India, China among top three military spenders in 2019: SIPRI report

‘India’s tensions and rivalry with Pakistan, China are among major drivers for its increased expenditure’

• The global military expenditure rose to $1917 billion in 2019 with India and China emerging among the top three spenders, according to a report by a Swedish think tank, Stockholm International Peace Research Institute (SIPRI).

• “In 2019, China and India were, respectively, the second- and third-largest military spenders in the world. China’s military expenditure reached $261 billion in 2019, a 5.1% increase compared with 2018, while India’s grew by 6.8% to $71.1 billion,” the report said. In 2019, the top five largest spenders — U.S. ($732 bn), China, India, Russia ($65.1 bn) and Saudi Arabia ($61.9 bn) — accounted for 62% of the global expenditure. The annual report ‘Trends in World Military Expenditure, 2019’ was released by the SIPRI on Monday.

• “India’s tensions and rivalry with both Pakistan and China are among the major drivers for its increased military spending,” the report quoted SIPRI Senior Researcher Siemon T. Wezeman. The $71.1 billion spent by India on defence in 2019 was 2.4% of its Gross Domestic Product (GDP). India was at the fourth position in 2018 with Saudi Arabia at the third.
• Stating that India’s expenditure in 2019 was 6.8% more than that in 2018, the report says the country’s military expenditure has risen significantly over the past few decades. “It grew by 259% over the 30-year period of 1990–2019, and by 37% over the decade of 2010–19. However, its military burden fell from 2.7% of GDP in 2010 to 2.4% in 2019.”

• While India’s defence spending excluding pensions, which constitute a significant part, has been growing in absolute terms, it has been going down as a percentage of its GDP as noted by the report. For instance, the defence allocation in the latest budget for 2020-21 which was ₹3.37 lakh crore, excluding defence pensions, accounts for about 1.5% of the country’s GDP, the lowest in recent times.

Pak.’s expenditure

• In comparison, Pakistan’s military expenditure rose by 70% over the decade 2010–19, to reach $10.3 billion while the military burden increased from 3.4% of GDP in 2010 to 4% in 2019, says the report. Pakistan was at the 24th position in 2019 compared to 19th in 2018.

• Global military spending in 2019 represented 2.2% of the global GDP and this was an increase of 3.6% from 2018 and the largest annual growth in spending since 2010, the report stated. In Asia and Oceania, other than India and China, Japan ($47.6 bn) and South Korea ($43.9 bn) were the largest military spenders.

RBI opens Rs. 50,000 cr. liquidity tap for MFs

But banks may remain risk averse

• The Reserve Bank of India (RBI) has announced a special window of Rs. 50,000 crore for mutual funds in view of the redemption pressure that the fund houses are facing.

• While announcing the window, the RBI said the liquidity stress was limited to high risk debt funds and the larger industry remains liquid.

• Under the scheme, the RBI will conduct repo operation of 90 day tenor at the fixed rate repo.

• Funds availed under this facility will be used by banks exclusively for meeting the liquidity requirements of mutual funds by extending loans, and for undertaking outright purchase of and/or repos against the collateral of investment grade corporate bonds, commercial papers, debentures and certificates of deposit held by the funds, the central bank said.

Franklin Templeton
• The move comes after Franklin Templeton Mutual Fund last week decided to wind up six debt funds that have combined assets under management of nearly Rs. 26,000 crore on account of illiquid and low-rated instruments in its portfolio.

• The fund house said it decided to wind up the schemes to preserve the value at least at the current levels. Their value was getting eroded due to a combination of redemption pressures and mark-to-market losses due to a lack of liquidity on account of the coronavirus impact on the markets, it said.

Virtual, yet open

The situation forced by the lockdown must be used to improve judicial processes

• Amidst the national lockdown, the Supreme Court and several other courts have been holding virtual proceedings. A question of concern to the Bar is whether virtual courts have become the “new normal” and whether it means a move away from the idea of open courts towards technology-based administration of justice without the physical presence of lawyers and litigants. Chief Justice of India S.A. Bobde emphasises that virtual courts are open courts too, and that one cannot describe them as closed or in camera proceedings. The correct way of framing the difference, he says, is to call them virtual courts as distinct from “courts in congregation”. A three-judge Bench headed by the CJI, in an order earlier this month, laid down broad norms for courts using videoconferencing and ratified the validity of virtual judicial proceedings. Two aspects are not in dispute: the vital necessity to keep the courts open even during a national lockdown so that access to justice is not denied to anyone; and second, the need to maintain physical distancing. The Supreme Court Bar Association has written to the CJI and other judges that open court hearings should be restored at the earliest, subject of course to the lockdown ending. Citing earlier judgments on the importance of open court hearings, the SCBA has requested that the use of video conferencing should be limited to the duration of the current crisis, and not become the “new normal” or go on to replace open court hearings.

