

Killing SEZs

This newspaper has opposed the government's policy on special economic zones (SEZs) on primarily two counts. One, the projected tax loss of Rs 175,000 crore during 2005-10 is going to be a huge drain that the country cannot afford, accounting as it will for perhaps close to 5 per cent of total tax revenue each year. Second, they will create an uneven playing field between various types of investors, and investment decisions that get taken will be guided more by tax breaks than good commercial sense. Indeed, the finance ministry has projected that, by the fourth year of the scheme taking off, all incremental exports will take place from SEZs. Since export profits are taxed, it does not make sense not to locate all new export units in the SEZ, where they will continue to get tax breaks. The commerce ministry, for its part, has countered this by pointing to the additional economic activity that will result—merchant exporters setting up shoe factories in China, for instance, could set them up in India if it offered similar tax breaks. This then will lead to large numbers of jobs and other incomes (from suppliers) which will be taxed even under the SEZ regime. But even if you buy the commerce ministry's arguments, the irony is that the slew of amendments being planned now to ensure that there is no leakage of revenue, ironically by the ministry of commerce itself, will result in making the whole idea unattractive and perhaps even still-born.

One of the criticisms of the SEZ policy is that, with the export-processing area kept at a minimum of 35 per cent in large zones, SEZ developers will use the remaining area to develop shop-

ping malls, housing complexes and mini-townships that will have a tax-free status as far as the developer is concerned. So, to plug this gap, one of the proposals doing the rounds is to fix a ceiling for the amount of shopping space that can be built (50,000 square metres is one of the numbers mentioned)—anything above this will not qualify for a tax break. The idea is that an area of 50,000 square metres is needed to meet the shopping needs of those who live/work in the SEZ and are involved in exports. Similarly, 10,000 square metres is the number being talked of when it comes to social infrastructure like schools and hospitals. Other such lists are being drawn up.

It is not hard to imagine the havoc this micro-planning will cause, and the paperwork that will be entailed as an army of bureaucrats will now descend on these zones whose USP (apart from the tax holiday) is the lack of bureaucratic hassles. If a tax break is to be allowed to the developer on shopping areas up to 50,000 square metres in a multi-product SEZ (should it be the same for product-specific SEZs?), then someone has to calculate the tax breaks if the shopping area is 51,000 square metres. If social infrastructure is tax-free till 10,000 square metres, someone has to certify that the entire tax break can be used up by schools instead of being shared between hospitals and schools, and so on. Even without being a great supporter of the idea of SEZs, it is easy to see that the amendments being planned will kill the whole scheme, apart from landing the government in a slew of fresh legislation as those whose projects have already been cleared go to court against the new restrictions planned.

New sources of energy

The Delhi government's reported move to make it mandatory for commercial establishments to use solar power for heating, and compact fluorescent lamps (CFL) for lighting, may have been triggered by the public outcry against the power shortage, but it has an obvious message for the managers of the country's energy sector: Dependence on fossil fuels for energy, estimated at 65 per cent of the total at present, is unlikely to be viable for long. In fact, it is becoming unsustainable even today due to depleting sources of fossil fuels and rising costs. Besides, the ecological costs cannot be ignored for much longer. Waste avoidance and more efficient use of the available energy are crucial tasks. The replacement of 50 per cent of Delhi's ordinary electric bulbs with CFLs, for instance, can help save 51 Mw power. The saving in the whole country would be very substantial indeed. But such a measure alone cannot be enough. Greater use of alternative, notably renewable, sources of energy is indispensable for ensuring energy security.

Fortunately, the opportunities in this sector are plentiful. India is fortunate in being endowed with ample sunshine, wind, biomass, flowing water and other sources for generating energy. Though conditions in most parts of the country are suitable for solar power production, these are ideal in the sprawling arid tracts where cloud cover lasts only for a limited period. The average value of solar energy in the desert region is reckoned at around 6 kilowatts per square km per day. At present, only a tiny fraction of this is being exploited. These tracts, as also the entire coast-

line, usually experience winds with speed in excess of 15 km an hour, sufficient to generate power for commercial and domestic use. The ministry of non-conventional energy sources has already scaled up its estimate of the country's wind power generation potential from 20,000 Mw to 45,000 Mw. Notably, a significant part of this potential, almost one-third, is deemed amenable for linking with the electricity grid.

