



## Delaying the inevitable

The Centre's relief to telcos can only be the first step in efforts to boost the stressed sector.

### Relief-cum-reforms package

1. The Union Cabinet's approval of a relief-cum-reforms package for the financially stressed telecom sector, though verily a step in the right direction, is at best only likely to delay the inevitable.
2. In a tacit acknowledgement of the extent of stress in the sector as well as the far-reaching economic consequences of protracted distress in the industry, the Government decided to offer telecom service providers the option of a four-year moratorium on the payment of outstanding AGR and spectrum purchase dues.
3. The entry of a deep-pocketed newcomer five years ago and its 'take-no-prisoners approach' to tariffs triggered a price war that depressed average revenue per user and bled most legacy telcos operationally into the red.

THE HINDU

## Delaying the inevitable

The Centre's relief to telcos can only be the first step in efforts to boost the stressed sector

The Union Cabinet's approval on Wednesday of a relief-cum-reforms package for the financially stressed telecom sector, though verily a step in the right direction, is at best only likely to delay the inevitable. In a tacit acknowledgment of the extent of stress in the sector as well as the far-reaching economic consequences of protracted distress in the industry, the Government decided to offer telecom service providers the option of a four-year moratorium on the payment of outstanding AGR and spectrum purchase dues. This one measure alone is expected to ease the immediate financial pressure on the telcos, especially at Vodafone Idea and Bharti Airtel. The venture created by the merger of the Indian unit of the U.K.-based Vodafone Group Plc and billionaire Kumar Mangalam Birla's erstwhile Idea Cellular Ltd. had deferred spectrum payment obligations and AGR liabilities that exceeded ₹1.68-lakh crore as of June 30. The Government's moratorium offer should, at least for now, relieve the burden of finding the funds to service these liabilities at the loss-making telco, giving it the space to focus on continuing to provide vital telecom services to about 27 crore wireless subscribers still with it. However, the woes at Vodafone Idea are deeper and symptomatic of the broader industry-wide maladies that have pared the once more-than-dozen-strong field to just three private players and one struggling state-owned company.

The entry of a deep-pocketed newcomer five years ago and its 'take-no-prisoners approach' to tariffs triggered a price war that depressed average revenue per user and bled most legacy telcos operationally into the red. The after-effects of the bruising competitive plunge in call and data tariffs are still being felt by the surviving operators and the issue of a floor price is one among many that the latest reforms completely skirt. To be sure, the Government has sought to address several anomalies in the policy regime including the definition of AGR that had led to the large build-up of dues and protracted and ultimately pointless litigation. Non-telecom revenue will hereafter be excluded from the AGR, a long-standing demand from the telcos. The telcos would also not have to pay any spectrum usage charge for airwaves acquired in future auctions, could share spectrum without incurring any additional cost, and hold the airwaves acquired at an auction for 30 years instead of 20. Several procedural norms have also been simplified. Still, the prospects of the sector diminishing to a duopoly remain high. With Vodafone Group CEO Nick Read categorically telling analysts in July that the firm would not be investing any additional equity into India and Mr. Birla throwing in the towel last month, the Centre's relief may be too little, too late.





## Relief for telecom and auto sectors

A look at the measures approved by the Cabinet and announced on Wednesday

### TELECOM A 4-year moratorium on dues



A moratorium of up to four years was allowed in annual payments. Telecom firms will have to pay a small interest during this period. Govt will also have an option to convert the due amount into equity at the end of four years

THIS WILL OFFER SPACE TO CASH-STRAPPED FIRMS TO IMPROVE THEIR BUSINESS AND CLEAR DUES OVER A LONGER PERIOD

#### AGR definition rationalised

The govt rationalised definition of Adjusted Gross Revenue (AGR) to exclude non-telecom revenues prospectively. The inclusion of non-telecom revenues had led to dues worth thousands of crores piling up for firms

#### 100% FDI in sector cleared

The govt allowed 100% FDI in telecom sector via automatic route. So far, FDI was capped at 49% and anything thereafter had to go through the govt route. This is expected to ease the cash flow issues

#### Spectrum user fee rationalised

Spectrum user charges have been rationalised and there will be now an annual compounding of rates. Spectrum can now be surrendered as well as shared.

