

How Jaitley will deal with challenges in new budget

SELINA MOHSIN

ANY Indian annual budget for its 1.2 billion people is a major event, but when Finance Minister Arun Jaitley rose to speak on February 1 it was in the wake of the withdrawal of 86 percent of India's cash and days before voting began in five state elections.

Guiding so vast an economy is difficult enough, but Jaitley also faced a political challenge. For two months the sudden demonetisation had disrupted the economy. Much inconvenience and cost had been inflicted on innumerable voters, and yet these state elections are vital for Prime Minister Narendra Modi and the BJP, especially those in Punjab and Uttar Pradesh. How well has he coped with this dilemma?

For the economy his guiding principle has been 'fiscal prudence'. Further cutting the budget deficit to 3 percent of GDP has been delayed a year in order to reduce taxes for poorer Indians and small companies while allocating nearly \$60 billion to infrastructure investment. The disruptive cash shortage has at last been overcome and economic growth is forecast to rise to 7.6 percent (higher than China).

Jaitley noted that India was 'largely a tax noncompliant society' but revenue had risen 17 percent and huge sums that had been hoarded as cash had now been deposited in bank accounts and would be subject to investigation by tax officials. The inflow of cash had eased capital shortages, so opening the way to increased bank loans and lower bank rates.

More generally Jaitley claimed a 'huge' increase in cashless transactions by mobile phone. Combined with the great expansion of bank accounts and nearly total distribution of biometric identity cards, these cashless transactions have now opened the way to bypassing the wastage and corruption of traditional bureaucracy while greatly contributing to transparency and accountability.

A good step in this area is the 'payment regulatory body' which is a clear move to regulate cyber security in the digital payment scenario by strengthening the digital infra-



An Indian office-worker walks past a digital screen showing Finance Minister Arun Jaitley delivering the budget speech at Parliament, at the Bombay Stock Exchange in Mumbai on February 1.

structure. Furthermore, the budget is trying to reinforce 'negotiable instrument act' to recover loans.

The political calculations behind the budget were also very clear. Fuel, food and fertiliser subsidies would remain and, besides infrastructure of all kinds, the focus of increased spending was rural areas and poverty, with the aims of doubling farmers' incomes in five years and completing rural electrification by 2019. New schemes would provide skills training linked to wider job opportunities in rural areas. While taxes had

been cut for small companies and the lower middle class they would be increased by an income tax surcharge for the richest.

In Uttar Pradesh, where seven rounds of voting will be needed to cope with the size of the electorate, power is held by the Samajwadi Party with 229 seats, well ahead of the BSP's 79, BJP's 41 and Congress's 21. Caste and religious voting and combinations have been the traditional norm in UP politics, but even in backward and poor UP, a young generation and the information revolution are generating change. Many people there, as

elsewhere in India, however, personally hit by the suddenness of demonetisation, have been galvanised by its sheer drama and as justified as a drive against the corruption of the rich and powerful.

If Modi can strengthen the BJP in UP, midway through his term of office, it would be a major political advance, even if in Punjab the BJP were to lose ground to the challenge from Arvind Kejriwal's AAP.

After decades of very rapid growth, fuelled by a very high savings rate and based on exports, China's economy is still very much

bigger than that of India. But that growth is slowing as emphasis switches to services and domestic demand. Exports have recently started to fall and higher wages are encouraging investment in labour intensive industries like textiles and garments to lower cost countries like Bangladesh and Vietnam. China's population also exceeds that of India but it is quickly ageing, as is that of Japan. India's population will overtake China's by 2020 and its problem is more to provide productive employment for its rapidly expanding young workforce. That problem is multi faceted. It requires not only a transformation of physical infrastructure, roads, railways, ports etc, but better quality education and training at all social levels plus expanded health services, including family planning.

Nongovernmental organisations, community based organisations and private initiatives can make an important contribution but they will be inadequate without dynamism, efficiency and accountability from India's vast bureaucracy.

Like his predecessor Manmohan Singh, Prime Minister Modi recognises this. A growth rate of 7.6 percent now provides more resources for infrastructure and the budget has usefully increased spending on health and market based training, although still not on the scale needed. The new identity cards and direct cash transfers should cut waste and corruption. Besides asset sales of state-owned companies (of which 71 have been working at a loss for the last five years) and expanding the tax base, there are even projected moves by Modi to try to shake up the antique Indian administration by weeding out lazy, corrupt bureaucrats and promoting merit and commitment – a real challenge.

Finally, the budget is filled with good plans, but it has to be implemented by the people of India and the delivery of the initiatives and reforms have to be transparent and accountable. The human capital employed by the government and other sectors of the socio-economic structures have to be dedicated, honest and efficient enough to make the budget a success. This remains to be seen.

The writer is a former ambassador.

S Korea to strengthen battery safety rules after Note 7 fires



A customer uses his Samsung Electronics' Galaxy Note 7 as he waits for an exchange at the company's headquarters in Seoul.

REUTERS

South Korea said on Monday it will strengthen lithium-ion battery safety requirements and conduct regular inspections to avoid repeats of fires which forced Samsung Electronics Co Ltd to withdraw its premium Galaxy Note 7 handset.