However, the exploitation of alternative energy sources is not free of constraints. The biggest and most obvious block is the low efficiency and high initial cost of the technology and equipment needed, making them commercially unviable in most situations. But efforts are on globally to overcome this handicap, especially now that oil prices have reached stratospheric levels. In fact, some significant breakthroughs have been achieved in enhancing the efficiency of photo-voltaic cells, to convert sunlight into solar power, and the technology for converting solar heat into thermal power. Though much of this technology has been developed abroad, that does not bar the country from acquiring it. Where wind-based energy production is concerned, India has already made perceptible progress in technology generation as well as its gainful deployment, thanks largely to the interest taken by the private sector in this field. But a good deal still remains to be done. What is disquieting is that the draft of the national policy statement on renewable energy, released last year, does not convey the urgency that the situation merits. Most of the measures mooted in the draft are targeted to show results in the distant future. It is imperative that the goals are re-visited and targets brought forward.

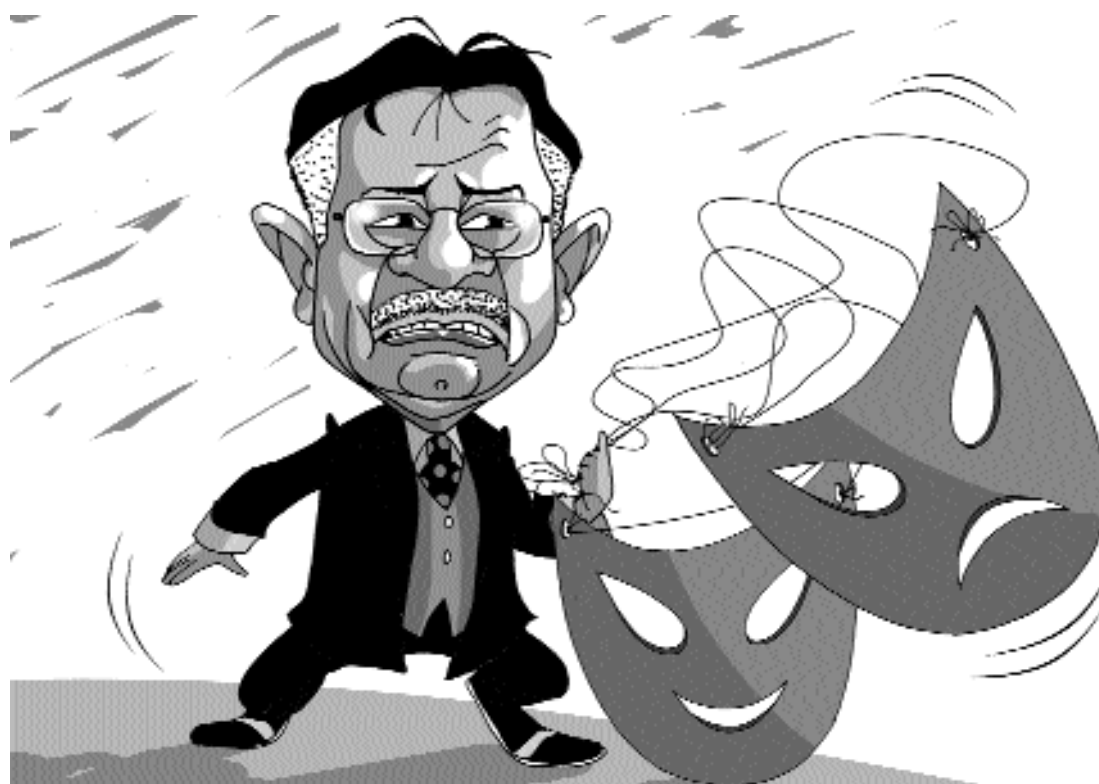


Illustration: BINAY SINHA

The Musharraf enigma

A jihadi replacement for Pervez Musharraf is a consummation devoutly not to be wished, says DEEPAK LAL

