



Learning Center

# Abhijnah

ISSUE 1

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# Lessons from India's Demonetization Experiment

Sibin Sabu

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Demonetisation will go down as a landmark decision in the history of independent India and serve as a useful guide to countries across the globe in their monetary policies and initiatives to counter black money. This article explores few issues pertinent to the policy discourse in India by learnings from how the experiment unfolded.

## Stakeholder involvement

Unlike GST, input of several relevant stakeholders were not solicited in demonetisation policy design. Most legislators were not privy to this decision until moments before the announcement – understandably so, because the move would fail if any of them were in possession of black money or leaked the news to those possessing it. Even when the Cabinet was informed about the decision moments before making the announcement public, its members were not allowed to carry their mobile phone to the meeting. The intent was to ensure utmost secrecy so that the corrupt could be caught off-guard.

The very fact that the inputs of those elected to represent the public could not be solicited due to concerns of 'trust', should perturb us – yet, strangely it does not. When elected representatives take oath to office and secrecy but are yet not involved in decision making, it seems to be an acknowledgement of their lack of integrity. It is even more disturbing that there was hardly any dissent from those kept out of loop that they should have been consulted in the decision making process – because it gives the impression that they acknowledge concerns over corruption to be real.

It is necessary to take measures to address concerns over integrity of those elected to power so that their involvement in critical policy decisions not be affected. Greater stakeholder involvement would have helped the government to be better prepared for consequences of demonetisation while also identifying and preventing ways in which black money could be converted to white money. Perhaps, the government may even have decided not to implement demonetisation and would have looked at other alternatives. 'DeMon' will go down as a reminder of how effective a policy could have been, had relevant stakeholders been engaged.

## Reward intent or outcome

Once the decision was taken, it seems reasonable that the government would have kept track of it to see if it yielded intended benefits. Some reports suggest that RBI was aware at least by April that 98.8% of the demonetised notes had returned to the system. But, an announcement in this regard was not made public until August.

If the central government had to admit that much of the withdrawn currency had returned to the system sooner, it may not have been able to capitalize on the perceived gains of the demonetisation policy in elections in states like Uttar Pradesh. The intent of the policy is likely to have played a role in helping the ruling party win elections conducted immediately after demonetisation.

At present, there seems to be a blind-faith in effectiveness of policies made with good intent. Once a policy gets through the intent filter and persuades us on its potential benefits, we presume that the intended benefits materialize and do not place enough emphasis on measuring the actual outcome. Our systems and culture seem to assess and reward the intent of a policy more than its outcome.

Consequently, there is little focus on gathering data to gauge whether policies created with good intent such as caste and gender-based reservation or rail travel subsidy are effective as envisioned. This is evident from the lack of emphasis on a sound evaluation mechanism

which provides room for policy makers to get away with poorly designed policies.

It enables policymakers to carry out any experiment by advertising its intent and claim success even in the absence of a good outcome. Some critics argue that demonetisation was intended for political gains and not for any economic benefit as it would enable the ruling government to shed the criticism of being '*suit boot ki sarkar*'. This argument gains some credibility as the government decided to overrule the RBI's concern that the costs could be higher compared to the benefits.

A systematic and structured approach to policy design with emphasis on outcome can prevent such exploitation. It is important that policy evaluation is given as much importance as policy formulation. A shift in this mind-set can enable a change to outcome-oriented policies.

### **A grave miscalculation**

The initially stated objectives of demonetisation were modified to stay in sync with any positive consequences – intended or unintended – reported to arise from it. As per the initial proclamation by the Prime Minister, its intent was to curb black money and terrorism financing. It later metamorphosed into increasing digitization, formalization and widening of tax base.

Raghuram Rajan believes that the loss to the GDP on account of demonetisation is approaching Rs.2.5 lakh crore. He also feels that the decision may have resulted in a situation where the government ends up paying interest to those who deposited black money back into the banks. He estimates that the RBI will be paying them around Rs.24,000 Cr each year as interest. Reports suggest that the cost of printing new currency costs was around Rs.15,000 Cr. Thus, the total short term costs to our economy might be around Rs.3 lakh crore.

