“Let us all work for the Greatness of India.”
– The Mother
SUCCESSFUL FUTURE
(Full of Promise and Joyful Surprises)

Botanical name: Gaillardia Pulchella
Common name: Indian blanket, Blanket flower, Fire-wheels
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A Declaration

We do not fight against any creed, any religion.
We do not fight against any form of government.
We do not fight against any social class.
We do not fight against any nation or civilisation.
We are fighting division, unconsciousness, ignorance, inertia and falsehood.

We are endeavouring to establish upon earth union, knowledge, consciousness, Truth, and we fight whatever opposes the advent of this new creation of Light, Peace, Truth and Love.

— The Mother

(Collected works of the Mother, Vol. 13, pp. 124-25)
CLEARING THE AIR ON THE RAFALE DEAL

It is not too often that issues – without an iota of fact – are manufactured purely out of imagination and sensationalised for the sake of opposing a perceived rival. Yet, this is precisely what has been happening in the country for the last few months, over the issue of the Rafale deal, which has been baselessly constructed by the opposition and the media.

The controversy surrounding the deal is a clear example of how media, politicians and self-certified populist ‘experts’ all co-habit together to irrevocably pull down the level of political discourse in the country and, in the process, have no qualms about embarrassing the country’s important defence partner and a foreign head of a state. An exceptionally well-negotiated deal – pulled out from the corrupt graveyard where the previous government had thrust it – is being maligned in the election year purely for the sake of votes.

It is being bandied about in front of masses, with full complicity of our ignorant media, with no regard to national security or national honour. The paradox in these daily accusations by our woefully unproductive opposition is that there is not an iota of truth in even a single charge levelled.

Indeed, a Pandora’s box will be opened if we actually start tracing the contours of this deal from 2007 onwards and how it was negotiated by the previous government, in all contravention of official rules, economic sense and national interest. The deliverable they negotiated was so weak that it finally had to be scrapped. And now, at present, we have a deal which makes less of technical compromises, gets a lot more additional useful features and is, comparably, better than similar Dassault Rafale jets negotiated by other countries like Qatar, in
terms of price. It does so without violating even a single rule of India’s Defence Procurement Policy, 2013.

The government itself is bound by the secrecy clauses of the France-India defence agreements framework. The most that the government – bound by the secrecy clause of the deal – can do to appease the opposition is hold a partial closed-door briefing for Opposition leaders – as per Articles 5 and 6 of the deal – to satisfy their curiosity. Unfortunately, Mr. Gandhi has not asked for such a meeting and persists in demanding a full public disclosure, which is impossible.

It is impossible for the simple reason that the strategic role of the Rafale cannot and should not be confirmed. There are security reports that the government has gone in for just 36 Rafales because they are looking at their capability as ‘airborne strategic delivery system’ for the delivery of nuclear weapons in a strike role (Singh 2016). Any official public disclosure of such details would put France in direct contravention of the Nuclear Non Proliferation Treaty, which India has not signed, and would run the deal into trouble in French legislature (Iyer Mitra 2018). Never before has any national security deal been disclosed in the public. The demand from all quarters is irrational.

**Inheriting a Mess**

The present government has been negotiating the Rafale deal since 2015. The deal was finally signed in 2016 and the deliveries of the jets will begin in 2019. To say the least, the government has managed, under the then Defence Ministership of Manohar Parrikar, to salvage a deal that was beyond redemption in 2014 – a step that was the need of the hour, since the Indian Air Force is short of the minimum requirement of fighter squadrons. If the present government had allowed
the Rafale deal to go into deep freeze or cancellation and issued a fresh Request for Proposals (RFP), then it would have taken another 10 years to acquire the fighter squadrons – a span of time which the IAF could not have afforded to lose.

Therefore, at the outset, it needs to be understood that the Rafale deal had to be salvaged. Now coming to the terms under which this could be done. The allegations of the terms being unfair or costly are absurd, to say the least. In fact, it is quite the opposite – they are excellent terms and comparably better than not just the failure gifted by the previous government, but also those negotiated by other buyers like Qatar and Egypt.

Not only this, but, recently, even a visibly baffled Dassault CEO, Eric Trappier, has gone on record saying that he is ready for a probe into the deal, that Dassault has done business with Reliance since 2011-12, and most importantly, that the current deal in which India is getting 36 fighter jets is much better than the last one, since, for the same price, India brought down the costs by 9%, and that Reliance will get only Rs. 850 crore worth of offsets and not the wild figure of Rs 30,000 crore that is being alleged by the Congress (Economic Times 2018).

