead and even appointed foreigners as team coaches: Albania has Sylvinho, a Spaniard, while Hungary hired Marco Rossi, an Italian. The idea is simple: Get the best professionals for the job, nationality and other factors be damned. Predictably, voices of resistance have arisen within Europe's growing right-wing politics. Some have even suggested that a referendum be held to determine who should play for the national team, mindless of the irony of hard nationalism within soft European borders. In the end, DEI should be put into practice and not remain just a buzzword, like how infotech firms seem to reflexively use the term 'scrum' for meetings with little appreciation for why it was borrowed from rugby in the first place.

## India should look towards Japan for an AI regulation framework

The Japanese approach aims for balanced AI development and could suit our societal orientation



**JASPREET BINDRA**  
is a technology expert, author of 'The Tech Whisperer', and a Masters AI and Ethics from Cambridge University.

**I**n 1991, the Indian government articulated a 'Look East' policy to build extensive economic and strategic relations with its eastern neighbours and Southeast Asia. This was different from the traditional 'West facing' outlook, in which we looked to learn from Europe and North America. With the age of AI upon us, India is considering how it should both foster and regulate this powerful new technology which can reshape industry, society and geopolitics. AI promises huge economic and social benefits, but there are concerns around copyright, human rights violations, privacy and fairness. For instance, the issue of deepfakes clouded the recent elections, with fears of democracy being subverted. For regulating AI, should India look West towards the EU and its AI Act, or at the US and UK, which are considering more Big Tech-friendly regimes?

I believe that India should bring back its Look East philosophy and learn from another large democracy, Japan, which has been quietly building an AI regulatory regime that balances the need for integrating AI safely in society with building an environment for innovation. It sees AI as a lever with which it can leapfrog decades of stagnation in its innovation and tech ecosystem. Similarly, AI can offer India a strong impetus to become Viksit Bharat by 2047. Japan effectively leveraged the 2023

G7 summit, where the Hiroshima AI process gave a clarion call for exploring various frameworks to regulate AI. It was no coincidence that the summit was in Hiroshima, with its stark reminder on what could happen if technology is misused. Two basic approaches emerged: a 'hard law-based' approach with strict obligations, as evidenced by the EU's AI Act and Chinese regulation, and a 'soft law-based' one, which emphasizes non-binding guidance and principles. Japan leans towards the latter.

Inge Odendaal of Stellenbosch University describes the principles very well in her paper ([bit.ly/3Vohg1j](https://bit.ly/3Vohg1j)).

The government acts as a facilitator: AI is a complex ecosystem of technologies, and the Japanese government prefers to be a facilitator rather than sole creator of innovation. It acknowledges the private sector as the primary driver and activates its governance institutions to help them. Japan's foreign affairs ministry coordinated the Hiroshima process, for example, and its cultural affairs ministry is looking at copyright issues. This is a perfect template for India to adopt. The government should place the private technology sector at the centre of Indian efforts, with enabling roles to be played by its ministries of electronics and information technology, law, and information and broadcasting.

### QUICK READ

The Japanese model of regulating AI places the tech industry at the centre, with the government acting as an enabler and Geoeconomic AI treated as a public good that can serve collective interests.

The Eastern idea of collective privacy, which differs from the Western notion of individual privacy, is another reason why India may be served well by a 'look east' stance on AI rules.

**Focused funding and investment:** Japan has created a large fund for Generative AI, domestic data centres and local chip production. It offers incentives and subsidies in partnership with cloud computing providers and tech companies. India has a similar fund, set up as part of the India AI Mission. But the difference is that much of the Indian funding is being used to procure processing units centrally rather than decentralize innovation (like in Japan).

**Effective government-academia-industry collaboration:** The AI Japan R&D Network works across universities, research institutes, private sector and global tech companies to recommend policies on AI research and companies. India is doing something similar; we already have the constituents, with our IITs and IISc, a robust private sector and a strong global tech presence.

**Building domestic competence:** Japan is looking to build its own large language model (LLM); India has a raft of them being built and they would benefit greatly from government support. We also have expertise in building citizen-centric technology with initiatives like Aadhaar and UPI. A similar model can help build GenAI as a public good.

**Philosophical argument:** Western and Eastern societies differ considerably in their approach to fundamental societal issues like privacy and data usage. In my research at Cambridge University, I realized that the Western idea of privacy as being the 'right to be left alone' was quite different from the Eastern notion of 'collective or societal privacy.' AI is both transformational and inevitable. As it shapes industry, society, humanity and the global order, the world's most populous country cannot afford to be left behind. Other countries are racing to set up frameworks, and Indian policymakers need to step up the urgency. As they do so, they would do well served by looking at Japan, which has similar cultural traits, and taking a hard-nosed approach that balances innovation and regulation.

### 10 YEARS AGO



### JUST A THOUGHT

Football is played with your head. Your feet are just the tools.