Interestingly, the government had anticipated that at least Rs.3 lakh crore of black money would not return to the system so that the incurred costs could be offset. But, it turned

out to be a gross miscalculation and just about 0.16 lakh crore is yet to return. The government probably overestimated its capability to prevent black money being pumped back into the system and (or) underestimated the ability of the corrupt in putting their dodgy cash back into the system. This could have been avoided had inputs of more stakeholders was collected.

These figures seem to indicate that demonetisation has probably failed as far as countering black money is concerned while also contributing to derailing the Indian economy. However, it might still result in net positive gain due to (unintended) long term benefits in formalization and digitization of the economy.

### **Would other measures succeed?**

It must also be worrying that even the strongest measure by the government to tackle black money seems to have become futile. If the ingenious minds found a way to counter demonetisation, they may as well be able to circumvent other policies adopted to tackle black money.

While it is clear that concerns over corruption of elected representatives is a pivotal root-cause for some of the disastrous consequences of demonetisation, no measure seems to have been adopted to change the status-quo. It is important to examine how legislators stand to benefit if they help those holding black money. Initiatives to ensure transparency in election financing and stringent monitoring of wealth accumulated by those in power are few steps that can be taken in this direction.

Nonetheless, the move could be considered as a strong signal by the government that it will not tolerate black money and that it is willing to take strong measures against it. This perception, coupled with stringent law enforcement and greater involvement of stakeholders could help the government successfully combat the menace of black money.

(The author can be reached at  
h16047@astra.xlri.ac.in)



# What ails urban public transport in India?

Arpit Agarwal

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Bengaluru is India's third-most populous city and fourth largest contributor to the country's GDP. Although its economy is growing at a fast rate, the city itself is moving very slowly. The average speed of traffic has decreased from 35 km per hour in 2005 to 9.2 km per hour in 2014. The lack of an efficient public transport system has been cited as the biggest reason behind this.

The problem is not just limited to Bengaluru. India has 39 cities with populations of more than 1 million, and five of those have a population greater than 5 million. Yet only two cities- Mumbai and Delhi can claim to have decent public transport systems which cover a large part of the city and provide comfortable and safe commute to their citizens.

The reasons behind the sorry state of public transport in India aren't hard to fetch.

## Fares

The biggest cat in the hat would be the inability of the fares to keep pace with the growing costs. Public transport, like any other thing needs resources which come from the revenue it generates from the users. As costs increase with time, fares should follow suit but that given the political opposition to such a move, that doesn't always happen. Normally fare revision should be done at frequent intervals- either every year once in two years. Revision after a long gap raises the fares steeply which further adds to the political opposition. A case in point would be the recent fare hike in Delhi metro which occurred after 8 years. The result of keeping fares low is that capital expenditure required to improve the system in terms of speed, safety, coverage etc. isn't undertaken due to lack of resources and

commuters eventually end up paying more than what they saved earlier. The poor rail infrastructure in our country illustrates this point perfectly.

A good public transport system is based on the readiness of the commuters to pay up for it and cities in India have to come to terms with this reality. While it is true that raising fares would push the poor out of the system, a better way would be to provide them subsidies directly. With digital push through Aadhaar card and smart cards, this is indeed possible today.

## Inter-modal connectivity

All the modes of public transport should work as a system. The principle on which a transport system should be based on is that mass transit like metro and rail should be to provide long distance connectivity by covering the length and breadth of the city, buses (or trams) should provide the last mile connectivity by covering the interior parts of the city to the mass transit system. In India, such coordination is lacking largely due to the fact that the bus system and the mass transit system is handled by different agencies. Even in Delhi and Mumbai, the cities with decent public transport, such coordination is lacking. In Mumbai, the bus network is operated by BEST which comes under the municipal corporation, while the trains are operated by a different agency. This brings in its own set of problems which results in the lack of synergies which would've come about in a well coordinated system. To function as a whole, all the modes should come under one authority- the municipal corporation or the local government of the city, which brings us to the next point.

## Local Governance

The governance architecture in India is highly centralized with Central government not yielding necessary financial powers to the state government, and the state government in turn not yielding power to the local governments. For an efficient public transport system, the local governments should play the leading role in terms of planning, coordination and financing while the upper tiers must

perform supporting functions such as sourcing technologies from abroad, provide platform to for inter-city discussions for knowledge sharing etc. Even under the 74<sup>th</sup> amendment to the constitution, the urban local bodies were supposed to be delegated the task of urban planning and public infrastructure, but that hasn't been forthcoming. What is found is that the state government (and at times centre) perform the crucial roles of planning and coordination while municipal corporations are relegated to support functions. This results in a poorly coordinated system, delays in construction due to the time taken in seeking permissions from higher authorities etc. The Bangalore metro is a case in point here, wherein poor planning on part of the state government has resulted in the metro network being delayed and unable to cover the busy areas of the city, so the benefits which were envisaged didn't come about.