• The SCBA also has a specific request: that proceedings held virtually may also be streamed live so that access is not limited to the lawyers concerned, but is also available to the litigants and the public. The court administration should readily agree to this. Advocates appearing in a particular case are now barred from sharing the passwords given to them to join the proceedings through video conference. While it is theoretically possible for the parties to join their lawyers during the hearing, in practice they may be unable to travel to their offices. Media access is also limited. These issues can be resolved through live-streaming. And in the longer term, it should become the general practice. As the use of technology is stepped up, courts should consider other steps that will speed up the judicial process and reduce courtroom crowding. In the lower courts, evidence could be recorded, with the consent of parties, by virtual means. In the higher courts, a system based on advance submission of written briefs and allocation of time slots for oral arguments can be put in place. It may even lead to more concise judgments. Despite the possibility of technical and connectivity issues affecting the process, one must recognise that virtual hearings are no different from open court conversations,
The script of disruption and a new order

Across the globe, the geopolitical and geo-economic fallout of the COVID-19 pandemic could be serious

- The COVID-19 pandemic is unprecedented, involving as it does far too many variables. The very complexity of the novel coronavirus leads to radical uncertainty. Hence, it is unlikely that the world will ever be the same again. Abnormal could well become the new normal.

- Pandemics have often changed the world and reshaped human society. Empires have collapsed. Commentators are already talking of fundamental alterations in governance and business norms. What is left unsaid — and likely to pose an even bigger challenge — is the extent to which the pandemic will impact human values and conduct. There is already concern that a diminution in human values could occur, and with this, the concept of an international community might well cease to exist. Each nation is tending to look inwards, concentrating on its narrowly defined national interests.

Institutions under fire

- It is singularly unfortunate that at a time like this, existing international institutions such as the United Nations, the United Nations Security Council and the World Health Organization (WHO) are seen to have failed to measure up to the grave challenge posed by the pandemic.

- While the UN Security Council is under attack for being slow in dealing with a situation that appears, at least on the surface, far graver than any military threat in recent decades, WHO has been tarred with the charge of bias and of grossly underestimating the nature of the epidemic. That prestigious global institutions should have been singled out for attack at this time speaks volumes about the mood prevailing across the world.

Economic shock

- There are many other aspects of the COVID-19 crisis that will drastically impact the globe. On the economic front, the World Bank has already predicted negative growth for most nations. India’s growth forecast for the current fiscal year has been put at 1.5% to 2.8%. Contraction of the economy and the loss of millions of jobs across all segments will further complicate this situation.

- What is likely to change even more dramatically are certain other aspects relating to political management and security. Both terms are set to gain new meanings. The role of the state as an enforcer of public good will almost certainly become greatly enhanced. The dominant imperative
would be to not put limits on the role of the state even where the situation may not be as grave as the present one. Many pieces of legislation of yesteryears that had been relegated to the archives — they were perceived to be anachronistic in a modern democratic set-up — may get a new lease of life. Some pieces of legislation such as the Disaster Management Act already reflect this reality today. Other pieces of legislation could follow in its wake.

• This trend is already becoming evident to some extent across the world. Europe has shown a willingness to sacrifice personal liberties in favour of greater state control.
• There are no serious protests over the fact that many of the powers being vested in the instruments of state in democracies today, to meet the current challenge, are eerily similar to those already practised by authoritarian regimes such as China.
• Post COVID-19, the world may have to pay a heavy price in terms of loss of liberty. An omnipotent state could well become a reality.