Manufacturers of lithium-ion batteries, commonly used in portable devices, would be subjected to greater oversight and regular inspections, the Ministry of Trade, Industry and Energy said in a statement. Devices using lithium-ion batteries also would be subjected to more regular safety tests, it added.

"We ask that the industry shares the view that making efforts to ensure safety is equally as critical as developing new products through technological innovation," Vice Minister Jeong Marn-ki said in the statement.

Samsung was forced to scrap the near-\$900 Note 7 smartphones in October after some of the devices caught fire due to faulty batteries, wiping out about \$5.4 billion in operating profit over three quarters.

Samsung and independent investigators said in January that different battery problems from two suppliers - Samsung SDI Co Ltd and Amperex Technology Ltd - caused some Note 7s to combust.

A separate probe by the Korea Testing Laboratory also found no other cause for the Note 7 fires other than a combination of manufacturing and design faults with the batteries, the trade ministry said.

China says foreign firms welcome to move into its development zones

REUTERS

China said it welcomes international companies to shift production to its economic development zones, which have been encouraged to actively seek foreign investment, a statement on the cabinet website said on Monday.

The statement comes as President Donald Trump pushes for United States companies to increase production at home to boost job opportunities for Americans.

China's development zones, introduced during its reform and opening-up period more than 30 years ago, have been an integral part of the country's industrialization, urbanization and internationalization, the statement said.

Legal battles to test Trump and his immigration ban

REUTERS, Washington

US President Donald Trump's temporary immigration ban faced on Monday the first of several crucial legal hurdles that could determine whether he can push through the most controversial and far reaching policy of his first two weeks in office.

On Monday, the government has a deadline to justify the executive order temporarily barring immigrants from seven mostly Muslim countries and the entry of refugees after a federal judge in Seattle blocked it with a temporary restraining order on Friday.

The uncertainty caused by a judge's stay of the ban has opened a window for travelers from the seven affected countries to enter the United States.

Trump has reacted with attacks on the federal judge and then the wider court system which he blames for stymieing his efforts to restrict immigration, a central promise of the Republican's 2016 presidential campaign.

Democrats, meanwhile, sought to use Trump's attacks on the judiciary to raise questions about the independence of his Supreme Court nominee, Neil Gorsuch.

The 9th US Circuit Court of Appeals in San Francisco over the weekend denied the Trump administration's request for an immediate stay of the federal judge's temporary restraining order that blocked nationwide the implementation of key parts of the travel ban.

But the court said it would reconsider the government's request after receiving more information.

The government has until 5 p.m. PST on Monday to submit additional legal briefs to the appeals court justifying Trump's executive order. Following that the court is expected to act quickly, and a decision either way may ultimately result in the case reaching the US Supreme Court.

Top technology giants, including Apple, Google and Microsoft banded together with nearly 100 companies on Sunday to file a legal brief opposing Trump's immigration ban, arguing that it "inflicts significant harm on American business."

Noting that "immigrants or their children founded more than 200 of the companies on the Fortune 500 list," the brief said Trump's order "represents a significant departure from the principles of fairness and predictability that have governed the immigration system of



US President Donald Trump attends a meeting in Washington.

the United States for more than fifty years."

The controversial executive order also "inflicts significant harm on American business, innovation, and growth as a result," the brief added.

Trump, who during his campaign called for a temporary ban on Muslims entering the United States, has repeatedly vowed to reinstate the Jan. 27 travel ban on citizens from Iran, Iraq, Libya, Somalia, Sudan, Syria and Yemen and a 120-day bar on all refugees in the name of protecting the United States from Islamist militants.

His critics have said the measures are discriminatory, unhelpful and legally dubious.

On Sunday, Trump broadened his Twitter attacks on US District Judge James Robart in Seattle, who issued the temporary stay on Friday, to include the "court system." Trump a day earlier derided Robart, who was appointed by former Republican President George W. Bush, as a "so-called judge."

"Just cannot believe a judge would put our country in such peril," Trump tweeted on Sunday. "If something happens blame him and court system."

Trump did not elaborate on what threats the country potentially faced.

It is unusual for a sitting president to attack

a member of the judiciary. Vice President Mike Pence defended Trump, even as other Republicans urged the businessman-turned-politician to avoid firing such fusillades against the co-equal judicial branch of government, which the US Constitution designates as a check on the power of the presidency and Congress.

Democrats, still smarting from Republicans' refusal last year to allow the Senate to consider former Democratic President Barack Obama's nomination of appeals court Judge Merrick Garland to the Supreme Court, have seized on Trump's attacks to question his nomination last week of Gorsuch.

"With each action testing the Constitution, and each personal attack on a judge, President Trump raises the bar even higher for Judge Gorsuch's nomination to serve on the Supreme Court," Chuck Schumer, the top Democrat in the Senate, said in a statement. "His ability to be an independent check will be front and center throughout the confirmation process."

Republicans hope to swiftly confirm Gorsuch, a 49-year-old conservative appeals court judge tapped by Trump to fill the seat left vacant by the death of Justice Antonin Scalia nearly a year ago.