



OUR VIEW



Our GST regime needs a return to factory setting

The complexity of decisions taken by the GST Council is enough to explain why we need a reset of this regime. Let's get it back in harmony with its promise of 'one country, one tax'

The Goods and Services Tax (GST) Council's latest decisions highlight just how complex this tax regime has become. Multi-utility vehicles (MUVs) with a minimum length of 4,000mm, or engine size of at least 1,500cc, or ground clearance exceeding 170mm will now be treated like sport-utility vehicles (SUVs), thus attracting a cess of 22% instead of 20%. MUVs that measure less will still attract the lower levy (applied as an extra after GST). Also, how high a vehicle's frame rests will now be measured unladen, without passengers i.e., as opposed to laden. Whether this switch applies only in this instance or broadly for all industry matters is unclear, though. In addition, sedans have been spared this burden, no matter how they compare on these counts, so big-wheelers have been judged particularly tax-worthy. It's a sign of just how far the idea of one simple tax across the economy, GST, has been stretched that top policy time is devoted to such tiny details.

With luxury items placed in the top slab of 28% right from the start in 2017 so that the rich bear more tax, the GST Council's discretion on slotting goods and services into slabs has made space for vexed debates. This is at a feverish pitch in online gaming, a boom sector with its own tale of complexity. Here, pleas of leniency had arisen from business players asking for games of skill to be treated apart from those of luck, echoing a debate over their legal status. The Council chose to club online gaming with other bets and gambles in the top slab, with 28% GST to be levied on the customer's buy-in ticket price—as with any consumption tax—even if that's the whole sum wagered. This bit about GST applying to the full value of an

online bet has been a blow to internet business models set up assuming much less tax. It's unfortunate that so little clarity prevailed within this field. While this is another example of confusion over a tax that was expected to simplify dues, the Council's call was sound within the framework we have. Like with a hotel stay, GST applies to the transaction price, not net value, and it's unclear how online gaming could expect it to apply otherwise. On the tax bracket as well, while these businesses may need to operate on wafer-thin margins to attract gamers, India's GST slab multiplicity was driven by a need to keep indirect taxation progressive, sparing consumers of modest means to the extent possible. Although gaming may be addictive and thus display somewhat inelastic demand, it cannot be claimed as a necessity, nor can its advocates make a moral case for an easy levy. Maybe a moderate rate for gaming could have been considered. But then, that would be easier to argue for had we opted for a flat GST rate for everything, with a list of exceptions short enough to explain itself at a glance. So long as a luxury slab exists in India, gaming is unlikely to escape its clutches, luck based or not.

This is a tax system whose reformist power was meant to lie partly in its simplicity. Today, the fact that just a couple of market segments can arouse heated discussion shows why it needs to be freed of concept distortions and reset in line with what it was famously called by the Prime Minister six years ago: "a good and simple tax." While a single rate for all that's bought may be too utopian, we should overhaul the system to simplify it—and expand its coverage. Even if revenue neutrality proves a challenge, it will do our economy a good turn.

THEIR VIEW

State run versus private armies: Wagner triggered a risk debate

The brief 'mutiny' against Moscow by a mercenary group showed why danger analysis is necessary



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The failed 'mutiny' by the private military Wagner Group in Russia has generated a debate on the rise of private armies in modern warfare. Tony Barber in *Financial Times* pointed to a mercenary tradition in Russia that dates back to at least the times of Leo Tolstoy. But the practice was widespread. Richard Eaton in *India in the Persianate Age* points to a such a tradition in India, into which all rulers dipped. Rajput warriors fought for the Mughals and soldiers from west Asia were engaged by both Hindu and Muslim Indian rulers. The British Raj also tapped this mercenary tradition to raise forces to subdue the subcontinent.

How does one define a mercenary? A fighter who is fighting for money instead of ideas? Or one who does not fight directly under a sovereign flag? All soldiers before the age of nationalism and standing armies could be said to have been mercenaries and soldiers of fortune who fed off the spoils of war. Modern armies do not feed off such spoils, but they are indeed paid and most recruits see it as a career choice. If fighting for money is the defining feature, they are mercenaries; however, if fighting directly under a sovereign flag is the criterion, they are not.

The 20th and 21st centuries spawned new mercenary trends, where hired hands were only informally linked to the state to enable plausible deniability.

The 20th century saw the rise of fascist paramilitaries that literally enforced the will of the state and an ideology in civil society. Examples include the Freikorps in the Weimar Republic, later Hitler's storm troopers in Germany, and private paramilitaries in erstwhile Yugoslavia. Take the Lashkar-e-Taiba in Pakistan. It is not a state paramilitary force, but may nevertheless have informal links with it. It also gets paid and is sponsored in some way. But it is also fighting for a cause. This, like with others of its ilk, may put the state at risk.