### AUTO

## ₹26,058cr



production-linked incentives to be provided to industry over 5 years

The scheme is part of the overall announcement of PLI schemes for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of ₹1.97 lakh crore

It will encourage industry to make fresh investments for the indigenous global supply chain of advanced automotive technology products

#### What this may lead to

₹42,500cr of fresh investment

₹2.3 lakh cr of incremental production

4. The after-effects of the bruising competitive plunge in call and data tariffs are still being felt by the surviving operators and the issue of a floor price is one among many that the latest reforms completely skirt.
5. To be sure, the Government has sought to address several anomalies in the policy regime including the definition of AGR that had led to the large build-up of dues and protracted and ultimately pointless litigation.
6. Non-telecom revenue will hereafter be excluded from the AGR, a long-standing demand from the telcos. The telcos would also not have to pay any spectrum usage charge for airwaves acquired in future auctions, could share spectrum without incurring any additional cost, and hold the airwaves acquired at an auction for 30 years instead of 20.
7. Several procedural norms have also been simplified. Still, the prospects of the sector diminishing to a duopoly remain high.



## Tariff increase crucial for telcos' survival: analysts

1. Though the telecom reforms approved by the Cabinet will benefit all telcos in the near term, especially in helping Vodafone Idea (VI) stay afloat, analysts do not see them as a 'game changer' that would materially improve the health of the industry since the sustainability of the sector is still predicated on improved tariffs.
2. The current reforms only address the liquidity stress in the sector and do not solve the elevated leverage levels, with the crisis being postponed to FY26-27.
3. If VI does not manage any capital infusion and tariff hikes, the industry might move towards a duopoly.

### Double-edged sword

On the moratorium of four years provided on the spectrum and AGR dues, Nomura said it was a double-edged sword where liquidity improved but debt woes would expand.

### Conversion to equity

1. The government now also has the option to convert deferred dues, and also annual interest on deferred payment into equity.
2. In the worst case, we believe this could pave way for VI to become majority-owned by the government.
3. Tariff increases should happen soon as the relief package entirely did not address VI's cash-flow requirements, and even for raising funds, higher tariffs remained critical.

## Three is company: AUKUS seeks to reshape Indo-Pacific ties

The U.S. has joined with the U.K. and Australia to announce a new trilateral security partnership, the AUKUS, that aims to ensure that there will be enduring freedom and openness in the Indo-Pacific region.

### AUKUS:

1. Two dimensions are significant: first, that it complements several pre-existing similar arrangements for the region, including the Five Eyes intelligence cooperation initiative, ASEAN and the Quad, the last including



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India; and second, that it proposes to transfer technology to build a fleet of nuclear-powered submarines for Australia within 18 months.

2. Australia has ratified the nuclear NPT and has vowed to abide by its tenets, notwithstanding the highly sensitive technology transfer implied in the latest proposal.

3. Mr Biden went to lengths to assure the world that AUKUS was "not talking about nuclear-armed submarines. These are conventionally armed submarines that are powered by nuclear reactors. This technology is proven." Australia will become only the second nation, after the U.K., that the U.S. has ever shared its nuclear submarine technology with.

## AUKUS seeks to reshape Indo-Pacific ties

Under the new security partnership, the U.S. and the U.K. will equip Australia with nuclear submarines

**ASSOCIATED PRESS**  
WASHINGTON  
Australia, the U.K. and the U.S. (AUKUS) have announced they're forming a new security alliance that will help equip Australia with nuclear-powered submarines. The alliance will see a reshaping of relations in the Indo-Pacific region and beyond.  
Here's what it might mean for various players:

**United States:**  
Ten years ago under President Barack Obama, the U.S. began discussing the need to focus more attention on the Indo-Pacific region while pivoting away from conflicts in West Asia.

Under President Joe Biden, the U.S. has now withdrawn its troops from Afghanistan while finding that tensions with China have only grown.

In the Pacific, the U.S. and others have been concerned about China's actions in the South China Sea and its anti-



Freshline (from left) Australian Defence Minister Peter Dutton, Foreign Minister Marise Payne, U.S. Secretary of State Antony Blinken and Defense Secretary Lloyd Austin. —AP

party toward Japan, Taiwan and Australia.