Cities are the engines for India's economic growth and efficient public transport systems act as a lubricant to run these engines smoothly. By delegating the responsibilities to local governments and following the 'commuter pays' principle, efficient public transportation systems can be created so that these engines don't come to a grinding halt.

(The author can be reached at  
b16011@astra.xlri.ac.in)

## Universal Basic Income: Fact or Fiction

Cledwyn Fernandez

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The debate around the viability of a Universal Basic Income (UBI) across the world has been multi-faceted. While some argue that this policy might be regressive in nature, others are of the view that it actually fuels economic growth and prosperity, especially among the poor. In the Indian context, this has been a crucial issue of late. The Government of India

is considering the implementation of the UBI in the near future as a substitute towards the various governmental schemes that it runs. Several questions have been raised in the past regarding the pros and cons of such a policy. Should it be a substitute to the present welfare schemes? Should it be targeted (conditional), or unconditional in nature? Should the UBI be inflation based or based on the current poverty line? To get a perspective on the same, I analyze the current fiscal situation of the Indian economy, and place my arguments accordingly.

India is one among the few nations globally with a high level of income inequality. In fact, the present income inequality is the highest since 1922 (Piketty and Chancel, 2017). India liberalized itself in 1991, however, that seems to have favoured only the cream of the society. Today, the top 1% possesses 22% of the total growth. In such a time, the concept of the UBI seems to be the next logical step to decrease this inequality. According to the Annual Budget of 2016-17, 950 schemes in India account for nearly 5 % of the total Gross Domestic Product<sup>1</sup>. Misallocation is however a very serious problem with regard to these schemes. In states like Uttar Pradesh, Bihar, and Chhattisgarh, the poor get an inadequate source of funds, while in states like Orissa, and Rajasthan, the poor receive more than what is required from the welfare schemes of the country. Of course, such misallocations occur, primarily because the distribution is made on the ability to run these schemes which is based on administrative powers.

### Where is the World Heading?

Globally, the UBI has already been given a kick-start. The 'Wealth Partaking Scheme' distributes 9000 Macanese Pataca to each permanent residence and 5400 Macanese Pataca to each non-permanent residence. This is similar to the Alaska Permanent Fund Dividend that has its inception since 1982. In recent times, however, there have been various schools of thought regarding the

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<sup>1</sup> Annual Budget of India 2016-17

implementation of a basic income to the society. According to the Gandhian philosophy, cash transfers to the poor would decrease the labour supply in the economy, and therefore the productivity would decrease drastically. From the lens of social justice, right from Thomas Paine<sup>2</sup> to John Rawls, almost every theory of justice argues that a society that fails to guarantee a minimum income to all its citizens would fail the test of justice. Guy Standing has conducted interesting experiments in India to understand whether cash transfers to the poor actually deteriorate, or enhance the overall welfare of a region. In a pilot study, Guy performed a randomized control trial in Madhya Pradesh. Over a period of 18 months, selected individuals from a particular village were given an amount of rupees 200 each, while each child received an amount of 100. On comparing the results after 18 months, it was seen that the group that received the amount had seen an improvement in financial inclusion, housing and sanitation, nutrition, and health care. This result has been resonating across the globe, in many other developing economies too (Banerjee, Hanna *et al*, 2016).