Here it would be better to go into the genesis of this deal. India issued an RFP for a Multi-Role Combat Aircraft in 2007 for 126 aircraft, in which, seemingly, Dassault’s Rafale won the tender and was selected in 2012. 18 jets were to be acquired in a flyway condition, while 108 were to be co-produced by Hindustan Aeronautics Limited (HAL) in India.

As defence analyst Mr. Iyer-Mitra argues, the deal was dubious right from the beginning. The initial RFP was for a light, cheap fighter to replace the MiG 21s. However, with Dassault
putting up Rafale as their sole offering, and withdrawing their Mirage 2000, the RFP for Multirole Combat Aircraft (MRCA) changed to Medium Multirole Combat Aircraft (MMRCA) with the cost consideration remaining, but the weight limit of 20 tons being removed (Iyer-Mitra 2012). Better options of that time, such as Germany’s Eurofighter Typhoon, had to be foregone, while the changing of the requirements and out-of-air invention of the category of MMRCA, came across as an attempt to accommodate Rafale – which, incidentally, was allowed to submit its expression of interest after the deadline had lapsed and a fresh RFP had to be issued.

The old deal leaves, thus, at the outset, unanswered questions, which raise a question mark over its accountability. The initial deal, thus, also ended up favouring – in the form of Rafafe – a high cost and low performance aircraft. Better options were rejected, even as the costs of Rafale kept going up (with the government of the day misleading the media that the cost was less), and even as Dassault gave nothing by the way of design technology transfer and even refused to guarantee HAL in its co-production of the jets.

The media of the day propagated the myth of 126 aircraft being bought for $10.4 billion viz. $82.5 million price per unit (ppu), whereas in reality, the actual price, right from the beginning was not less than $212 million, per unit, based on the figures put out by the French Senate (Iyer-Mitra 2012).

The same package from Eurofighter, at that time, costed $176 million and came with better features, and was, yet, rejected by the previous government – ironically, an inexplicable case of lack of accountability.

Ultimately, in the deal negotiated by the previous
government, the same media, by 2013, reported a 50% increase in price to $119 million ppu. By 2014, this had increased nearly 300% to $238 ppu – the final price reached, after which the UPA-era deal had to be scrapped (Iyer-Mitra 2018). This massive price did not come with any additional advantages – no offsets to be ploughed back into the country and no India-specific features.

Despite these gaps being left unexplained, Mr. Gandhi is training his guns on the present deal, which does not suffer from any lack of transparency, save the secrecy clauses. The entire rationale – based on facts out in the open – makes sense and allegations of favoritism hold no water, since offset contracts make partner choices completely voluntary. To say that PM Modi indicated something at some stage of the deal, is devoid of any proof and a purely word-of-mouth conjecture by uninformed observers.

The details pertaining to prices very much add up to the logic and instead reflect on the politicization of a national security deal by vested interests and of the gaps left and cronyism displayed by the previous government in the same deal.

**The present deal**

The final total price paid by the present government was $243 ppu – a $5 million increase over the previous failed deal, but, in addition, accompanied by India-specific modifications, training, a five-year maintenance package, customised weaponry and a 50% offset agreement (under India defence offsets policy, it is mandatory for foreign manufacturers to source a minimum 30% of their parts from India, so as to be beneficial to the domestic economy).

Comparably, Qatar paid $292 million ppu for its Rafales
with a more extensive package but without any offsets or workshare. Egypt bought its Rafales for $246 ppu. India was at an advantage because of 50% offsets and India-specific modifications (Iyer-Mitra 2018).

In fact, the internal calculations by the defence ministry lay rest to bogus claims about price, as they show that, with the current deal, each Rafale jet turns out to be Rs. 59 crore cheaper than what it would have been under the UPA-era deal. With India-specific enhancements, the UPA deal would have cost Rs. 1705 crore per jet as compared to Rs. 1646 crore per jet under the present deal (Pubby 2018).