**Britain:**  
In announcing the deal, none of the three leaders mentioned China. The U.S. had previously only shared the nuclear propulsion technology with Britain. Mr. Biden said it was about ensuring peace and stability in the Indo-Pacific over the long term. Leaving the EU under Brexit has left Britain seeking

to reassert its global position. Part of that has been an increased focus — or tilt — towards the Indo-Pacific.

British Prime Minister Boris Johnson said the new alliance would allow the three nations to sharpen their focus on an increasingly complicated part of the world.

**Australia:**  
Under the arrangement, Australia will build at least eight nuclear-powered sub-

marines using U.S. expertise, while dumping a contract with France for diesel-electric submarines.

Experts say the nuclear submarines will allow Australia to conduct longer patrols and give the alliance a stronger military presence in the region.

### NEWS ANALYSIS

Australian Prime Minister Scott Morrison said he had called the leaders of Japan and India to explain the new alliance.

Japan, India, Australia and the U.S. already have a strategic dialogue known as "the Quad". Mr. Biden is set to host fellow Quad leaders at the White House next week.

**France:**  
Australia told France it would end its contract with state majority-owned DCNS to build 12 of the world's largest conventional submarines. The contract was worth tens of billions of dol-

lars. France is furious, demanding explanations from all sides.

"It was only a stab in the back. We built a relationship of trust with Australia, and this trust was betrayed," said French Foreign Minister Jean-Yves Le Drian on France's radio radio.

### New Zealand

Left out of the new alliance is Australia's neighbor New Zealand. It has a long-standing nuclear-free policy that includes a ban on nuclear-powered ships entering its ports. That stance has sometimes been a sticking point in otherwise close relations with the U.S.

Prime Minister Jacinda Ardern said New Zealand wasn't asked to be part of the alliance and wouldn't have expected an invitation. Still, it leaves New Zealand out of a deal to share a range of information, including artificial intelligence, cyber and underwater defense capabilities.

## U.S., U.K. and Australia announce new security partnership "AUKUS" for Indo-Pacific

US President Joe Biden, along with the prime ministers of the UK and Australia, announced, on 16Sept, that the three nations were forging a new trilateral security pact, presumably aimed at countering China's expansionism in the Indo-Pacific.

The AUKUS security partnership will also aid Australia in building nuclear-powered submarines.



**China factor:**

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1. The broader strategic question that the creation of AUKUS begs relates to the unstated challenge that the group poses to the regional hegemonic ambitions of China, particularly regarding how far the U.S., the U.K. and Australia, along with other regional powers, will go, to preserve a free and open Indo-Pacific, including the South China Sea.
2. Will the operationalisation of this security partnership lead to closer coordination among the nations concerned in terms of joint military presence, war games and more in the region, signalling a new, "latticed" posture to Beijing?
3. After all, undersea capabilities including the ability to patrol may be vital to deterring Chinese military coercion in the region. Although no explicit mention was made of China in any of the AUKUS announcements, it is clear, as one official later said to the media, that the transfer of nuclear propulsion technology to an ally in this context was intended to "send a message of reassurance to countries in Asia".
4. Whether or not the purpose of AUKUS is to contain China's aggressive territorial ambitions, the imperatives of the Indo-Pacific would be better served by broadening strategic cooperation initiatives of this sort to include other powers that are deeply invested in the region, including India, Japan, and South Korea.



**AUKUS seeks to reshape Indo-Pacific ties**



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1. Ten years ago under President Barack Obama, the U.S. began discussing the need to focus more attention on the Indo-Pacific region while pivoting away from conflicts in West Asia.
2. Under President Joe Biden, the U.S. has now withdrawn its troops from Afghanistan while finding that tensions with China have only grown.
3. In the Pacific, the U.S. and others have been concerned about China's actions in the South China Sea and its antipathy toward Japan, Taiwan and Australia.
4. Leaving the EU under Brexit has left Britain seeking to reassert its global position. Part of that has been an increased focus — or tilt — towards the Indo-Pacific
5. Under the arrangement, Australia will build at least eight nuclear-powered submarines using U.S. expertise. Experts say the nuclear submarines will allow Australia to conduct longer patrols and give the alliance a stronger military presence in the region.