### **Is it time for India to pull the trigger?**

India has been contemplating to implement the UBI since a long time. Given that it is the second most populous region in the world, and the largest democratic nation, the wait is justified. The benefits that can be seen from the implementation of a UBI are manifold. Firstly, it would definitely strengthen financial inclusion in the country, an issue that has been of great concern to the government. The success of the Jan Dhan Yojana can be set as a benchmark, and the UBI, if a success, would bring more individuals under the financial umbrella. Secondly, it would wipe away the 'loan sharks', who exploit the under banked by providing credit at exorbitant rates. The UBI, in effect, would increase the income of the

individual, thereby making him/her less reliant on the lenders. Thirdly, the problem of misallocation of resources (as explained before) would be minimised, as the beneficiary would get their fair share of money without any hassle. Lastly, as Elon Musk discussed in the World Government Summit in Dubai, the rise of robotic automation will make universal basic income indispensable in the long run. Most importantly, the prevalence of UBI will have psychological benefits. The World Development Report (2015) argues that individuals living in poverty result in having a lower cognitive development, and low self image, and bad decision making abilities. Thus, having the UBI will bring prosperity and uplift the poor section of the society.

Based on the 2011-12 level of distribution and consumption, the UBI that is needed to take one person out of poverty is around INR 7000 per year, which amounts to 5% of the GDP (Economic Survey 16-17). Given that there are also other schemes prevailing, the Government needs to decide whether UBI, if implemented, will be a substitute for all other schemes, or just another cherry on the cake. Other arguments that have been placed, however counter argued substantially, is the moral hazard problem of individuals not working, and living off the basic income. Professor Ray, however, puts across an interesting alternative by stating that the universal basic income should be replaced by a Universal Basic Share (UBS), where a proportion (share) of the total income of the economy is divided among its citizens. The UBS has a lot many advantages such as – it is insulated against any kind of business shocks; it is based on the principle of equity sharing; and it provides an incentive to people to work towards growing their respective share.

Given the current slowdown in India's growth and certain other macroeconomic conditions around, it would not be ideal to implement this policy right away. The UBI, however, is promising in the Indian context with the maximum advantage towards the precariat. A chain is only as strong as its weakest link, and

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<sup>2</sup> In 1797, Thomas Paine argued that the government should give its citizens 15 pounds a year

this policy of giving a subsistence income will definitely improve the overall welfare in the economy for the years to come.

## Perspectives on GST

### *Expert Corner*

An interview of Sabyasachi Sengupta

by Yash Vashisht and Sravan J S

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*Q1: What is more to GST than it just being a tool that subsumes all indirect taxes?*

A1. There are two aspects of GST, one is the concept and the other is the implementation. So far as the concept is concern, it is a very powerful concept. Yes, it replaces all indirect taxes, it essentially becomes one nation, one tax but there are additional benefits that are expected. It is more of an operational issue than a taxation issue. For example if it is implemented properly, the costs are expected to come down drastically like the logistics cost. Earlier, when trucks used to pass, a lot of time was consumed at check points and sometimes there were bribing issue also. So all this cost that was going into the cost of production will come down. Moreover, there is a more crucial issue. Indirect tax whether it is VAT, GST or excise, conceptually it is regressive in nature whereas direct taxes are progressive in nature. So with implementation of GST , a lot of people would come under the tax net, their tax filing would come under record. Once those records are collected in a nice manner, they would come under the direct tax net as well and the direct tax base is broadened. So revenue to government would increase and going forward, the government can reduce direct tax rate as well. So these are other advantages that would accrue apart for subsuming the indirect tax

*Q2. What would be the key benefits of GST w.r.t each stakeholder – the consumer, the business entities and the government?*

A2. Concept wise it is a very good initiative. All three entities, the business entity, the end consumer and also the government is expected to benefit from it. So far as the consumer is concerned, there are two issues. First is, the prices of goods and services are definitely expected to reduce over right. That is the primary hope with which GST has been implemented. The rise in prices we're observing now is a short-term issue. But from a long-term perspective, definitely we're expecting the prices of goods and services to come down. Moreover, the prices would be uniform across the country. So, from the consumer point of view, these are the two major benefits.

For the business entity, it is the idea of a common national market rather than being a state market. That is the primary advantage. And, as GST promises, the no. of compliance issues will reduce. Earlier, a company which is operating in multiple states had to comply with as many as 30-40 different varieties of taxes. All those compliance costs are supposed to come down. They can also take advantage of the uniform national market.

From the government point of view, the advantages are manifold. If it is successfully implemented, nationally the prices will come down, the demand will go up, that is good for the economy. This will boost the economy and it would create more employment opportunities. And with one nation, one tax, they would find it far easier to attract FDIs. Broadly this is the structure. These are the advantages that we're looking for. Whether those are translating to reality is a completely different story.