ANDREA PIROLLO

### GUEST VIEW

## Rural-urban inflation gap: Can this puzzle be solved?

DHIRAJ NIM



is an economist at ANZ Research.

**I**ndia's inflation data has shown two 'divides' in recent times. The gap between food and core inflation has got most attention. The unanimous opinion is that adequate rain will support agricultural output and cool food inflation, paving the way for rate cuts by the Reserve Bank of India (RBI). The most puzzling divide, however, is India's widening rural-urban inflation gap. Consumer price index (CPI) data for May confirmed that high rural inflation is keeping the 4% inflation target elusive. At 4.2% in May, urban inflation was relatively benign, but the rural-urban gap has widened to an average 1.3 percentage points in the last three months. Why is rural inflation high when rural demand is weak?

High rural inflation has deeper roots. The component-wise CPI details show that 'fuel and light' can explain a large part of the rural-urban inflation gap. Rural 'fuel and light' inflation has averaged 7.5 percentage points above urban inflation in the last three months. In fact, if it matched the urban price,

overall inflation would be lower by 30-40 basis points in May, falling below 4.5%.

A difference in energy consumption patterns between rural and urban households holds the key. While urban households depend on electricity and liquefied petroleum gas (LPG), the rural energy basket is quite diversified, including unregulated, locally available and low-calorific value fuels such as coal, coke, charcoal, firewood and dung cakes. Inflation has been quite stubborn for these unregulated items.

According to the National Sample Survey, in 2020-21, less than half of all rural households had access to LPG, compared to over 90% in urban areas. Rural LPG penetration has increased since 2021, but it has not translated into a strong rise in LPG consumption. As gas prices shot up on the back of the global energy price shock in 2022, LPG consumption growth weakened in India, reflecting the price sensitivity of demand.

In response to a Right-to-Information query in August 2023, India's government stated that one in four beneficiaries of the PM Ujjwala Yojana (a scheme for providing clean cooking fuel to rural and poor households) either did not buy any LPG cylinder or took just one refill. Households can take a maximum of 12 refills a year, but that limit

is rarely exhausted by rural households. This is despite two LPG price cuts by the government: ₹200 per cylinder in August 2023 and ₹100 in March 2024. Despite the cuts, it is likely the LPG price shock induced by the global energy price rise in 2022 made it unaffordable for rural households. This led them to partially revert to cheaper locally available fuels, driving up their prices on the back of surging substitution demand. So, while the LPG price cuts helped lower urban 'fuel and light' inflation materially, their impact on rural energy inflation has been underwhelming.

The rural-urban inflation gap is also wide for other retail items such as vegetables, recreation and cereals. A probable reason could be an expanded rural consumer base that is burdening supply chains. It is likely that the large-scale urban-to-rural migration that took place during the pandemic has not reversed yet. The media has intermittently reported increased

labour supply at farms in the pandemic's aftermath, accompanied by a persistent shortage of unskilled labour in urban centres. There has been anecdotal evidence of rural labour being reluctant to relocate to cities on account of lower opportunity costs than before.

There could be several reasons for this. For instance, a slow recovery in low-end manufacturing. Industrial production data show that sectors such as textiles, garments, tobacco and leather have not yet reclaimed their pre-pandemic output levels, which typically form about 15% of manufacturing. These sectors together employ about one-third of India's industrial workforce, which has had a large number of migrants.

Other reasons include rising housing costs in cities and the government's free-food scheme for the poor in rural areas, which has eased the burden on rural household budgets and reduced the incentive to seek higher 'city wages'.

Although rural-urban migration trends are captured by the population census that takes place once every 10 years, there are other indicators that can offer a picture. For instance, the post-pandemic recovery in railway journeys has been lacklustre. As of September 2023, monthly journeys were lower by almost 100 million from the 700 million pre-pandemic level. For the year ended 31 March 2024, the number of railway journeys was 20% lower than the pre-covid count. However, the Indian Railways recorded a healthy revenue growth of 7%, reflecting a crowding out of low-value ticket journeys, as tariffs for upper-class railway travel have been hiked. This seems like one among other markers of a weakened steady-state migration dynamic for now.

A persistent post-pandemic contraction in inflation-adjusted rural wage growth also supports the 'surplus labour' argument. High rural inflation beyond the influence of RBI is impeding price stability in India. Balancing a hawkish stance with financial conditions, so that monetary policy does not overly tighten and hurt economic growth, will become increasingly important. For that, liquidity management will remain RBI's playground. On policy rates of interest, patience will need to be exercised.





## GUEST VIEW

## MINT CURATOR

# This remains India's decade as its economic cycle promises growth

The economy's expansion has more years to run and GDP growth could average 6.5% until 2030 on current policy trends



**UPASANA CHACHRA**  
is chief economist at Morgan Stanley.

India's economy has exhibited consistent strength since the pandemic, and there is growing optimism over its future growth path. Despite a coalition government at the Centre, compared with a single-party majority government in the previous two Lok Sabha terms, we expect the policy direction to remain the same. We maintain our constructive view on the economy and believe that this cycle has more years of expansion. India is on track to become the world's third-largest economy by 2027, maintaining the tag of 'fastest-growing large economy' for a few more years. In this article, we delve into our framework in some detail and answer four questions on the country's economic cycle.

