Opinion

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AI FOR PEACEFUL PROGRESS

Rajnath Singh, Union minister of defence

We have to use artificial intelligence (AI) for humanity's progress and peace. It should not be the case that a country or a group of countries establish their dominance on this technology — just like nuclear power — and the remaining countries are not able to enjoy the fruits of this technology

Uber in the dock

The ride-sharing giant's ethically dubious and potentially illegal tactics to fuel expansion is mind-boggling

THE UBER FILES EXPOSÉ, published by *The Indian Express* on Monday, is a damning indictment of the so-called "best practices" followed by some of the global giants. The exposé that is based on a leak of company documents between 2014 and 2017, shows Uber used a 'kill switch'— a stealth technology—to fend off government investigations. Following the 2014 rape of a passenger in Delhi by a driver using the Uber platform, senior executives, in internal communications pushed for shaping the narrative in a way that put the blame on the government's poor background checks for licensing, rather than any introspection on the company's own screening process of drivers. Bear in mind that a senior Uber Asia executive was fired after media investigations said that he had illegally obtained the medical records of the rape survivor, and shared them with the top leadership, with the aim of spinning the rape incident as a conspiracy orchestrated by a rival ride-hailing company. In France, during the 2016 protests by taxi-drivers against Uber's arrival in the market, founder and then CEO Travis Kalanick, who is largely believed to have driven the culture at the company, wrote to senior colleagues "violence guarantee(s) success" as he pushed for a counter protest. What is of real concern is the "we are...illegal" comments by a senior executive. This suggests substantial awareness among the leadership about the legal grey area that the company often willingly operated in.

To be sure, it may not be just Uber that was flying under the radar. Under the plea of innovation, many new-age companies could just be benefiting from regulatory arbitrage. Many of them don't yet have to submit to the universe of compliances and standards (outside of those set by themselves) that legacy competitors face. Add to this an over-aggressive leadership, and you have potentially many more Ubers on your hands. The willingness to bend/side-step rules shows in how 'platform' companies have managed to avoid compliance with labour-protection laws by designating service personnel as independent contractors. Those who argue that regulation stifles innovation would do well to look at the other side of the picture in the light of the Uber exposé. This is not to say that legacy regulation is fine as it stands—on the contrary, it needs to evolve so that tech solutions can benefit users at large. But there is a need for balance, one that upholds fair conduct more than anything else.

The current leadership at Uber—allegations of Kalanick nurturing a toxic culture at the company forced him to resign in 2017—has sought to break from the past saying that "Uber is a different company today ... will not make excuses for past behaviour that is clearly not in line with our present values." But the fact is that years after the rape case in Delhi, *The Indian Express* found over a month of hailing rides using Uber, that only seven of 50 cabs used had active panic buttons to send safety alerts to the authorities. In the 43 that didn't have active buttons, 29 didn't have the button at all. Uber may argue it is just a ground implementation issue, but it is difficult to not read a complacent leadership into this. Overall, it's a poor reflection of the internal practices of a Silicon Valley start-up which has become a $44-billion global transportation giant with operations in 72 countries.

A CLAIRVOYANT'S CALL

CAN A NEW COUNTRY, WITH NO HISTORICAL CONSTRAINTS, MAKE GOVERNANCE SKYROCKET?

Creating a new country

SRIVATSA KRISHNA

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IF THERE IS one phenomenon common across almost all the 193 countries of the world at present, it is the growing disaffection with governments' ability to deliver *vis-a-vis* citizens' rising aspirations from them. Citizens around the globe ask, "If Amazon and Domino's can deliver in a day or an hour, why can't the government?" Or, "If private banks and lenders can give loans with a couple of clicks, why can't the government streamline its own grant-making or subsidy delivery?". (By the way, I have a whole database of some of the top private sector companies and banks, and their absurd bureaucratic processes, but we will save that for another day. Let us assume, for now, that at the median level, the private sector's efficiency is far superior to the government's efficiency.)

Ironically, almost concurrently, governments have been systematically defanged and incapacitated but are still expected to fix everything from potholes on the road to failing private banks or collapsing private airlines! These include areas where they simply do not have the tools to deliver nor the competence to even comprehend complex finance or technical issues sometimes, thus compounding existing problems.