*Q3. Do you think the GST in its current form sufficiently addresses the interest of the business community in general and small and medium traders in particular?*

A3. No, absolutely no. It is not easy to comply with. You should essentially think about the unorganised sector. The education level there is very low. If you suddenly make them do all these computer based filing, which are I think



around 37 annually, they will get frightened. There are big problems with the portals. These things should have been visualised earlier. The computer based system should have undergone sufficient test runs. Also, continuously changes are happening. It was projected that there would be fewer exemption, fewer filings but everyday new taxes and changes keep on coming. Adequate education and training of the people is essential. Till date people in unorganised sector get scared when they hear about computer. So proper planning was required in training people to adjust to the new system. Go to their location, tell them, look it is not very difficult. So in initial stages, this kind of hand holding is required. We keep on hearing that wrong entries are being accepted by the system and after that the system is not allowing them to delete the wrong entries. These issues should have been taken care of.

*Q4. Is GST a case against the concept of cooperative federalism that India holds close to itself?*

A4. If you ask me, I don't believe there is any infringement on state rights, personally, because that aspect they had thought about it well before. GST essentially is a destination-oriented tax, i.e., the state where the goods are finally consumed, that state is supposed to get tax. Earlier, essentially, mainly focusing on the excise duty, it was the other way around. The manufacturing state, in GST language, the supplier state was supposed to get the tax. A few states in India are those supplier states, like Maharashtra, TN and Gujrat. So, these states are expected to lose out on revenue whereas the consuming states are expected to gain in the process. But here, the government has thought about this very well and a GST council had been created to look at these issues. The council has come up with a compensation formula. GST council, the way it has been formed, it has representation from all these states. Decisions will be taken based on vote. Centre holds 1/3<sup>rd</sup> of the voting rights and the remaining 2/3<sup>rd</sup> lies with the states. So, this portion, that is infringement of state rights, should logically be taken care of by the GST council.

*Q5. GST was initially introduced to improve the ease of doing business and to ensure better tax compliance by providing a single tax window. But numerous tax slabs, several exemptions, requirement of e-way bills, composition schemes dent the image of a single tax window. Do you agree?*

It has dented that image in a very big way. For instance, if a trader in Maharashtra has to transfer goods to Tamil Nadu, he should ideally be not a part of composition scheme simply because he is making an inter-state transfer but what I have read in the newspaper, a new rule is going to come under which such traders would also be covered in composition scheme. The tax in this example would go to Maharashtra which is in direct conflict with the destination based tax system. After such issues arise, one questions the very focus with which GST was launched. So many complications, so much confusion, frequent changes and people who are suffering are the people in the unorganised sector.

*Q6. In India, policies are measured based on its intend and not based on its outcome. What parameters do you think can be used to evaluate the progress and success of GST? How long will we have to wait for this analysis?*

Say, after one year of implementation, we can collate the data and compare with the data previously, and find out, as to, how much the supplier state of the manufacturing state has lost out as compared to previous regime. As per the concept, the consuming states should logically gain. To what extent they have gained. How much compensation was paid to the originating state. These parameters can be used.

Say for example, another data, how many small businesses actually closed down post GST. That also, is a very important indicator. It may not be a big indicator in terms of numbers, but it is a very big indicator when you take economy as a whole.

*Q7. What changes would you suggest in the current structure and way of implementation? What would be the key takeaways and*



*learnings for the government from GST ideation and execution when it formulates similar policies in future?*

The government should learn from its mistake. In a country like India, if you try to implement such a major tax reform in a hurry, it can be detrimental to the economy. Some years ago there was talk of a direct tax code, something that would make direct tax filing simpler. In case it is implemented, the government should launch it in a phased manner. Also, currently the implementation has to be looked more carefully, little bit of hand holding is required. Even if they make mistake in filing, the government's stance should be to help them correct that. The government message should be "look we are here to help you, we are with u. The government should take a micromanagement view. We take micromanagement in a negative view but now here we don't have a choice. They should go to villages and ask for their problems, talk in their language. The government agencies have to take that route. Also business community is having a feeling of fear that if they do a wrong filing, penalty would be imposed on them. So government should provide some assurance to them.