China in the spotlight

• Far-reaching changes can also be anticipated in the realm of geo-economics and geopolitics. The world needs to prepare for a sea change. One nation, viz China, is presently seeking to take advantage of and benefit from the problems faced by the rest of the world in the wake of the epidemic. Already one of the most prominent nations of the world and an important player in international institutions, China remains totally unfazed by the stigma that the current world pandemic owes a great deal to its negligence — the first identified and detected COVID-19 victim in Wuhan was on December 1, 2019, but it was only in the second week of January 2020, that China sounded the alarm. More importantly, it is seeking to convert its ‘failure’ into a significant opportunity. This is Sino-centrism at its best, or possibly its worst.
• Already indispensable as the world’s supplier of manufactured goods, China now seeks to benefit from the fact of its ‘early recovery’ to take advantage of the travails of the rest of the world, by using its manufacturing capability to its geo-economic advantage. Simultaneously, it seeks to shift from being a Black Swan (responsible for the pandemic), to masquerade as a White one, by offering medical aid and other palliatives to several Asian and African countries to meet their current pandemic threat. In turn, it seeks to gain a geopolitical advantage by this action.
• China also seems to be preparing for the eventuality that the current pandemic could hollow out the financial viability of many companies, institutions and banks across the world. There are enough reports of China’s intentions to acquire financial assets and stakes in banks and companies across the world, taking advantage of the scaled-down value of their assets to support this. India seems to have woken up only recently to this threat, after the Peoples’ Bank of China acquired a 1% stake in India’s HDFC, taking advantage of the sharp decline in the price of HDFC stocks. Across the world, meanwhile, the clamour against China’s hostile takeover bids is becoming stronger. Several countries apart from India, such as Australia and Germany, have begun to restrict Chinese foreign direct investment in companies and financial institutions in their countries, recognising the inherent danger of a possible Chinese hostile takeover of their critical assets.
• This may not, however, be adequate to checkmate China, which is poised to dominate the Regional Comprehensive Economic Partnership (RCEP), thus enabling it to exploit market access across the Association of Southeast Asian Nations, East Asian nations, Australia and New Zealand. Together with its Belt and Road Initiative, which seeks to combine regional connectivity alongside gaining a virtual economic and substantial stranglehold across Asia, China is ostensibly preparing the way for a China-centric multilateral globalisation framework.

A faltering West

• The geopolitical fallout of this pandemic could be still more serious. One distinct possibility is that COVID-19 would effectively put paid to the existing global order that has existed since the late 1940s. The United States which is already being touted in some circles as a ‘failing’ state, will be compelled to cede ground. Weakened economically and politically after COVID-19 has ravaged the nation, the U.S.’s capacity to play a critical role in world affairs is certain to diminish. The main beneficiary of this geopolitical turnaround is likely to be China, a country that does not quite believe in playing by the rules of international conduct. Europe, in the short and medium term, will prove incapable of defining and defending its common interests, let alone having any influence in world affairs. Germany, which may still retain some of its present strength, is already turning insular, while both France and a post-Brexit United Kingdom will be out of the reckoning as of now.

West Asia and India

• Coming to West Asia, both Saudi Arabia and Iran are set to face difficult times. The oil price meltdown will aggravate an already difficult situation across the region. There may be no victors, but Israel may be one country that is in a position to exploit this situation to its advantage. In the meantime, the economic downturn greatly reduces India’s room for manoeuvre. In South Asia, it faces the prospect of being isolated, with the Chinese juggernaut winning Beijing new friends and contacts across a region deeply impacted by the economic consequences of the COVID-19 pandemic. Likewise, India’s leverage in West Asia — already greatly diminished — will suffer further, with oil prices going down and the Indian expatriate community (who are among the hardest hit by this downturn) out on a limb. Many of the latter may seek repatriation back to the host country, substantially reducing the inflow of foreign funds to India from the region.

India in the post-pandemic world

The manner in which the country deals with the crisis will determine its place in the future world order

• Yes, we all know that the world we once knew has gone, perhaps forever. Much has changed and will continue to. What has not changed though, is human nature itself. The way we react, as a species to the unknown, or to an existential threat, on a scale not experienced in recent times, to something that we cannot quite comprehend as yet, in its entirety.
• We have arrived, once again, at the boundaries of the human race’s collective knowledge, and it is sobering to be reminded that what we do not know is much greater than what we do know, about ourselves and the world we live in.

A leadership role

• The fact that there is no end in sight to the COVID-19 crisis does not prevent us from making prognoses of what a post-COVID-19 world may look like. The pandemic has added heft to arguments of foreign policy analysts across the entire spectrum of strategic thinking, from nationalists and anti-globalists, to advocating a more robust multilateralism and a leadership role for India in mobilising international cooperation.

• I believe, however, that before we get too involved in the contours of a post-pandemic world, we first need to think about where we are headed as a post-pandemic India. Yes, there will be a churning as nations scramble for advantage in the world order as the pandemic recedes, but I think we need to be more concerned at this point of time with the social and economic churning under way within our own country, accentuated and magnified by the COVID-19 crisis.

• The role that India plays in the post-pandemic world order will be determined by how we deal with the crisis now, and how we emerge from it. This, in turn, depends on certain fundamental factors — the quality of leadership, the quality of administration at all levels, (Centre, State, district and village), the robustness of institutional frameworks, the quality of health care, and our social coherence as a people.