There is certainly a case that centralised government organisations lack the wherewithal to cope with the pressures of the modern and technologically-different world, where scale can be achieved at a fraction of what it would have cost, say, even just 10 years ago. The internet and various associated emerging technologies allow population-scale communication and services at a fraction of the cost--in fact, close to zero-cost.

In such a world, centralised government organisations often fail not just because of leadership failures but simply due to the fact that they were not designed for this very different world of the present, and their utility had its expiry date with the industrial age. Emerging technologies, especially blockchain and crypto, make national borders, in many ways, superficial—when you look at a country as a state and not as a nation. This is a powerful, compelling argument, and lies at the heart of a powerful new book.

In a world where copyright often means the right to copy, Balaji Srinivasan is one of the foremost original thinkers, with a rockstar reputation not just in venture capital and crypto but also in applying himself to solving the world's hardest problems.

In his brilliant new book, *The Network State: Creating a New Country*, his thesis is that if we can create new companies to deliver products and services cheaper, faster, and better than the existing old-generation companies, and new communities along thematic lines, and even new currencies, then why can't we create a new country from scratch which is decentralised in its decision-making and solves citizens' legitimate aspirations without having to worry about the burdens of history? While this may be possible, history is embedded in the individual and collective memories of people, and erasing behaviours based on such memories in this new country remains a challenge.

Centralised govt organisations often fail simply because they weren't designed for a different world and their utility had its expiry date with the industrial age

Balaji defines a network state (quite the mouthful) as "a social network with a moral innovation, a sense of national consciousness, a recognised founder, a capacity for collective action, an in-person level of stability, an integrated cryptocurrency, an archipelago of crowdfunded physical territories, a virtual capital, and an on-chain census that proves a large enough population income and real estate footprint to attain a measure of diplomatic recognition."

More simply, what the book argues is that a bunch of like-minded people get together and start a country on a computer, connected via a social network, transacting via a cryptocurrency, and have their own norms for entry and exit.

This, of course, begs the question: Can, say, a Twitter controlled by shareholders, or even by its users, de-platform a democratically-elected head of state, even if they find something he says morally repugnant? Taking it further, if any community does a poll, and decides to do the same, is that legally valid and morally right? Much of the third world regions like Africa, parts of Latin America, and Asia, despite having better smartphone penetration than the first world, do not have people savvy enough to come together as the kind of community envisaged by the book, to act on fundamental existential questions such as clean water, a roof over their heads, and three square meals a day. They may vote, but how will they act against entrenched bureaucracies and political 'special interests'?

How will the network state add value to their lives? The counterfactual is, even with the current state, which is failing them repeatedly, they are not able to make much headway, so why not try something new? Roblox, Guild, and Discord, among others, are new-age communities and networks, perhaps in the kindergarten of what Balaji envisages.

It is worth bearing in mind that, so far, no community, much less a state, has been created using tokens as incentives to join or punish deviants. That begs the question: Why would it happen for creating a new state? One of the world's foremost economists, Mancur Olson, with whom I had the privilege of working, in his seminal tome, *The Logic of Collective Action*, brilliantly demonstrated the impossibility of bringing about collective action in large groups, the ubiquitous free-rider problem, and the vice-like grip of special interests. How the network state will solve this fundamental problem of economics and human behaviour is unclear.

The only question that remains to be answered, then, is that will a superstar, super-brilliant dollar-billionaire of Indian origin and US nationality, create the first network state and become its president or prime minister and solve a couple of "wicked problems" (problems which do not have any easy solution or, at best, only a corner solution)?

That will put Balaji in the running for many Nobel prizes at once, and who knows, he may even get to govern a physical, vanilla-standard country someday to use the best practices from the network state in the nation-state and deliver good governance! It is an absolutely magnificent masterpiece and magnum opus.

The people have ousted the Rajapaksas. What now?

The country needs to move swiftly to save the tattered economy

PROTEST MOVEMENTS PRODUCE powerful symbols. Images of the citizens of Sri Lanka storming the presidential residence of the man who steered their country into financial ruin and then refused to step down sent a pointed message. When they started swimming in Gotabaya Rajapaksa's pool, cooking in his kitchen and working out in the official gym, he had to know it was over for his family's reign of economic destruction. For the first time since demonstrations began in March, soldiers were seen joining the protests. So too were the Buddhist monks who had previously helped propel the Rajapaksas to government. That the weekend was dominated by reports the Rajapaksas were planning on fleeing the country was not surprising given the renewed ferocity of the protesters now driven not just by anger but desperation. The president left his residence before it was seized and says he is preparing to resign on Wednesday. His citizens say that is not soon enough.