*Q8. Which sectors would be affected the most by GST?*

As I said, it will be the small and medium sectors. Look, the big businesses are not going to be affected. They can easily adjust to the system. In one way, their life has become easier also. If they are facing issues, it is because they might have lot of vendors in the unorganised sector. Now since the vendors are facing problems, in that way, even the big businesses are facing problems. However, I already know of two organisations, who have visited their small vendors, and they are trying to educate them. They have gone to the extent of inviting them to their offices to educate them on the topic. Now this has to be institutionalised. As I said, long term benefits are expected. In fact, the world at large has accepted GST with a positive minded approach. But for small and medium players,

especially in the unorganised sector cannot simply rely on long term benefits.

## Towards a policy-based Indian response to the Rohingya Crisis

Elliot DeSouza

Abhishek Shukla

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The violence against ethnic Rohingyas in the Rakhine province of Myanmar and the subsequent mass exodus have captured our collective consciousness. Coming in the wake of the Syrian refugee crisis, the hostile reception the Rohingyas have received in many countries has led to grim accounts of the fate of the 'world's most friendless people'. Yet, while there is no denying the massive human suffering, such narratives lend to rhetoric and sanctions that ultimately serve more to polarize than to solve. Objective policy-makers in India would do well to pay heed to empirical fact, rather than espoused theories, in their quest to secure India's interests and assume a tenable position in this international crisis of sorts.

The current narrative of bloodthirsty Buddhist monks whipping Bamar zealots into a communal frenzy for no reason other than their targets are Muslim lends itself to a range of exhortations that have themselves not been filtered through any partisan lens. Charged rallies in the Arab world, for example, and calls by over a dozen Islamist groups to financially and militarily support the struggle for Rohingya independence are fuelled by communal and partisan narratives that threaten to escalate the cycle of violence by further polarizing groups. A more historically-informed perspective begins by understanding that the roots of the violence against the Rohingyas lie in an unreconciled past of a struggle for self-determinism manifest through a secessionist movement. Only recently, has this struggle been obfuscated by a politics of

Muslim identity, and this largely because of an international politicization of the issue. Indeed, this is no more evident than in the fact that even as a large number of Rohingya have been persecuted and rendered effectively stateless, their Kaman (Muslim) counterparts in the same Rakhine province are not.

Given this beleaguered and factious ethnic history, it should come as no surprise that even the present government under Daw Aung San Suu Kyi has not been able to put paid to this latest explosion of violence in the two years they have been in power. For the majority of Burmese and the military: itself the standard-bearer of Burma's politics for the greater part of her Independence, the mere suggestion of a distinct Rohingya identity is fraught with peril and historical scars. Its democratically-elected (and military junta-authorized) government's intransigence to concede either recognition or autonomy to the Rohingya must be understood in the context of this fear. No more surprising should be the hardening of positions among those Rohingya who see the denial of their identity and its reclamation as correlated with the loss and reclamation of their rights.

On the face of it, a legislative amendment to Burma's 1982 Citizenship Law may perhaps break the impasse. The law recognizes three categories of citizens and offers 'full citizens' belonging to a so-called 'indigenous race' a degree of autonomy and their own state or district. For the Burmese military: the true centre of political power in the country, this law, at least in its present form, could prove to be a double-edged sword by presenting just the right conditions for long-term secession: a homogenous population within a historically factious border territory. Yet, a creative appraisal of this law might suggest an amendment that could accommodate both concerns: a sense of identity that recognizes Rohingya citizenship and a measure of exclusion that protects the right of the Burmese nation to security and sovereignty. I use the word 'exclusion' here, in the legal sense, to mean a restriction of the rights to citizenship, yet not enough exclusion to seek alienation of the Rohingya in the way that is done today. A minor shift in this legislative outlook, and subsequently institutional

treatment, of Rohingyas is both more practicable and feasible, and promises to promote a path of solution-taking if insulated from the polarizing narratives of the international media.

As a regional democratic power and border state, India has the unique opportunity to broker lasting peace through the bringing together of key stakeholders to enable legislative and subsequently institutional change. Given the impact on its own security and politics, India has a strong reason to do this. Its own democratic institutions and historically friendly relations with both the Myanmar military and members of the Aung San Suu Kyi also lend it an image of credibility and neutrality.