Also, the refusal of Dassault to guarantee HAL led to Dassault choosing Reliance Defence as its offset partner. Under India’s offset rules, the choice of such a partner is purely voluntary. Additionally, the allegation that Reliance does not have the capacity to produce defence goods is patently false. Currently, Reliance, Larson & Turbo, Kalyani, Tata and Bharat Forge are the only ones producing defence equipment in the country.

India’s private sector in defence manufacturing is very much underdeveloped – in fact, in defence manufacturing itself, India is a laggard. To target Reliance alone under such conditions is ludicrous, even though Reliance has capability and has been maintaining and servicing the 7th fleet of the US Navy, produced offshore patrol vessels for offensive operations and is building a naval frigate (Prakash 2018).

Thanks to the disunity and disregard for national interest in the country’s public discourse – both in uninformed media and political circles – India’s critical private sector defence manufacturing does not look very likely to take-off any time
soon. The pseudo-socialist mentality – pandering to constructed votebanks – will always pose hurdles. There will always be a ‘public sector’ HAL whose bogey will be created to misplace national priorities and stifle industry and entrepreneurship.

But here, to drag in HAL, is completely invalid. HAL was not even a major candidate for the offsets post, in the first place, because the contract is for offsets of industrial defence goods and not for co-production of jets (which is what HAL does solely). It’s not like HAL has been left out in the cold – as being allegedly portrayed. In the present deal, HAL, along with Snecma, will be producing the aero-engine parts for Rafale’s M88 engine (Prakash 2018).

The Defence Research and Development Organisation (DRDO) gets Rs 9,000 crore worth of offset work from Dassault, while Reliance is merely one of beneficiaries for the remaining Rs 21,000 crore. The signing of offsets for a defence deal is a compulsory obligation under the Indian law and the foreign vendors are free to choose their offset partners.

It is also significant to note that the Dassault Reliance Aerospace Limited (DRAL) – the joint venture between Dassault and Reliance setup to meet the offsets requirement – is only one among the 100 firms who are negotiating the discharge of offset obligations. Out of these, 30 are now confirmed partners, such as Kinetic, Mahindra, Maini, SAMTEL, Tata Advanced Systems etc (Talukdar 2018).

Moreover, it was ludicrous to argue, without proof, that Reliance got the lion’s share of the offsets, when, in fact, nothing was finalized. According to reports from defense ministry, Reliance Defence may be getting only 3% of the 30,000 crore offsets contract, with DRAL’s investment being capped at 850
The Resurgent India October 2018

crore rupees of the total offsets only (Pubby 2018). Earlier, even Dassault had specified that DRAL was setup to meet not more than 10% under the deal’s total offsets obligations, and now the 850 crore figure has been confirmed by Dassault as well. Where is the corruption and where is Reliance being favoured? There is no proof to back the claims of Mr. Gandhi save his own conjectures and allegations.

If HAL was not technically qualified to discharge an offset agreement and co-production was not required – leave aside its tardiness even in manufacturing and delivery delays – how could it, logically, be said that HAL’s manufacturing rights were given to Reliance? It makes no sense at all, since even Reliance does not have jet manufacturing rights in the deal – only the parts. Also, by the steam of logic, it can be argued that HAL’s manufacturing rights were taken away by DRDO, Tata, Kalyani and a 100 other offset partners involved in negotiations for the deal. How can such an allegation even be sustained, especially when HAL was never there in the picture in the first place.

During the UPA-era deal, there was no mention of discharge of offset obligations and HAL was very much a co-producer of the 108 Rafale jets themselves – leaving aside the fact that Dassault refused to guarantee HAL and the French refused to part with design technology – but in the present deal Dassault alone is the manufacturer. Others – including Reliance – are offset partners. Forget about its imagined claims and rights, HAL was never involved in the completely changed terms and structure of the new deal, in the first place.

Moreover, as far as the question of pricing goes, it has also emerged, in a government report, that HAL’s planes are actually costlier than those provided by the foreign manufacturers. Su-
30MKI – which HAL manufactures under license from Russia and which are the main fighter jets of the Indian Air Force – have emerged to be costing 150 crore rupees more than those that can be obtained through a direct purchase from Russia itself (Hindustan Times 2018).

It is the same story with the Hawk aircraft obtained from the British in 2004, which HAL got a license to produce. In 2004, while a British Hawk costed 78 crore rupees, the one by HAL costed 88 crore rupees. The price of HAL-made Hawk has increased since, from 98 crores in 2010 to 153 crore rupees in 2016 (Hindustan Times 2018).