• Admittedly, the manner in which some of these have functioned recently, does not engender great confidence. Further, the manner in which we have dealt with the pandemic until now has made it painfully clear, as nothing else has in recent times, that there are two Indias — an India in which social distancing is possible and an India in which it is not.

Crucial investments

• The COVID-19 epidemic has mercilessly highlighted our shortcomings and our failures, even as we pride ourselves on being the world’s largest democracy and its fifth largest economy. It has highlighted our age-old fault lines of caste, class and creed. There are still too many inequalities, and too many of us who have been left behind, on whom the effects of the lockdown have been the most severe, compounding the economic distress of recent years.

• Yes, the lockdown was necessary in order to pause the spread of the pandemic. However the manner of its implementation, without the government of India even foreseeing, much less planning for, the consequences of such a step, or coordinating with States in advance, or spelling out how it would support the millions so affected, was harsh in the extreme on the poorer sections of our population. It was starkly reflected in the thousands of migrant workers believing (not without reason) that they were invisible to the Establishment, and not knowing what else to do, leaving by foot, trying to reach the only safety net they had — extended families and homes in their villages.
• There lies grave danger here, of both the health and the economic consequences of the crisis intersecting amongst our poor, with potentially devastating consequences for them as well as for our overall attempt to manage the novel coronavirus.

• It often takes a crisis to bring about fundamental change. Can one dare hope that this crisis too will bring about such change for the good? That it will bring about the policies and mindsets necessary to deal with the injustices and inequalities so painfully magnified by recent events?

• It is time for the government to lay out a comprehensive road map to deal with both the health and the economic consequences of the crisis, and to make long overdue investments on the massive scale needed, in universal health care, education and social security. Or at least to plan for it, and to raise the resources to back these plans with adequate funding, regardless of the fiscal deficit that will follow.

• In its absence, we run the risk of social disorder, as witnessed in Bandra (Mumbai), Surat (Gujarat) and other parts of India where our poor are in lockdown. Growing perceptions of injustice and of the government’s indifference to their plight could well lead to widespread outrage that would be difficult to control.

• The investment that needs to be made in the millions of our people who live in poverty, or on the edge of it, are not merely welfare measures. They are fundamental to our socioeconomic transformation, which in itself is an imperative. Also, if India is to be in any position to make use of opportunities that emerge in the reordering of the global economy as the pandemic recedes.

On the global stage

• In parallel with an inclusive, all-of-India effort on the domestic front, India needs to be part of international efforts to deal with the COVID-19 crisis — multilateral, regional or bilateral. It makes sound humanitarian as well as strategic sense for us to supply medicines of which we are the major producers (dependent though we may be, on China for 70% of the active pharmaceutical ingredients needed to produce them), to other countries. It is also important that we participate in international efforts towards finding a vaccine and ramp up capacities to produce it in the quantities needed, both for our own people and for the world.

• Yes, the world will have changed by the time the crisis recedes, but we, the human race, will continue to be what we have always been — relentless in our search for wealth and power, both within nations and without. On the international front, nations will continue to strive for strategic advantage in furthering their interests and constrained by realpolitik in striving for the common good. Countries that emerge in positions of relative economic advantage will present competing visions for the post-pandemic world order. If we wish to play a leadership role and to present a vision for a more inclusive world defined by international cooperation, then we need to back it with our own example, on the domestic as well as the international fronts.
I believe that in any post-pandemic world order that emerges, regardless of whether it is U.S.-centric or China-centric, there is no scenario in which India, a universe in itself, and home to one-sixth of humanity, will not occupy a place. The question is this: Will we emerge as part of the problem or as part of the solution? Will we emerge weaker or stronger as a nation? Will we have been guided by divisive political agendas that deepen our fault lines? Or will we have worked towards an inclusive India that embraces all of us in its fold, regardless of caste, class or creed? The pandemic has brought us to an inflection point. How we deal with it will determine our place in the future world order.

A policy road map to tackle COVID-19

The interest of each and the interests of all now coincide, not only within nations but for all humanity

How will it all end? Policies to address the worldwide crisis brought about by COVID-19 must satisfy three criteria. First, they must aim to minimise the loss of life directly resulting from the disease, while recognising that there remain deep uncertainties about its true nature.

Second, they must restore the elements of economic and social life as soon as possible, so as to avoid disastrous and lasting consequences, including for other aspects of health, schooling, food security and livelihood. The costs of lockdowns have already been massive and will deepen if they result in foregone health treatments, dropouts from school, and permanent closure of businesses. The direct effect of COVID-19 on the life expectancy of the non-elderly will be modest. But the indirect effects of the lockdown on health and well-being may be severe, especially for poorer persons and countries. An approach that values all lives must give attention to the costs as well as benefits of the lockdown, conceiving the public health comprehensively.