India can use her own experience with according and implementing the special status of Kashmir in its constitution as a reference point to help frame a similar legal arrangement for the Rohingyas in Myanmar. Article 370 of the Indian constitution gives autonomous status to the state of Jammu and Kashmir but are framed as 'temporary provisions'. These provisions enshrine the principles of consultation and concurrence in the formulation and decree of orders on all items in the State list and Concurrent list. Furthermore, amendments to these provisions are subject to judicial review, which acts as a hedge against any unilateral amendment. To balance against such significant devolution of autonomy, in crucial matters of Communications, Defence, Finance, and Foreign Affairs, only the government at the centre is empowered to enact laws. While the experience with this law has been far from perfect and the Act itself is not beyond reproach, the risk factors India has experienced in Kashmir are circumscribed in Myanmar's case by the fact that the territory itself is not internationally disputed or the focus of a war by proxy.

India's imperative to act is underscored by its own internal security considerations that are impacted by the Rohingya crisis. No permanent solution to the many militant movements in India's Northeast is possible without the active cooperation of the

Myanmarese military and government, and a Myanmarese state distracted by the threat of international sanctions and a program of domestic expulsion certainly does not help. The implications to India's national security notwithstanding, the international and diplomatic repercussions of the Rohingya crisis are also important in the context of India's 'Act East' policy of strategic engagement, designed to be a counterweight to China's trillion-dollar One Belt One Road (OBOR) initiative that many in India see as courting Myanmar and other countries in a policy of strategic encirclement. Especially in the wake of the recent Doklam crisis, this mega international infrastructure initiative threatens to undermine India's strategic calculus and permanently manacle India's maritime freedom, geopolitics, trade and territorial claims over disputed regions. No discussion about the Rohingya crisis is complete without reference to Bangladesh, where the Sheikh Hasina government faces the unenviable task of managing over 400,000 Rohingya refugees against an increasingly disaffected Bangladeshi public. With far-from-ideal relations with Myanmar and with China also courting it for OBOR, the knowledge of India's increasing reliance on Bangladesh's military cooperation to quell insurgencies in its Northeast has given Bangladesh significant leverage in pushing India to intervene in its favor. Both Myanmar and Bangladesh, which India sees as key partners in its domestic security, trade and maritime policies, are important for India to strike a delicate balancing act with and in this context, a legislative policy-based solution implemented through the Myanmarese institutional framework becomes the most viable.

A practical implementation of such a policy-based solution requires first seeking and legitimizing moderate elements among the Rohingya in Rakhine state and elsewhere, such as the National Democratic Party for Human Rights (NDPHR), and within the current Burmese government, including moderate ministers of the ruling National League for Democracy (NLD). Simultaneously, and to placate the real locus of power in Myanmar viz. the Burmese military, India should assist both the Bangladeshi and Burmese military in

strengthening border controls on their individual sides, thereby addressing the military's fear of the state being demographically overwhelmed into eventual secession. Once a basic rapprochement has been established on all sides, the Indian Ministry of External Affairs should work with Burmese lawmakers to amend the 1982 Citizenship law in favour of recognition combined with a "special status" for the Rohingyas. This special status would grant the Rohingya i) recognition as a Burmese ethnicity, ii) universal suffrage and iii) reparations for homes and lives lost in the recent violence without an ethnically-defined border state. The newly legitimized moderate Rohingya would act as a bulwark against militant groups from their community by actively campaigning against groups like the ARSA in the media and international forums. Any kind of Burmese military action against such militant groups would also be carefully scrutinized by Indian and international observers. Once these have been reached, the Indian government would work with the Bangladeshi and Myanmarese governments to make reparations for and equitably repatriate Rohingyas in the long run.

Such a solution not only promises to be a more well-grounded and politically sanguine vector of reconciliation. Fundamentally, it frames the issue in terms of the empirical identity-sovereignty debate that it in fact is moving away from the communally internecine conflict it has only recently become, lending greater confidence in its ability to sustain by addressing deep-rooted historical issues. It also fits nicely into India's strategic paradigm of deepening political, military and diplomatic engagement with Myanmar and Bangladesh to counter OBOR and the Chinese agenda in the region, which is the imperative for India to act. In this way, a policy-based Indian intervention in the Rohingya crisis could unlock more favourable outcomes for India and the region as a whole.

(The authors can be reached at  
h16018@astra.xlri.ac.in and  
h16122@astra.xlri.ac.in respectively)