Sri Lanka has been in financial crisis for months. There is no fuel, essential medicines are either unavailable or in short supply and food inflation is running at close to 80%. Initial talks with the International Monetary Fund wrapped up on June 30, but there is no immediate resolution to the foreign exchange crisis that has brought the nation to a standstill. About a quarter of the 22 million population is unsure of where their next meal will come from, the World Food Program said on July 6. When former leader Ranil Wickremesinghe stepped in two months ago to steady the administration and start negotiating in earnest with the IMF, the people were not convinced. And they were right—whatever answers he may have had, he was viewed as part of the political establishment that had led Sri Lanka to this point. Hours after Wickremesinghe said on Saturday he too was prepared to leave his post, protesters set fire to his private residence, a move widely condemned by the broader civilian uprising.

RUTH POLLARD

Bloomberg

So what next? The IMF said it hoped for a resolution to Sri Lanka's political turmoil to allow a resumption of bailout talks after the fury of last week's protests. The US called on the parliament "to approach this juncture with a commitment to the betterment of the nation—not any one political party," a State Department spokesperson said during Secretary of State Antony Blinken's visit to the region. The problem is, only the protesters seem to be moving with any sense of urgency. Both Gotabaya and Wickremesinghe should stop prevaricating; parliament should appoint an all-party cabinet that includes technocrats with deep economic experience to guide the nation out of this government-induced emergency. They need to do this before a potentially dangerous power vacuum develops that could allow extremist groups to exploit the instability.

If there is one thing these protesters have shown, it is that the Rajapaksas can be defeated. It is important to remember that beyond their grave economic mismanagement, Gotabaya's administration, and his brother Mahinda's before him, repeatedly blocked any legal avenues for accountability over the grave abuses linked to the 26-year civil war that ended under their watch in 2009. Instead, as Human Rights Watch notes, victims of past abuses, their families, journalists and human rights defenders have endured surveillance and intimidation. Muslims, Tamils, and other minorities have faced discrimination and attacks. Some have been severely beaten. Some have disappeared. The brothers have repeatedly denied any link to the violence. What is different now is that all these groups have come together to reject the family's brand of populist authoritarianism that relied on the support of Sinhalese Buddhists, who make up 75% of the population. It is time for their own political leaders—and the international community—to heed their call and help them as they forge a new future for their country.

Walking a fine line

ALFIYA ANSARI & SIDDHARTH NEMA

Economists, India Exim Bank

An FTA with the EU will only work for India if it includes tariff concessions for India-made apparel and footwear; the EU has conceded this in its recent FTAs with other countries

THE INDIA-EU FTA negotiations have been languishing since 2013 after 16 rounds of talks, with the EU stressing upon India reducing high import duties and India wanting greater access to the EU market for Indian professionals. Now, after nine years, India and the EU have resumed FTA talks on June 27. In 2021, India's trade with the EU crossed the $100-billion mark, with the country recording a trade surplus of $13.1 billion. Given the positive trade balance in favour of India and the untapped bilateral trade potential on both sides, tariff liberalisation under the proposed FTA with the EU would lead to greater gains for both parties.

India faces strong competition from its Asian peers like Vietnam and Bangladesh as they have much more favourable terms of trade with the EU. The EU is the largest apparel importer globally and imported both knitted and non-knitted articles worth $178.8 billion in 2021. India ranks among the top 10 exporters of the product globally. Currently, the EU's knitted and non-knitted apparel imports from India amount to $5.5 billion and face a 9.4% and 9% tariff, respectively, while competitors like Bangladesh and Vietnam avail a much lower rate of tariff. Bangladesh is the second-largest import source of apparel to the EU with exports amounting to $24.3 billion, and through its EBA eligibility has no tariff. Vietnam, due to its FTA with the EU, has a tariff rate of 3.8% and 6.3%, respectively, and exports $5.2 billion worth of apparel.