Where are we in the growth cycle? GDP growth has surprised on the upside in the past five quarters, with upgrades to growth forecasts. In other words, the growth trajectory is moving higher at a faster-than-expected pace. This is more compelling if we consider that the recovery is rather young when measured in number of years—two years from March 2022, when the economy opened completely after pandemic restrictions. This robustness is reflected in high-frequency data. Manufacturing and services PMI readings have been tracking levels close to their 14-year highs, credit growth has been at or above 15% for the past nine months, and GST collections have been above ₹1.5 trillion for the past 15 months. However, there are concerns around a sluggish trend in consumption, particularly in the low-income segment, and a slow pickup in private capex. In our view, these are symptoms of an early-stage expansion cycle, and growth will become broader based as the economic expansion continues. Indeed, incoming data suggests a pick-up in rural demand in the March quarter of 2024, as reflected in consumer products' volume growth and an improving trend in private investment, as reflected in the order books of engineering companies.

How is this cycle different? India has seen a rapid transformation from a macro perspective in the past ten years, driven by policy reforms. The reforms implemented in this period addressed three broad challenges: improving the supply-side responsiveness of the economy, fostering macro stability and improving India's integration with the rest of the world. These policy measures have helped fortify the Indian economy, making the growth cycle self-sustaining and less vulnerable to global shocks than in the past. This is reflected in a higher investment rate, systematically lower inflation and a stronger external balance sheet. Indeed, capex has risen to around 34% of GDP in 2022-24 from the trough of 28% of GDP in 2020-21, inflation has tracked below 6% in seven of the past nine years, the current account deficit has tracked around or below 2% of GDP since 2013-14, and



India's export market share for goods and services has risen by 40 basis points to 2.5% since 2019.

What about policy direction in the next five years?

We expect political stability and believe a stable government will maintain the policy momentum of the past few years. We expect policy measures to continue under two broad segments: job creation and ensuring macro stability. On job creation, we believe that the playbook of focusing on expanding infrastructure investment and pushing the manufacturing base higher are key to ensuring the country's demographic dividend contributes positively to growth. Indeed, with an annual average increase of nearly 9.5 million in the working age population, India needs a broad-based strategy for creating non-farm jobs. Since 2014, the government has expanded physical infrastructure at a fast pace, with a 1.5x increase in roads (national highways, i.e., measured in kilometres) and a doubling of airports as well as railway routes electrified. This will help to improve domestic competitiveness and create a basis for the manufacturing base to expand. To ensure macro stability, we expect policymakers to maintain a policy framework favouring fiscal prudence, an efficient expenditure mix in the form of higher capex, and improvements in the targeting of welfare spending. It is likely that the upcoming

Budget in July will indicate that the government remains committed to its path of fiscal consolidation, improving job creation and sustaining capex growth. In our view, these areas will help the economy cruise at 6.5-7% growth with macro stability maintained. For growth to average 8-10%, decisive and concrete steps will be needed to address factors (land and labour) and improve the productivity of the agriculture sector.

What are the risks? From a cyclical perspective, risks stem from global factors, such as a sharp deterioration in world-wide growth, a rise in risk aversion that impacts capital flows, or a sharp and sustained rise in commodity prices, particularly oil. While India is less vulnerable to such shocks, it isn't completely immune, especially to sharp and sustained moves. On the structural side, the main risk is a change in policy mix that focuses on aggressive redistribution, which could weigh on macro stability and thus the growth outlook.

Bottom-line: We believe that India's expansion cycle has more years to run, and we estimate that GDP growth will average 6.5% until 2030. With its economy compounding at a fast pace, India's GDP is expected to expand to \$8 trillion by 2032 from \$3.8 trillion in 2024, accounting for nearly a fifth of global growth over the course of this decade.

## QUICK READ

Policy continuity is expected under India's new coalition government and its emphasis on job creation, macro stability, infrastructure and manufacturing is not expected to weaken.

Achieving 8-10% GDP growth, though, may require land and labour reforms as well as raised farm productivity. External shocks pose risks, although India is less vulnerable to them now.

Bottom-line: We believe that India's expansion cycle has more years to run, and we estimate that GDP growth will average 6.5% until 2030. With its economy compounding at a fast pace, India's GDP is expected to expand to \$8 trillion by 2032 from \$3.8 trillion in 2024, accounting for nearly a fifth of global growth over the course of this decade.

