

India's minister who likes to annoy

AFP, New Delhi

India's maverick environment minister Jairam Ramesh is more than a little smug that at one time or another he has raised the hackles of big business, cabinet colleagues and environmentalists.

"It must mean I'm doing my job," grins the 56-year-old ex-policy adviser turned politician who is now one of the ruling Congress party's highest-profile ministers with close ties to the Gandhis, India's leading political family.

Since taking over the role in 2009, he has given a tough new image to the ministry, which had been seen as a rubber stamp for industrial projects, and has also raised India's profile on the world stage in fighting climate change.

"India didn't cause the global warming problem but we definitely want to be seen as part of the solution," says Ramesh, whose nimble diplomacy helped broker a global climate deal at Cancun, Mexico, last December.

Even before he took over the portfolio, the affable, media-savvy Ramesh was well-known in India as an author and columnist.

Typically, he was again enjoying the limelight last week when he announced a rise in India's population of wild tigers, an upbeat message delivered with a warning that development was shrinking the endangered animals' habitat.

Ramesh's latest big move -- after reportedly being prodded by Congress party colleagues to be more conciliatory to business -- was his approval of plans by South Korea's Posco to build a \$12 billion steel mill earlier this year.

But Ramesh, an engineering graduate of the elite Indian Institute of Technology who also studied at the Massachusetts Institute of Technology, attached over two dozen riders to his approval.

"The bulk of projects still get cleared," he said in a recent free-wheeling interaction with foreign journalists. "It's just there are more falling into the 'Yes, but' category to which I attach conditions."

"But there are also times I have to put down my foot."



Jairam Ramesh

He has shelved plans by British giant resources Vedanta to mine bauxite on land held sacred by tribal people, ordered demolition of a ritzy Mumbai condominium that violated shoreline protection rules, and stalled construction of a luxury town in western India.

Worries have been raised in government and financial circles that Ramesh's zealous enforcement of environmental rules is creating regulatory uncertainty that discourages foreign investors and blocks industrial development.

"There is a question of consistency of policy in India that worries foreign investors," said Deepak Lalwani, head of London-based Indian investment

consultancy Lalcap.

Ramesh replies there is "no empirical evidence" to suggest his vetoing of projects has contributed to a sharp drop in foreign investment or that his pro-green stance is a barrier to growth.

But the minister, who favours traditional long white shirts and trousers, says he believes "the time has come for India to make tough choices."

While being an early advocate of opening up India's still relatively closed economy, he is adamant that "India cannot pollute its way to prosperity." The country must ensure its growth -- expected to reach nine percent this year -- is ecologically sustainable, he says.

Since the Japanese nuclear crisis began, he has said energy-hungry India "may have to pause a little" in its ambitious plans to massively expand nuclear power "to look at our state of preparedness for emergencies".

He has been accused of being dogmatic by cabinet colleagues and too pliant by some environmental critics. But he has admirers.

Medha Patkar, founder of Narmada Bachao Andolan group which lobbies to halt construction of river dams, supports Ramesh's record.

"He doesn't mind taking a position when he's convinced of what is legal and what it is that the ministry should uphold," says Patkar, praising his

"down-to-earth" and "pro-people" approach.

But Ramesh says he has to be realistic about what he can accomplish because of India's limited resources.

He says he is attaching more conditions to some environmental approvals but many are "leaps of faith" because India lacks the administrative network to police their enforcement.

He hopes public awareness will put more pressure on companies, helping the government's efforts to find the right balance between growth and environmental concerns.

"I've never said I'm here to reject projects," he says. Referring to his media nickname, he adds: "I'm not Dr. No."

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Vodafone's Essar victory gives it an uphill task

ROBERT COLE

Vodafone's Indian victory has given it an uphill task. The UK mobile operator's \$5 billion deal to buy Essar's 33 percent stake in their Indian joint venture ends a messy dispute. But Vodafone has had to pay a high price.

By asking Vodafone to buy its entire shareholding at a value agreed in 2007, Essar has chosen the simpler of two options. The Indian group considered an alternative, which could have seen it sell part of the stake at a difficult-to-define "fair market value". Earlier this year, Vodafone fought off an attempt by Essar to manufacture a value for the business by injecting part of its stake into an illiquid stock market vehicle.