### **'Australia, U.K., U.S. pact will undermine regional peace'**

1. China hit out at the new partnership announced by Australia, the U.K. and the U.S., saying it would "undermine" regional peace and "intensify" an arms race.
2. Beijing particularly slammed the announcement of the provision of nuclear-powered submarines to Australia under the military pact, which has been seen by many observers as being aimed, at least in part, to respond to China's growing military footprint in the region.

### **Building a resilient economy**

Amidst the hopes of a V-shaped recovery of the Indian economy, the National Statistical Office (NSO) had recently estimated that India's economic growth has surged to 20.1% in the April-June quarter, despite a devastating second wave of COVID-19, while the gross domestic product (GDP) had contracted by 24.4% in the April-June quarter of 2020-21. Supporting these estimates, in its recently launched Trade and Development Report 2021, UNCTAD has estimated global growth to hit 5.3% in 2021 and growth in India to hit 7.2%.

### **Growth prospects**

1. According to the report, India showed strong quarterly growth of 1.9% in the first quarter of 2021, on the back of the momentum of the second half of 2020 and supported by government spending in goods and services.



2. Meanwhile, a severe and broadly unanticipated second wave of the pandemic hit the country in the first quarter, on top of rising food and general price inflation, forcing widespread lockdowns and drastic consumption and investment adjustments.
3. Given the inherent fragilities, India's growth in 2021 as a whole is estimated at 7.2%, which is one of the fastest compared to most countries in the analysis but is still not sufficient to regain the pre-COVID-19 income level.
4. However, going forward, the economy is likely to experience a deceleration of growth to 6.7% growth in 2022. Beyond that, and even assuming the pandemic is fully under control, the situation is looking increasingly precarious for many emerging economies. To revive and sustain growth, action is needed both at the international and national levels.

### Steps needed:

1. The report strongly supports India's proposed temporary suspension of the World Trade Organization TRIPS waiver, which is considered as a necessary step to enable the local manufacture of vaccines in developing countries but is being resisted by some advanced economies.
2. Building resilient growth also requires a global strategy that mitigates the threat of global warming whilst simultaneously addressing the inequities and fragilities of a financialised world.
3. Given the existing constraints on developing countries, new sources of finance are required, including a significant scaling up of support from the international community in line with its commitment to common but differentiated responsibilities.

### A robust public sector

## Building a resilient economy

Resilience at the national level can only be delivered through public investment

RASHMI BANGA

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The report strongly supports India's proposed temporary suspension of the World Trade Organization TRIPS waiver, which is considered as a necessary step to enable the local manufacture of vaccines in developing countries but is being resisted by some advanced economies. The need for the waiver increases in the face of the inability of COVAX and G-TAP schemes to mobilise the requisite resources from Northern governments and corporations.

Building resilient growth also re-

quires a global strategy that mitigates the threat of global warming whilst simultaneously addressing the inequities and fragilities of a financialised world. Given the existing constraints on developing countries, new sources of finance are required, including a significant scaling up of support from the international community in line with its commitment to common but differentiated responsibilities.

### A robust public sector

At the national level, efforts are required to build resilience, which can only be delivered through public investment. COVID-19 has reinforced the idea that resilience is a public good and responsibility of the state. It has to be delivered through a robust public sector with the resources to make the necessary investments, provide the complementary services and coordinate the multiple activities that building resilience involves.

Revisiting a theme that the report, now in its 40th year, has long been promoting, the challenge of mobilising financial resources for sustained growth is seen as too important to be left solely to market forces. A financial system that accords a more significant role to public banks, breaks up and guards against the emergence of megabanks, and exercises stronger regulatory oversight is less likely to generate speculative excesses and more likely to deliver a healthier investment climate.

The report also warns against cutting wages to boost competitiveness. Wages are a critical source of demand and their growth can stimulate productivity and underpin a strong social contract. Minimum wages and related labour legislation are needed for appropriate protection against abusive practices. Policies targeting informality are of particular importance, especially for a country like India with a large informal economy.

It is important to build a healthy, diversified economy. For this, a strong industrial policy focusing on building digital capacities is needed. A resilient economy goes beyond offering a residual category of safety nets designed to stop those left behind from falling further.

Rashmi Banga is Senior Economic Affairs Officer, UNCTAD



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