# Political turmoil in France isn't a prelude to another EU crisis

Macron's electoral gamble is a worry but this isn't a 2012 redux



**MARCUS ASHWORTH**  
is a Bloomberg Opinion columnist covering European markets.

Mark Twain's aphorism that "history doesn't repeat itself, but it often rhymes" may be overused. But the market reaction to the political turmoil gripping France has distinct echoes of the euro crisis more than a decade ago. As talk of 'Frexit' surfaces, it's important to note that there are significant differences between the current situation and the travails suffered by the 'PIGS'—Portugal, Italy, Greece and Spain—back in the day. France is part of the bedrock of the European Union (EU), not just a peripheral nation. Its economy is nowhere near as weak as Greece's was in 2012. While both its budget deficit and debt burden are deteriorating, neither is as bad as those of Italy. Moreover, the European Central Bank is now much more proficient at coming up with new tools to defend the common currency project. The EU's collective ability to set aside differences, displayed during the euro crisis and repeated in its €800 billion (\$850 billion) NextGeneration pandemic fiscal programme, is its greatest strength. Its willingness to compromise on even the thorniest of political and economic issues means the risk of a 'Frexit' can be firmly discounted at this juncture.

That said, fixing France's finances also looks unlikely. The political jockeying following President Emmanuel Macron's decision to call a snap election has highlighted the country's intractable debt problem: French bond spreads won't magically return to the previous narrow levels compared with benchmark German yields even after the political picture becomes clearer by the second-round results on 7 July. A change in the rating outlook or a downgrade from Moody's Investors Service, which ranks French government debt at Aa2 with a stable outlook, is probably already priced in. But further action from either Fitch Ratings or S&P Global Ratings, which have the nation one notch lower at Aa-, would be unsettling.

In recent trading days, French 10-year yields have barely budged, while German bonds have tracked a sharp decline in US Treasury yields. The French Treasury has completed more than half of its €310 billion gross funding requirement this year, with sales going smoothly. Yields across the curve are in the 3% to 3.5% range, only modestly above this year's average levels. In 2012, the French yield premium to Germany reached 125 basis points. This current wobble, which has seen the spread surpass 80 basis points, is more reminiscent of the market move in the approach to Macron first taking office in 2017.



France's basic commitment to the EU project is unlikely to weaken. BLOOMBERG

So-called cohabitation between opposing parties holding the offices of president and prime minister has happened three times before in the 66-year history of the Fifth Republic. If Marine Le Pen's National Rally gets to lead the next government, it's worth noting that her party has carefully moderated its eurosceptic stance in recent years, pushing instead for reform from within. Nonetheless, European Commission concern about the increasing French budget deficit, which rose to 5.5% of GDP last year, won't be assuaged by a tense domestic political scene.

During the euro debt crisis, it took then-ECB President Mario Draghi promising to do "whatever it takes" in July 2012 to steady the ship. Current incumbent Christine Lagarde doesn't need to worry her speechwriters yet, but it would be wise to have internal consultations on which tools from its expanded arsenal the ECB might bring to bear if the current market moves threaten to become dysfunctional.

The ECB's Transmission Protection Instrument (TPI), for example, was approved in July 2022. It helped to quell an Italian political wobble, but it remains more of a conceptual tool than a real-life bazooka, with an explicit aim to "counter unwarranted, disorderly market dynamics." We are far from that definition: "What we're seeing is a repricing," ECB Chief Economist Philip Lane pointed out earlier this week. Still, policymakers in Europe might want to remind market participants that the TPI exists.

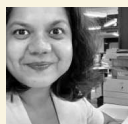
The central bank announced at its 6 June meeting that it will commence running down its Pandemic Emergency Purchase Programme by €7.5 billion per month from July, by no longer fully reinvesting maturing holdings. Pressing pause might be taken as a sign of panic, but there's plenty of inbuilt flexibility that would allow redemptions from other markets to be skewed toward reinvestment in French debt—a chunky €18 billion matures in July, for example.

President Macron's electoral gamble has focused investor attention on the parlous state of French finances and opened the door to a new administration that may be even less fiscally responsible. But still, we are a long, long way from the turbulent markets of 2012. BLOOMBERG

## MY VIEW | PEN DRIVE

# Is LGBTQIA+ acceptance just lip service in India Inc?

DEVINA SENGUPTA



writes on workplaces and education at Mint.

A born-male hotel executive who identified as a woman had a request of her HR head. She wanted to work in the reception desk of the hotel in a sari. The senior approved. Next morning, the executive in a sari drew attention from many guests, but the decision worked in the hotel's favour. That one not upped ratings from many guests and bolstered its brand image of being an inclusive company.

Now, in an ideal world, an employee being denied a role because of any orientation is unacceptable. But since we do not reside in such a world, the letters LGBTQIA+ (abbreviation for Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual and any other identities) could take time to percolate through the layers of most organizations. But time is not a luxury that India Inc has. Today, different generations huddled in the same office want the voices of all genders and orientation, with any kind of fluidity, to be heard pronto.

A single protest from the young and disillusioned on social media could hurt a company's brand image, impacting its employee attraction ability and more. "It has taken more than 50 years for society and thereby companies to notice the impact women leaders bring to an organization. Getting them to accept different orientations, which are also evolving, will take a lot more years," observes a senior HR executive who conducts DEI (Diversity, Equity and Inclusion) training sessions for business leaders of a conglomerate. "We have to start now."