I was recently at the annual meetings of the American Political Science Association, where there was a fascinating roundtable discussion organised by two members of the US Military Academy on "The Future of the Jihadi Movement". All the participants agreed that the jihadis were not going to disappear, and that they will increasingly be locally bred from the Muslim diaspora in Europe. It was, however, the assessments by Peter Bergen of the New America Foundation and Jessica Stern of Harvard about the sources of the jihadi threat which to me were the most chilling. They claimed that Pakistan was at the centre of the spider's web of the worldwide jihadi movement. They claimed that even though General Musharraf was willing to throw crumbs to the West in apprehending some important jihadis, the Al Qaeda network was still operating from Pakistan, and that Osama bin Laden and his chief lieutenant were most probably being sheltered by Pakistan. This also conforms to a statement I heard Benazir Bhutto make a year or two ago. When asked whether the General would help to capture the Al Qaeda leaders,

she laughed and remarked that he would not, as they provided the General's best insurance policy with the Americans.

Against these hypotheses we must set well-known facts. Having personally escaped assassination by the jihadis at least four times, the General must have strong personal reasons for eliminating them. The fact that one of these attempts was made on a secure route only known to the Army suggests it still remains infiltrated with jihadis. Whether the General has been successful in disbanding the supporters of the notorious self-proclaimed Islamist, General Gul, in the ISI, remains uncertain, and with it Musharraf's future if he bears too hard on them.

Second, the jihadi infiltration into Kashmir, sponsored by Pakistan, has (from all accounts) diminished. However, the recent bomb explosions in Delhi and Mumbai suggest that despite the General's claims of having closed down the LeT, it still remains capable of terrorist attacks in India. Third, the General has proclaimed that he wants to imitate Kamal Ataturk by creating a modern secular Muslim state. His re-

cent attempt to grant Pakistani women various rights—denied by sharia law—in the sexual domain, in the face of stiff Islamist opposition would seem to bear out this claim. But, against this must be set the fact that though he has also said he wants to regulate the madrassas, and to see that they teach a modern curriculum, there seems little evidence of any action.

Finally, largely based on the US and other Western largesse which has flowed into Pakistan after 9/11, when the General joined the US War on Terror, the Pakistan economy, which was on the verge of collapse, has been booming. This is to the good. It could provide the means for the Pakistani state to fulfil many of the functions (particularly in the social and educational spheres) that by default are being performed by various Islamist organisations—see how quickly they were able to get relief organised for the victims of the Azad Kashmir earthquake. It is also because of the failure of the Pakistani state to provide the means to educate its poor that the poisonous madrassas, which provide both housing and traditional education for their young charges, have

flourished.

Against this we have to set certain other facts. Pakistan still bears all the lineaments of a failed state. Unlike India, civil society has not been allowed to flourish. When democratic parties were given their head they merely looted the populace. Whether the General can continue to rule as a quasi-dictator must be open to question. And the danger of Islamists coming to power through the ballot box, in genuinely free elections (as in the recent elections in Lebanon and Palestine), cannot be discounted.

The General's problems of trying to convert Pakistan into an equivalent of Ataturk's Turkey are compounded by the fact that his dictatorial predecessor, Zia-ul-Haq, sought to create an Islamist identity for a State, which since Partition has only been able to define itself as "not India". As the only functioning formal institution in the country, the Army has naturally been in the vanguard of these attempts at providing an identity for the country. But whether Musharraf, who it must not be forgotten was the architect of Kargil, has really changed his spots must remain an open question. He has deftly played his international hand, as did Zia, to maximise the material and diplomatic gains from the current international conjuncture of events. Also unlike his military predecessor, he does not seem to be infected with the same religious fanaticism. But given the forces let loose by Zia, he also has to tread warily in dealing with the Islamists.

Hence the Musharraf enigma. Is he truly a Pakistani Ataturk, who will turn his back on the over 50 years of India-hating and fomenting terrorism in India, and make Pakistan a normal state—albeit supervised, as was Turkey, by a fiercely secular modernising Army? Or is he just a Zia clone, who wants—like Osama bin Laden—to ultimately create an Islamic state, for which the infidel secular Indian state will always remain the enemy? On the answer depends the future of Indo-Pak relations, no less than the hope of turning back the murderous jihadi tide, which is currently sweeping the world.

Given their murderous intent, the worst outcome would be a jihadi replacement for the General. The doctrine of Mutually Assured Destruction, on which the stability of a nuclear balance between nuclear armed states is based, demands rational actors on both sides. A jihadi suicidal leader, who sees only eternal salvation in the elimination of infidels, would not be held back by the expected mutual destruction of a nuclear Armageddon in the sub continent. That is why, given the likely alternative, I at least will continue to offer a little prayer for a long life for the General.