Third, they must aim at a glide path out of the crisis, that can reasonably be projected to end it once and for all — not merely to manage it indefinitely through, for instance, periodic lockdowns. That idea has been motivated by abstract epidemiological models which do not take account of other health effects, let alone non-health effects, of draconian policies, and which make mechanical assumptions about individuals. On and off policies can result in deep damage. There are costs involved in starting and stopping schools and business, but beyond this, human beings need regularity to plan and act sensibly.

An effective health system

Three directions for policy are suggested by these three criteria. First, infections which do not lead to fatalities or lasting illness must be treated as on balance desirable, when determining the right balance of policies. This recognises a central trade-off — avoiding infection versus gaining possible population-level immunity. As long as the disease is circulating and no medical breakthrough has been achieved, lockdowns, mass testing, contact-tracing and quarantining can only buy time. Reducing the flow of persons who get the disease in each moment diminishes the stock of those who have been exposed, which extends the duration of vulnerability of society. This is not speculation but
arithmetic, supposing any degree of immunity from having had the disease. Widespread testing and contact-tracing can help to manage the flow of infections and reduce the danger to those especially at risk, but would have to be continued indefinitely until a vaccine is developed, and demands adequate public health infrastructure, severely neglected in many countries. The need to rebuild an effective basic health system is underlined by the few success stories to date in handling the outbreak, such as Kerala.

Testing on a mass scale is far from being achieved even in the most advanced countries, let alone others. To add to this, spreading the illness over time will likely not lower the number of deaths in developing countries to the same degree as in developed countries which possess superior, although still constrained, curative health infrastructure. As already noted, lockdowns and other means of delaying the spread of the disease come at enormous costs to other pressing societal objectives, including health itself (the already reduced rates of control of other infectious diseases in India and other countries provides a case in point). Due to different circumstances, the appropriate strategies for protecting life may vary across countries even when the end is the same.

Second, policies must make a link between restoration of economic output and adequate investment in containing, indeed ending, the disease. This means that costs of vaccine development, mass testing and other measures attacking the disease must be viewed as enjoying a healthy societal return. The very low contributions so far to the international fund to develop a vaccine for the virus shows the scale of mismatch between the losses already incurred worldwide and likely to be incurred in the future, and investments to limit those losses. Failure to finance vaccine development is not mere free riding, but borders on suicide, since the prospective gains of individual countries would more than justify paying for the needed investment. Private firms are also being encouraged to contribute, but should agree that any breakthrough must be freely available and benefit all. Recognising the interdependence involved in fighting the disease, and its economic and social consequences, the UN must provide the leadership that has been so far missing.

Smart policies

Third, ‘smart’ design of policies can permit restoration of economic and social life. Such policies should be designed and targeted to allow lower-risk segments of the population to return to daily activities, while protecting higher-risk ones. For instance, systematic collection of test results and other data can be used to manage restrictions so that they are local and temporary. Large and dense gatherings can be prevented, but others allowed, especially those involving younger persons. Financial compensation for lost earnings, and in-kind support to limit social contacts, such as services to deliver essential goods to the home, can be provided to family members and professionals who help the elderly and vulnerable. Public infrastructure for those who have no suitable alternatives, such as residential facilities to support self-isolation where needed, can be developed. Some policy choices will be complementary, for instance because schools must reopen in order that parents can work. Public actions must enable and encourage desired behaviours, rather than restrict and punish undesired ones. Technology can play an assistive role but is no substitute for public understanding and voluntary choices, fostered by supportive public policies that remove obstacles and enhance benefits of the behaviours being sought. An approach that is effective at balancing and achieving the
desired goals can and should also be democratic. The aim must be to reduce risks and manage interdependence, rather than to build walls, whether around individuals, localities or countries.

- Smart policies can include resumption of contacts across nations, for instance by beginning with testing and quarantines of visitors progressively. Now that infection rates have risen everywhere, the benefit of continued isolation on reducing the spread of the disease is limited, but its other costs are great. It is more feasible to bring the disease under control in one’s own society through internal measures than to ensure its control everywhere. That is likely to be impossible because of war zones, weak states and broken health systems. A country that has achieved a degree of control over the disease can, however, sustain links to the world with confidence, and need not wait for universal success to begin to restore international contacts.

- The right perspective is not one of business versus life nor of life versus life, but of life and life, seeking to reconcile goals through sensible measures. The interest of each and the interests of all now coincide, not only within nations but for all humanity.