The HR executive recounts how leaders are getting trained not to react or form any judgement, and also be acutely aware of any subconscious bias kicking in when a job seeking candidate discloses more about oneself. "I am asexual" cannot be met with "What does that mean?" or "How will the employee fit in," etc. No one asks personal questions, but candidates in interviews have opened up about their orientations sometimes just to check if they and the firm are a match.

What does DEI training involve? Is it taken seriously across all levels in India Inc, or is it just a perfunctory checklist tick-off? A consultant told me that explaining it to

employees could lead to questions on religious beliefs on orientation, with morality cropping up as a subject.

There is curiosity about whether sexual and other forms of diversity can influence decision-making processes, while there is also rejection of anything beyond heteronormative archetypes. People often ask if all employees must attend these programmes if the likelihood of having LGBTQIA+ colleagues is low. Some firms insist that all need to be sensitized, while others want their senior leadership to be trained every few months in the hope that their understanding will seep through the layers.

The worry that they may not be considered inclusive has pushed firms across sectors to look at benefit packages. While concepts like adoption and paternity leave are available in a few firms, DEI teams are working to ensure that if gender-affirming surgery is covered by the

company's insurance policy, then so should the gender-affirming medical expenses of employees who are transitioning but may not require surgery.

But can these measures stop the slurs? A business house had to look into a harassment case where an employee felt "threatened" by a colleague who had come out of the closet. "Slurs, abusive words, snide remarks are common, but rarely are they reported by anyone, not even the person who was the target. Sometimes, senior executives are bored in these sessions, but the hope is that with every step, the office becomes a safer place," says a senior executive.

Unfortunately, as conversations with officers suggest, leaders in many places are still getting used to the new dynamics brought about by out-of-the-closet orientations. In the meantime, the younger lot are scanning their employment contracts to check if the firm meets

## QUICK READ

Today, various generations huddled in the same office want the voices of all genders and orientation with any kind of fluidity to be heard as equals no different from anybody else.

Businesses that care about their brand image and reputation as employers have adopted DEI measures, but there still seems a long way to go for ideal levels of diversity, equity and inclusion.

their fairness yardstick. DEI standards are going. Simply installing a gender-neutral washroom doesn't make the cut.

Whether people protest what they identify as DEI violations, especially if someone is victimized in office for orientation, can depend on how badly they need their jobs. For many, calling out the bigotry displayed by a senior, like opening up to colleagues, can be a tricky decision if it risks being singled out and ridiculed. Yet, from insider accounts, company cultures are changing as younger generations move in. According to a prominent DEI activist, there seems to be more acceptance of diverse orientations among general workers than their superiors: "A transgender working in a plant is more easily accepted by workmen on the floor, while MBA-degree holders in cabins create more resistance."

So, are DEI training investments turning out to be mere lip service in India Inc? Is June celebrated as Pride Month mostly for brand projection purposes? I would like to think that even if a single candidate opens up about one's sexuality in a job interview and the panel waffles the candidate in as if noting extraordinary traits, then India Inc should feel relieved.



# The Statesman

Incorporating and directly descended from THE FRIEND OF INDIA - Founded 1818

## Putin-Kim pact

The signing of a mutual defence pact between Russia and North Korea during President Vladimir Putin's just-concluded visit to Pyongyang marks a significant and potentially destabilising shift in the geopolitical landscape of Northeast Asia. This alliance, characterised by mutual military support and deepening technological cooperation, is a clear signal of Russia's strategic pivot towards bolstering its presence in the region. While this may be seen as a response to increasing Western support for Ukraine, it also underscores the evolving dynamics of global alliances and the resurgence of Cold War-style posturing. The significance of this pact cannot be overstated. For Russia, it represents a break from its post-Soviet approach to North Korea, indicating a willingness to engage more directly with Pyongyang. The shift comes at a time when Russia is under severe economic and political pressure from Western sanctions due to its conflict in Ukraine. By aligning more closely with North Korea, Russia is not only seeking new avenues for military and technological cooperation but also aiming to project its influence in Asia, counterbalancing Western powers. North Korea, on the other hand, gains a formidable ally in its struggle against international isolation and economic sanctions. The pact offers Pyongyang a lifeline in political and potentially economic support, reinforcing its defiant stance against the West. North Korean leader Kim Jong Un's description of the relationship as an "alliance" with "unconditional support" for Russia highlights the strategic importance he places on this partnership. It provides North Korea with the backing of a major military power, which could embolden its policies and actions, particularly regarding its nuclear and missile programmes.