These price increases due to factors such as man hour rates, have to be looked along with delivery delays and inefficiencies that have become endemic to the HAL ecosystem. Yet, this practice of years – a blot on national efficiency and a drain on exchequer – is being allowed to continue. At the same time, being a public sector company, HAL is being unnecessarily allowed – due to an archaic socialist mindset – to stifle the growth of private sector defence manufacturing. Why is this wastage of money, concentration of opportunities in the public sector and attempts to keep India’s defence manufacturing mediocre and sub-grade, not being questioned as a perpetual, endemic and biggest scam on the country?

Bibliography


https://m.economictimes.com/news/defence/open-to-


THE RELEVANCE AND NECESSITY OF DEMONETIZATION

When PM Modi was awarded the Seoul Peace Prize recently, the major achievements which drove the selection were stated to be economic growth and initiatives like demonetization, among others. The exercise that was undertaken at such a massive nation-wide scale in a country like ours and that yet managed to get a good degree of acceptance and cooperation from the people and achieved its purpose, has become the focal point of ungrounded allegations.

Inexplicably, the fact that nearly all of the currency came back into the banking system as revealed by the recent review by the Reserve Bank of India (RBI) on demonetization is being alleged to show the ‘failure’ of the exercise.

Like in most other cases in which the Opposition tries to allege something, the exact opposite is true here also. Not only did demonetization lead to a complete wipe-out of fake currency – hoarded over a long period of time and funneled into numerous mischievous uses by terrorists and criminals for a long time – in one single blow at that point of time, but also led to major unintended social redistribution benefits for the people.

The latter was made possible, since the people were successfully able to deposit their black money – and that of others for a commission which benefitted the poor – and the government was not able to tax or penalize this income. Had the government been able to do so, it would have resulted in windfall revenues for the government, which would have gone into welfare and social schemes. It would have been an immense wastage of the people’s money to funnel it into social schemes where it could be absorbed and digested by the
middlemen and the corrupt machinery, with very little of it reaching the people.

It is in this context that the figure of 99.3% of the currency that has come back into the banking system needs to be seen. It simply means that this amount of money has now become accounted for, which would not have otherwise happened. At that particular point in time, right after demonetization and for some months following it, the entire economy of black money was struck a blow – the money hoarded in cash, the money that goes into real estate and other instruments that fuel speculative demand and the entire economy of fake currency.

At the outset, demonetization was never a punitive exercise meant to root out, punish and jail the people who allegedly evade taxes. The purpose was to account for black money. If indeed demonetization was a vengeful exercise to punish the people themselves, then nearly the majority of small and medium businesses which always prefer cash, the home-makers and the common man who save piles of cash, would have been behind the bars.

The point is never to punish the people, but to account for unaccounted money and, in the process, reduce the speculative demand and the ensuing bubble. Demonetization also served a larger national interest, by striking at the roots of fake currency.

At the same time, the thorough redistribution was one of the major unintended benefits of this exercise. In the process of converting the currency notes, the government did not get any benefits by the way of revenue.

Given the flexibility with which the common man – including small and medium businesses – was able to exchange the money with a thoroughness that resulted in nearly all of the
unaccounted cash turning into white money, is a result that, in the end, benefits the people themselves. It doesn’t benefit the government.

Over time, Indians, thanks to the socialist-leaning mixed economy till the 1990s, a legacy inherited from the Nehruvian era, have perfected the art or the survival instinct of getting around bogus rules designed to stifle them.

For the common man in India, getting around the rules has been a survival instinct. It is no wonder, then, that economists the world-over are amazed by the fact that the wiping out of nearly 86% currency in circulation occurred so smoothly. Not only did Indians manage to return this cash and account for it in white in just two months, the process was overall smooth despite some daily inconveniences.

When the euro was introduced in 2002, people got a 10-year window to exchange their existing banknotes and reach a rate of 99% which the Indians managed to skillfully do in merely two months (Rajagopalan 2002).