India is the 12th largest exporter of footwear globally, exporting goods worth $2.3 billion. The EU imported footwear worth $59.6 billion in 2021. While India exported $1.4 billion worth of footwear to the EU under a tariff of 6.6%, Vietnam exported $7.5 billion worth of products under a preferential tariff of 2.1%. This has placed Indian goods at a disadvantage. Additionally, the EU's services sector is restricts India majorly through restrictions on foreign entry and movement of people, which is of specific interest to Indian professionals whose entry is limited by the imposition of the Economic Needs Test (ENT) and the Labour Market Test (LMT) requirement. These requirements make the entry of foreign workers conditional upon the fulfilment of certain criteria like domestic economic interest and unavailability of domestic labour. Except for France, Portugal, Slovenia, and Spain, EU economies have imposed ENT/LMT requirements across sectors, varying in degree. Thus, India needs to work towards mutual recognition agreement with the EU in education, experience, licensing , and procedures in professional services.

The EU demands greater market access in sectors such as alcoholic beverages, automobile, and dairy. India imposes the highest tariff of 111% for beverages, spirits, and vinegar, which accounted for total imports of $134.8 million from the EU in 2021. Around 50% of India's imports from the EU under the category are whisky and vodka, which attract a tariff of 150%, as alcoholic beverages are not covered under the GST framework. Their inclusion would directly impact revenues of the states, while the revenue would be lower than anticipated due to the limitation of four-tier slabs in GST regime. Similarly, India's imports of transport vehicles amounted to $1.4 billion, while the EU's global exports amounted to $686 billion in 2021. India imposes an average tariff of 24.5% at two-digit HS level on the EU, while cars imported have a tariff of 125%. Automobiles present another challenge as India's existing partners like Japan and South Korea, which are top producers in the sector, may also seek a level-playing field once greater market access is granted to the EU.

In the dairy sector, India requires certification from exporters that products are from animals that have never consumed food containing internal organs and blood meal. This requirement, along with a high tariff ranging between 30% to 60%, continues to restrict the EU's milk and dairy exports to India. Opening up the dairy sector for the EU can distort the domestic market as the farmers may not be able to withstand the cheap dairy imports from the EU.

Now is the time for Indian diplomacy to stay sangfroid and bring the EU to the negotiating table. It should strive to get tariff concession in apparel and footwear, which the EU has already conceded in its recent FTAs, while also protecting the interest of the local economy and millions of livelihoods.

Effectively applied import tariffs imposed by EU (%)

Product	India (Standard GSP)	Bangladesh (EBA)	Vietnam (FTA)
Dairy products	16.1	0	0
Beverages	1.7	0	2.4
Apparels, knitted	9.4	0	3.8
Apparels, not knitted	9.0	0	6.3
Footwear	6.6	0.7	2.1
Vehicles	4.6	1.2	1.0

LETTERS TO THE EDITOR

Sri Lanka's hard times

Apropos "Sri Lanka caught in a cleft" (FE, July 11), president Gotabaya Rajapaksa had to offer for his resignation hours after protesters stormed his official residence, blaming him for an unprecedented economic crisis that has brought the country to its knees. The island nation of 22 million people is struggling under a severe foreign exchange shortage that has limited essential imports of fuel, food, and medicine, plunging it into the worst economic crisis since independence in 1948. Soaring inflation, which is expected to hit 70% in the coming months, has heaped hardship on the population. Discontent against the president peaked as the cash-strapped country stopped receiving fuel shipments, forcing rationing of petrol and diesel and closure of schools. The elected MPs in Sri Lanka parliament should put in concerted efforts and nominate a consensus candidate as PM to run the government. This is the time for the law makers to save the country from disaster and they should move forward on a positive note cutting across the party lines.

—Sanjay Chopra, Mohali

IndiGo's woes

Apropos " Indigo Technicians go on sick leave to protest against low salaries", after the mass cabin crew sick leave episode, IndiGo had to revise sector pay for the cabin crew, and now, technicians have put management under pressure. IndiGo must note that gradually, airline business is going towards a pre-Covid state. Akasa Airlines have got the nod to fly and Jet Airways is expected to fly again. Competition is increasing, so keeping employees motivated should be the priority for IndiGo.

—Bal Govind, Noida

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