The potential repercussions of this alliance are of concern for regional and global stability. The explicit mention of mutual defence and the possibility of military cooperation raise the spectre of heightened military tensions on the Korean Peninsula. South Korea, backed by the United States, is likely to view this development with alarm, prompting a re-evaluation of its security strategies. The pact could also complicate the already fragile balance of power in the region, drawing China into the equation as it reassesses its own stance towards North Korea. Moreover, the West's fears about Russia potentially aiding North Korea's nuclear and missile programmes are not unfounded. Despite denials from both Moscow and Pyongyang, the prospect of such cooperation cannot be dismissed. Any enhancement of North Korea's military capabilities through Russian technology or expertise would pose a significant threat to global non-proliferation efforts and could trigger a new arms race in the region. This development also reflects the broader realignment of global alliances in response to shifting power dynamics. As the United States and its allies intensify their support for Ukraine, Russia is forging new partnerships to counterbalance this pressure. The alliance with North Korea is a stark reminder of the interconnectedness of global conflicts and the ways in which regional issues can have far-reaching implications.

## Taxing times

With the British election fast approaching, the debate over taxation policy has intensified, particularly around the Labour Party's proposed changes to inheritance tax and the tax status of non-domiciled residents. The potential impact of these changes has sparked a fierce discussion about the future of UK's economy and its attractiveness to wealthy individuals. Labour's manifesto proposes a significant overhaul of tax protections for offshore wealth and a broadening of the inheritance tax regime to include foreign assets held in trust. This move is seen as a direct attempt to close loopholes that have allowed the ultra-wealthy to minimise their tax liabilities. While the intention is to generate additional revenue to support public spending on essential services like schools, welfare, energy reform, and the NHS, there are concerns about the broader economic implications. Critics argue that such measures could make the UK less appealing to the super-rich, leading to an exodus of high-net-worth individuals. The fear is that as these individuals move their wealth – and themselves – to more tax-friendly jurisdictions, the UK could see a reduction in overall revenues and investment. Countries like Spain, Italy, Switzerland, Dubai, and Singapore, which offer more favourable tax regimes, are already becoming attractive alternatives. One of the most contentious points is the plan to include foreign assets in the UK's inheritance tax calculations. The current inheritance tax rate in the UK stands at a hefty 40 per cent, significantly higher than many other countries. For those who have accumulated substantial assets overseas, the prospect of this tax being applied retrospectively is particularly alarming. Legal experts have stressed that traditionally, changes in inheritance tax treatments do not apply retroactively, but Labour's approach might break this precedent, further fuelling uncertainty. On the other hand, proponents of the reforms argue that the super-rich have the means to contribute more to society, especially during times of economic strain. The argument is that closing these tax loopholes will not only generate much-needed revenue but also promote a sense of fairness in the tax system. Public sentiment often leans towards the belief that everyone should pay their fair share, and highly publicised cases of tax avoidance by the wealthy exacerbate feelings of inequality. The current Conservative government had already started to phase out non-domicile status, which allows individuals to avoid UK taxes on their foreign earnings. Labour's commitment to accelerating this process is in line with their broader goal of tax equity. However, this has prompted many wealthy individuals to consider their residency status carefully, with some planning to limit their time in the UK to reduce their tax liability. Ultimately, the decision facing the UK electorate is one of balancing tax fairness with economic competitiveness. While higher taxes on the wealthy could fund critical public services, there is a genuine risk that aggressive tax policies could drive away the individuals who contribute significantly to the economy through investment and spending.

# Competitive legitimacy

There could be varying degrees of 'legitimacy' implicit in each evacuation case. In the latest case of negotiating with Iran to secure the release of Indian sailors aboard the seized commercial liner the narrative is genuinely compelling. These sailors are presumably from a disadvantaged economic background and that makes their misery especially pressing for the State to intervene. There is also an implicit innocence of these sailors, given the unrelated-to-them backdrop, besetting the issue. As negotiations entail a friendly country like Iran, it makes it even more pertinent for Delhi to push hard given the high chance of success and presumably 'low investment' involved



Countries have finite resources and infinite concerns to support. This necessitates prioritizing those concerns with maximum impact, stakes, and moral imperatives. Socio-economic issues like employment, agrarian crisis, education, health etc., ought to draw maximum resources, but there are other issues like security, diplomacy etc., which too are critical, though the impact there is usually enabling as opposed to being socio-economically accretive.

There are tensions of making 'choices' as budgetary allocations are often tempered with partisan priorities. So no sovereign can practically guarantee resources to all those beseeching the same, especially for an 'emerging economy' like India. The government makes choices.

In democracies, citizens elect government, and the government is duty bound to protect a citizen's constitutional rights, address legitimate concerns, and ensure safety, within and abroad.

However, 'choices' made by the State are often influenced by postures that the State seeks to project, even if the same comes at the collateral and regrettable cost of denying legitimate needs to some others, inadvertently.

One such impulse amongst large-but-emerging economies is to flex their 'outreach capabilities' beyond borders in terms of evacuation of citizens. It makes for muscular optics of having 'arrived on the world stage' besides generating invaluable electoral goodwill by displaying purported concern and capabilities.