Forget *Bhai Bhai*, focus on business!

Few turned up to listen to former National Security Advisor Brajesh Mishra speak at a seminar organised by the Observer Research Foundation on India-China relations at Calcutta University's Alipore campus last weekend. The stiflingly hot Kolkata weather must be one reason. The subject must be another. And yes, it was a Sunday morning.

Mishra minced no words—compared to the relatively long, albeit enlightening treatises from various China experts. If I were to take away a headline statement from his comments, it would be this. "It's a fact that we have not put behind the Chinese attack and the humiliating defeat of 1962." His statement followed a self-posed question: "Is there a lack of trust between India and China?"

Actually, Mishra laid the ground, post facto, for what could have been an interesting platform to direct the India-China debate. Unfortunately, he spoke last. Several academics, politicians, former bureaucrats and former military men, some the best in the country on China and India-China, made their debut before him. Listening to them was a treat as well.

But what caught my attention and perhaps crystallised my own thoughts were Mishra's closing remarks. "We must not be sentimental about relationships, as we were in the early years of independence. We must proceed on the path that both need good relations."

To someone who is attempting to un-



DOUBLE EDGE

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derstand the genesis of four decades of mistrust, Mishra's insights were useful. While he did not refer to them directly, he did seem to suggest that economic relations could well be maintained or furthered without necessarily compromising defence considerations. He acknowledged that in a decade, China would displace the US as the country's largest trading partner. He also pointed out that there was distrust in China over India's developing relations with the US.

The discussions also raised a few larger questions, to which I am not sure the answers are all there. First, are we slow in engaging with China because of this "veil" of historical sentimentality Brajesh Mishra referred to. And does that mean that as a nation we only do business with or learn from those who are friends. Or not. And is that sentimentality clouding a more pragmatic approach to India-China relations?

Let's put aside economic relations for the moment and focus on an issue I think is also important. China has lessons to offer on the scale management of physical and social infrastructure. India needs scale solutions

to lift hundreds of millions out of poverty, create jobs, manage its impoverished regions, or build a credible primary school education system.

The usual response to all this is to dismiss China's relative success to its communist style of government. My increasing sense is that this response, combined with the veil of sentimentality of the past and present, creates a judgement cloud. And it prevents us from seeing things for what they are. And allows us to make excuses for inaction.

To return to the Alipore discussions, Jadavpur University Professor of International Relations Jayantanuja Bandyopadhyay opened one on strategic issues by saying those who debate India-China strategy must first expand the use of the word strategy. "Strategy is not only military," the greying professor with a French beard said repeatedly. "Whenever I go to Delhi and there is a talk of India-China strategy, the discussion veers to whether Agni III will hit Chinese cities. Let's have a pragmatic Calcutta view."

It was leading from this that I found the views of former chief of army staff General VP Malik interesting. He began by saying that as former army chief, the only area he could focus on was the military. His job, he pointed out, was to defend borders and be permanently wary of anyone and everyone. According to him, unresolved border issues were, by definition, conflict-generating. "Advocate caution," he said, but added, "Not because I think we should not co-operate."

He also stated as a matter of record that in the India-China November 1996 accord, both sides reaffirmed that they would not use or threaten to use force to settle the border dispute. He added that having seen the 1999 Kargil war and the Lahore Agreement signed only a few months before, he was bound to be sceptical of any cross-border bonhomie.

Mishra, on the other hand, said espionage was a game that had been played since time immemorial. Even friendly nations spied on one another. The important thing was how you protected your intelligence. Was he referring to assets as well? He recalled with a smile how in May 1998, the Americans seemed more upset by the fact that they didn't know the nuclear tests were coming rather than the tests themselves.

He closed off with this gem. He said there was no room for "bhai-bhai" relationships. He said he had been working on bettering India-China relations since the 1960s. He also said he had dear friends in China. But neither they nor he would do anything that was detrimental to national interest. The two countries should look for mutuality and convergence on objective parameters, rather than sentimentality, he reiterated. I thought that was a perfect marriage of Delhi's fears with Kolkata's pragmatic view. Except I never knew Kolkata could have a pragmatic view.