It is not at all difficult to deposit cash by showing a trail of white transactions as gifts, donations etc. And after demonetization, within days, Indians came up with not one, but several innovative ways to turn their money into white. But the point is not what the Indians did, but that the end result was that all their money became a part of the capital. *At the same time, the money that goes into speculative demand and fuels a bubble – such as investments in real estate and gold – was also struck a blow.*

*For instance, demonetization had a major positive impact in accelerating the household financial savings, which has reduced speculative demand.* For the second time in nearly 20
years, the share of financial savings has outstripped physical savings (Mukherjee 2018). People have been investing more in financial products like bank deposits, mutual funds etc. rather than in areas like real estate, with bank deposits seeing a marked hike as expected.

At the same time, the few losses to the economy in the wake of demonetization have also subsided, with the economy touching a nine-quarter high of 8.2% growth in the first quarter of 2018-19 and seeing immense expansion in manufacturing, construction and agriculture and even private consumption (Mishra 2018).

At the same time, from the point of view of future and the validity of the exercise, the numbers tell that the tax base has increased drastically after demonetization. From only 3.8 crore Income Tax assesses in 2014-15, the number rose to 6.8 crore in 2017-18. Doing business in black was no longer easy. Similarly, the doubling in the numbers of non-salaried Income Tax Returns from less than a crore in the pre-demonetization period to 2.05 crore in the assessment year following demonetization, shows a marked and drastic change (Kapoor 2018).

That the political opposition chose to term something this logical a ‘scam’ to turn black money into white, is unfortunate but expected. An opportunity for the majority of people and small and medium businesses to convert their horde of black money or cash into their capital and benefit in the long run at little or no cost to themselves, is being termed a scam. While the real ponzi schemes that politicians operate – like Narada and Saradha scams in Bengal – and loot the poor of their money after misusing their trust, are acceptable.

Under such conditions, it’s apparent that the benefits of
demonetization far outweigh the temporary losses to the economy and to the cash-dependent people, in the long-run.

**The Unintended Redistribution**

As already mentioned, in the process of demonetization, there were untold advantages to the common man. Had the cash deposited in the wake of this exercise gone into the government coffers, it would most likely have been misused. The spending on infrastructure and social schemes have endless filters and middle rungs which prevent the actual material benefit from reaching down to the people at the lowest rungs.

The entire funding sanctioned from the top, nearly always gets absorbed by these middle rungs through corruption, and this absorption of money is nothing but a huge wastage. Therefore, the fact that demonetization did not result in windfall revenues for the government system, is a big plus point.

During the process of demonetization, the most satisfaction was derived by the poor people standing in the long queues. They saw it as an equalizing exercise, not only because it hit everyone equally and there were no special rules for the rich, but also because the rich had to rely on their poorer workers and staff to get their notes exchanged. In the process, the poor also ended up getting a certain portion of the material benefits or money in exchange for performing these services.

Thus, demonetization had an unintended redistributive effect which benefitted the people at large and, at the same, put an end, in one go, to the bogus currency notes and brought them all into circulation for the benefit of the national economy and preventing the misuse of this money which became accountable.
The Deeper Significance

Demonetization was one of those phenomena which had a direct impact on the psyche of the people. A lot of aspects and changes that took place after demonetization may have reverted to their original state, but what is important is that a beginning had been made. For the first time, the nation came together and cooperated in the interest of the larger good, which is rare. Now that economic growth has stabilized and businesses are getting accustomed to the reality of demonetization and GST, they are settling down fast into the new system.

Cash usage is, indeed, going up once again, speculative demand areas such as real estate are showing signs of revival, while the use of digital payment methods – which had increased sharply after demonetization – is going back to normal once again. This was bound to happen, since demonetization was always visualized as a one-time exercise to strike the roots of fake currency in one go.

But despite these reversions, a beginning has been made in people’s psyche. Corruption and black money can no longer be taken for granted as a part of life. Demonetization has contributed to nation-building in this sense.

Bibliography


The Use of Error

“The use of error is to suggest or to maintain a truth of being which would otherwise be shut out by the limited precision of the truth of actuality. What we call truth is always an equivalence between a partial truth of fact & the perception in the human mind. If too rigidly insisted upon it is itself an error, as if a tract of ground brilliantly lighted were to be taken for the whole earth & the vastnesses left in obscurity excluded as if they were non-existent. This rigidity is the ordinary method of truth-seekers. Necessary to the limited human mind, it yet prevents comprehensive vision. We deny or forego the infinities of Truth in order that we may securely grasp some of her fragments, the broken bread of verity.”

– Sri Aurobindo

(Collected Works of Sri Aurobindo, Vol. 10: p. 505)