Countries like China and India have routinely demonstrated such Superpower instincts. But because of the finiteness of resources, these 'investments' come with commensurate denial to some other, equally, or more deserving citizens, somewhere else.

As this investment-dental-

ism equation is not linear, it is not apparent. Therefore, instances of such cross-border 'investments' must be carefully weighed with the lens of competitive 'legitimacy', in each case.

The relationship between a citizen and the State is of a reciprocal nature mandating respect for each other's compulsions and suggestions. A State that does not care about a citizen's legitimate woes is unworthy of its trust, just as a citizen who is unheeding of the sovereign's directive (worse, if such citizens expect equal treatment vis-a-vis other citizens, who do abide by the State's directives) is, in a Keynesian sense, pun, unilaterally driven citizens ask what the state can do for them, but conversely remain unconcerned about the State's own pangs.

Recent years have seen India invest heavily in rescuing its citizens from Yemen, Ukraine, Qatari, Iran etc. Each time these missions succeeded, it added to the image of the nation. The government even invoked the same towards bolstering its electoral prospects e.g., the video of an ostensible girl student rescued from Ukraine. Obviously, the narrative then extended to suggesting that India had got Russia and Ukraine to halt the war to do the needful, clearly massaging reality beyond reasonableness.

Now, there could be varying degrees of 'legitimacy' implicit in each of these evacuation cases that must be nuanced. In the latest case of negotiating with Iran to secure the release of Indian sailors aboard the seized commercial liner the narrative is genuinely compelling.

These sailors are presumably from a disadvantaged economic background and that makes their misery especially pressing for the State to intervene. There is also an implicit innocence of these sailors, given the unrelated-to-them backdrop, besetting the issue.

As negotiations entail a friendly country like Iran, it makes it even more pertinent for Delhi to push hard given the high chance of success and presumably 'low investment' involved.

However, two cases of 'high investment' entailed the evacuation of 4,640 Indians and 960 foreigners from Yemen under Operation Rahaat, and 25,000 Indians from Ukraine under Operation Ganga.

While for the Government to step up and address the concern of beleaguered citizens abroad is a noble act and desirable – but in both instances, the Government had issued strong

and multiple advisories to leave the countries respectively, which went unheeded by the Indians there.

Certainly, there were economic concerns (with workers in Yemen) and career concerns (with students in Ukraine), but repeated requests and advisories by the Indian Government as it assessed the situation to be deteriorating, were knowingly ignored till the situation got out of hand.

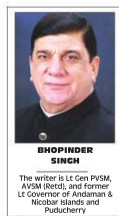
In the Ukraine case, an unprecedented 76 dedicated flights to ferry Indians who hadn't left in time (as mandated by successive advisories), were committed. A large extent of the cost towards this mammoth rescue operation was arguably avoidable if the Indians therein had respected the covenant of trust with the State.

But they were aided at a substantial cost in the same way as some other citizens are treated (or denied), for lack of sovereign resources) as those who do abide with the State's advisories and urges, in their own ways. Subsequent initiatives like Operation Ajay (facilitating Indians in Israel post-Hamas attack) was fundamentally different, as the situation imposed itself without warning.

Therefore, it is important to differentiate and distinguish between various situations to ensure that only those who uphold the reciprocal covenant with the State are prioritised.

It is unfair to deny some, just because they are not in the news or frontlines. Just one statistic says a lot – India has regressed to 111th out of 125 countries on the Global Hunger Index, therefore it is important to keep some things in perspective before committing national resources.

Many sections of citizens are in desperate need of sovereign support, but as the national kitty is limited, care to filter each situation with the lens of competitive 'legitimacy' is important.



THE WRITER IS L. C. GANESH, AVSM (Retd), and former LEADER OF OPINION IN NEIGHBOURHOOD AND PUBLICITY

## LETTERS TO THE EDITOR

editor@thestatesman.com

## Outcome in SA

SIR, This refers to the editorial, "Challenge in SA" (17 June). A fragile coalition of lawmakers in South Africa elected Cyril Ramaphosa for a second term as president on Friday, marking a new era of political uncertainty in one of the continent's most stable democracies.

A skillful negotiator, Ramaphosa clinched the agreement with the white-led DA and at least two other smaller parties to form the government.

But Ramaphosa, 71, has emerged weakened from the May 29 election as the ANC lost its parliamentary majority, and some political analysts have questioned whether he will be able to serve a full second five-year term.

The new government faces many challenges. In this year's election, the party captured only 40 per cent of the vote, so if the parties clash, the government could collapse.

Such an outcome would

echo a pattern seen in municipalities across South Africa, where local coalitions sometimes last only months – or even weeks – leaving voters frustrated and disillusioned.

Some of the parties in the new government are already sharply divided on ideology and policy. More than six years on, the economy remains stagnant and



scandals still swirl around top ANC officials.

The decisive blow in last month's election was struck by Ramaphosa's nemesis Zuma, whose new party uMkhonto we Sizwe exceeded expectations and made a big dent in ANC support.