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This year, the Booker could have split into two prizes—the Senior Booker versus the Young Turks. The message the Booker judges sent out was unambiguous: the shortlist would promote emerging talent at the expense of more established authors.

The omissions were spectacular. Peter Carey's *Theft* was expected to make the cut, but many felt that his tale of a bitter, divorced painter had an overcrowded canvas. Leaving out David Mitchell's *Black Swan Green*, a beautiful but atypically straightforward coming of age novel, was unforgivable. Nadine Gordimer's *Get a Life* is uncharacteristically hesitant, with jarring stylistic and linguistic errors. The really big shock? No Andrew O'Hagan, no Claire Messud. O'Hagan's delicately wrought *Be Near Me* explores the disgrace of a

priest accused of sexually assaulting a teenage boy whom he has befriended. Messud's *The Emperor's Children* is a classic New York novel, combining the observational skills of Virginia Woolf with Edith Wharton's feel for an age. It could have been a contender.

The real worth of the 2006 shortlist is that it highlights authors of tremendous calibre who would otherwise have been overlooked. In the first part of this week's two-part column, we look at three of the six shortlisted authors:

Sarah Waters, *The Night Watch* (Virago): Sarah Waters' fourth novel moves away from the Victorian England where she explored the secret history of lesbians, from oyster girls and actresses to prostitutes and early feminists. *The Night Watch* is set in 1940s wartime London and goes backwards in time from 1947 to 1941. Kay drove an



SPEAKING VOLUMES

Nilanjana S Roy

ambulance at the height of the Blitz; the end of wartime leaves her restless, donning man's clothes to search the streets for something she can't name. Stumbling out of the army, Duncan deals with the stubborn ghosts of his own past. Helen hates the secrecy imposed on women in love with women, and struggles with her own demons of jealousy. Vivien's loyalty to her untrustworthy male lover comes at

an exorbitantly high price.

Waters, the best-known of the authors on the 2006 shortlist, is seen as the strongest contender. I'm not so sure. *The Night Watch* is accomplished and moving, but it doesn't bear comparison with more nuanced war novels such as Pat Barker's *The Ghost Road* or Michael Ondaatje's *The English Patient*.

Kiran Desai, *The Inheritance of Loss* (Hamish Hamilton): The bookmakers may see Kiran Desai as a dark horse, but I would give her better odds. Her first novel, *Hullabaloo in the Guava Orchard*, was humorous, deft, but somewhat lightweight. *The Inheritance of Loss* is much more assured—the daughter of writer Anita Desai has a voice and

style that is unmistakably her own.

Part of *Inheritance* is set in Kalimpong, where Sai lives in a crumbling house with her grandfather, a retired judge steeped in his own legacy of bitterness. The demand for the separate state of Gorkhaland shatters the certainties on which people like Sai and her grandfather have built their comfortable lives. Part of the novel is set in America, where the son of the cook who works in the judge's house finds his way through the immigrant maze: "Biju at Le Colonial. On top, rich colonial, and down below, poor native. On to the Stars and Stripes Diner. All American flag on top, all Guatemalan flag below." Her gentle humour shines through, but so does

her awareness that the promise of globalisation is a hoax, built on modernity "in its meanest form, brand-new one day, in ruin the next."

Hisham Matar, *In the Country of Men* (Viking): In 1990, Hisham Matar's father was living in exile as a Libyan dissident in Cairo when he was kidnapped, taken back to Tripoli and imprisoned. Matar last heard from his father in 1995; after that, Jaballah Hamed Matar joined the ranks of the disappeared, the thousands who vanished during Gaddafi's regime and whose stories have no ending. Matar grew up in Libya and Cairo before moving to England, where he wrote *In the Country of Men*. Its narrator is a young boy, Suleiman, whose

childhood is marked by betrayals and disappearances; his mother survives with the help of the unmarked bottles of "medicine" she sources from the neighbourhood baker; her personality changing as she drinks.

The nightmare created by the regime is the backdrop for the small, everyday details of "normal" life—childhood games, the way his mother retells Scheherazade's stories, the practising of scales on the piano, and public hangings exist in the same space. Matar's first novel is harrowing and borders on autobiography, and he has already acquired an admiring readership. The statistical odds, though, are not in his favour—very few debut novelists have ever won the Booker.

To be concluded tomorrow

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