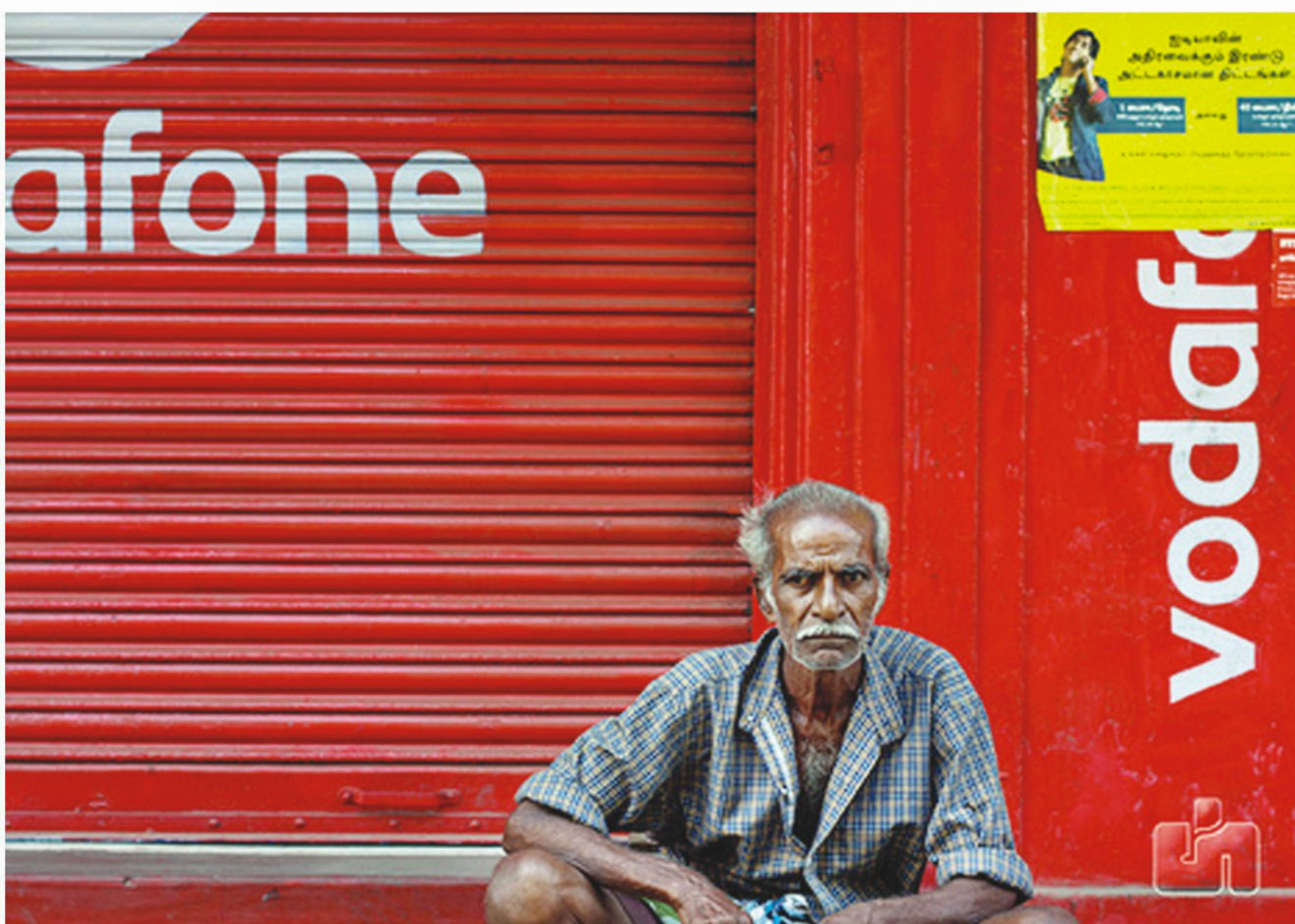
The cost to Vodafone, however, is still substantial. The Indian mobile market has become more competitive since the country unexpectedly issued new licences in 2008. At current market valuations, the Essar stake is probably worth no more than about \$3 billion.

But the cost to Vodafone of winning outright control does not stop there. First, it's a painful reminder that the company paid top dollar for its foothold in the Indian market in 2007.

Second, India's tax authorities think Vodafone owes up to \$2.5 billion arising from the capital gain crystallised by the 2007 purchase from Hutchison. Though Vodafone is pushing back hard, it could face a steep extra charge.

Meanwhile, a corruption scandal has engulfed officials responsible for awarding the 2008 telecoms licences. There is nothing to connect Vodafone with the scandal, and the wider implications are murky. But all of India's operators, including Vodafone, may be asked to stump up extra sums.

Vodafone's challenge now is to bridge the value gap. On the plus side, the company has clear control of an asset which, thanks to its position in one of the world's fast growing emerging markets, has plenty of potential. In addition, the Indian telecoms industry may consolidate, which would help



British telecom operator Vodafone will buy a 33 percent stake in its Indian joint venture from Essar for \$5 billion.

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Vodafone by pushing up prices. Finally, the \$5 billion cost is already on Vodafone's balance sheet and the company has already taken a 2.5 billion pound write-down on its investment. Even so, it won't be easy to extract enough value from the Indian business to justify the sum that Vodafone has shelled out.

CONTEXT NEWS

- Vodafone, the UK mobile telecom group, said on March 31 it will buy a 33 percent stake in its Indian joint venture from Essar, the diversified industrial group, for \$5 billion.
- The terms of the deal were set out in an agreement made in 2007, when Vodafone bought into the venture.

- The Essar stake will lift Vodafone's shareholding in the venture to 75 percent.
- To comply with Indian rules over foreigners' ownership of shares, Vodafone will have to bring its holding down to 74 per cent. It plans to do this by selling small amounts of stock to Indian nationals.

- Vodafone also said that a partial IPO was possible.
- Vodafone Essar had 124.5 million subscribers at the end of December 2010, a market with 771 million subscribers in total.

The author is a Reuters Breakingviews columnist. The opinions expressed are his own.