Ramaphosa has been criticised for appearing to ignore crucial reforms to avoid exacerbating rifts in his party – a far cry from the decisiveness he showed as a union leader in the 1980s.

South Africans expect the parties for whom they voted to find common ground, overcome their differences and act together for the good of everyone.

Yours, etc., S S Paul, Nadia, 17 June.

## N-E TIME ZONE

SIR, The North-east welcomes the sun every day almost 2-3 hours before other parts of the country but North-easterners have to accept the same time zone as the rest of India which does not make any sense.

## ONE TAX

SIR, The BJP is out on the streets in Karnataka protesting against the petrol price hike. When the same are raised in Madhya Pradesh, the AAP will protest and if they are raised in Punjab, the Congress will similarly protest. This circus has to stop.

When the government raises prices in BJP-ruled states no BJP leader would protest. Same thing applies to other parties. All this can be a thing of the past if the prices come under GST.

The prices of alcohol too must be made uniform across the nation. It is one nation, one this and one that. So why not have one nation, one tax also.

Yours, etc., Anthony Henriques, Mumbai, 18 June.

It is a waste of prime daylight hours which could have been put to use if North-east had its own time zone.

The people of the region have been asking for a time zone but no government has done anything in this regard.

A separate time zone for the North-east would save close to 3 billion units of electricity in a year which means the North-east would become a self-sufficient region in power generation.

The saved power can also bring revenue as it can be sold to

A MEMBER OF THE ANN ASIA NEWS NETWORK

## China-EU partnership crucial for green transition

As the European Union and China have been rapidly transforming their economies to align with their ambitious climate goals, their competition in green technologies, market share and standards has increased. If this competition is managed properly, it can encourage a race to the top and drive innovation in green technology, the European Council of Foreign Relations has acknowledged. However, if managed poorly, the risk of trade-related disputes over low-carbon products and standards will rise.

With their climate competition having come to the fore in the form of higher tariffs of up to 38.1 percent that the European Commission has said will be slapped on Chinese electric vehicle imports starting next month, it is doubly so for Vice Premier Ding Xuexiang is visiting Belgium and Luxembourg from Monday to Friday, during which he will co-chair the fifth High-Level Environment and Climate Dialogue between the two sides at the EU headquarters in Brussels.

That the two sides have already held four rounds of dialogue since the mechanism was established in 2020 points to the extensive common interests they share and the huge potential for the mutually beneficial cooperation between them in green development.

China and the EU, which are two of the world's biggest emitters of green-

## CHINADAILY

house gases, were both important facilitators in securing the Paris Agreement and have been playing leading roles in international efforts to limit the global average temperature rise to well below two degrees Celsius above pre-industrial levels. China proposed in 2020 to peak its carbon dioxide emissions before 2030 and to strive to achieve carbon neutrality before 2060.

The EU, on its part, proposed a package plan to address climate change in 2021 that aims to reduce the net greenhouse gas emissions by at least 55 percent from the 1990 levels by 2030 and achieve carbon neutrality by 2050.

How well the two sides can manage their competition, strengthen their climate policy coordination and enhance their cooperation in green technologies will to a large extent determine the fate of global efforts aimed at realizing the green transition and addressing climate change.

Frutiful cooperation in reducing GHG emissions would undoubtedly set a good example for other countries and encourage them to follow suit. China's rapid progress in the renewable energy sector is a key driver of its green transition, but has also been playing a pivotal role in advancing that of the EU.

For example, in 2021, China supplied 80 percent of the EU's solar panels and 60 percent of its wind turbines, which has helped the bloc to meet its ambitious renewable energy targets.

Yet with some politicians in Europe willing to follow Washington's lead by trying to politicize cooperation with China as a "threat", they have been loudly repeating the notion that China's "overcapacity" in green products is hurting domestic industries.

Hopefully, the high-level dialogue will help the two sides expand common ground while enhancing mutual trust so that their differences will not become obstacles to their long-term green cooperation, which will benefit not only China and the EU, but also the rest of the world.

## ONE TAX

SIR, The BJP is out on the streets in Karnataka protesting against the petrol price hike. When the same are raised in Madhya Pradesh, the AAP will protest and if they are raised in Punjab, the Congress will similarly protest. This circus has to stop.

When the government raises prices in BJP-ruled states no BJP leader would protest. Same thing applies to other parties. All this can be a thing of the past if the prices come under GST.

The prices of alcohol too must be made uniform across the nation. It is one nation, one this and one that. So why not have one nation, one tax also.

Yours, etc., Anthony Henriques, Mumbai, 18 June.

states like Jharkhand, Haryana, and Andhra Pradesh which are going through a supply shortage.

There should be a time difference of 4 minutes for every degree of longitude change and as the longitude difference between Gujarat and Arunachal Pradesh is 30 degrees, the time in Arunachal Pradesh should be 120 minutes ahead of the Indian Standard Time.

I hope the Indian government will mull over this.

Yours, etc., Noopur Baruah, Tezpur, 18 June.