This century's mercenaries, such as Wagner in Russia, or the firm Blackwater contracted by the US in Afghanistan, are engaged by great powers in overseas campaigns. Such military contractors are politically expedient in skirting anti-war sentiment at home that recoils at seeing body bags arrive draped in national colours. They reduce the political costs of waging war overseas.

Domestically, the digital age and rise of social media has spawned a new breed of digital paramilitaries such as 'wolf warriors' and 'troll armies' that are leveraged both by the state and states in waiting to establish dominance over ideas, often through the dissemination of fake news. Digital warriors, although inspired by ideas at one level, are also paid and sponsored in some form.

It would be apparent to the reader that the concept of 'mercenary' is as muddled as mercenaries themselves. In these circumstances, it might be useful to put together a typology of mercenaries applicable across time and space. The typology is intended only as what Weber called 'ideal types', such as feudalism, socialism, capitalism, etc. In real life, there would be overlaps between types, and variants across time and space, each approximating closer to or further from the ideal-type. Ideal types are useful only as markers for heuristic or analytical clarity. It is possible to identify five broad mercenary ideal-types, ranked by their distance from the state: One, sovereign armies and para-

militaries, both standing and reserve; two, fighting forces officially contracted and paid for by the state, such as Blackwater; three, fighting forces unofficially contracted by the state. They might be paid from secret funds or allowed to raise resources (effectively private taxes) to fund their activities. These would include groups like Wagner in Russia and Lashkar-e-Taiba in Pakistan. Both the first and second might conduct false flag operations. Also, there is an element of deniability and political advantage to be derived from both, like undercounting war costs; four, private militias with no state link (and possibly anti-state). Current developments in Manipur come to mind. These would include terrorist groups operating on their own (any sponsored by the state are included in the third category). Five, mercenaries operating domestically, both physically and digitally, alongside the police and paramilitaries of the state. The Freikorps of Germany were an early example. They laid the ground for other fascist parties to emerge in interwar Europe. These groups continued to operate even after fascists seized power, buttressing state authority in civil society, but also threatening it at times. Organizations with intellectual roots in interwar Europe also operate in India. While this ideal-type comprises mostly right-wing outfits, organized militant left-wing militias would also fall within its purview.

What might these new developments imply for geopolitics? Internationally, the deep state operating within the great powers have always sought to destabilize contrarian regimes overseas as an extension of diplomacy. But there was a pushback from civil society that increased the political risks of such interventions. These new developments allow the deep state to hit back. Domestically, these developments are likely to roll back the advance of democracy across the globe that had been marching forward ever since the Cold War came to an end.

10 YEARS AGO



JUST A THOUGHT

The old India was economically fragmented, the new India will create one tax, one market and for one nation.

ARUN JAITLEY

GUEST VIEW

Modi's Bastille Day visit to Paris will symbolize plenty

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The year 2023 marks an important and significant milestone for Indo-French relations as both countries celebrate the 25th anniversary of their strategic partnership, which was signed in 1998. Indian Prime Minister Narendra Modi will visit France on 14 July, where he will be the Guest of Honour at the Bastille Day parade. France rarely invites a partner country on Bastille Day, making this visit particularly exceptional. A 240-member contingent from the Indian Army, Air Force and Navy will march alongside their French counterparts on the Champs Elysées. Indian Air Force Rafale jets will also perform a fly-past with French Rafales during the ceremony. This participation will demonstrate the strength of the partnership between India and France.

Modi's upcoming visit to France will be his third since 2019. An essential aspect of this trip will be to renew the bilateral strategic partnership and draft a roadmap for the next 25 years. It encompasses various sectors, including defence, space, civil nuclear

cooperation, climate change, education and cultural exchange. Alongside France's position as a leading partner in India's defence industry, both countries share a common vision in the Indo-Pacific region and the global fight against terror and cybercrime.

In terms of trade and investment, bilateral trade between India and France surpassed the €15 billion mark for the first time in 2022, exceeding the 2025 objective set during President Emmanuel Macron's state visit to India in 2018. Trade ties have also been boosted by Air India's recent order of around 250 aircraft from Airbus, followed by Indigo's record order of 500 A320 planes from the same supplier, which is owned by a European aeronautical and space agency in which France has a significant stake.

Ongoing negotiations between India and the EU for a Free Trade Agreement (FTA) will play a significant role in enhancing trade between the two countries. Multiple rounds of negotiation have taken place to explore avenues for reduced import barriers, enhanced investment protection and the recognition of geographical indications. Such a wide-ranging trade pact will significantly boost bilateral trade and investment between India and the EU.

French companies have made substantial

investments in India, with over 700 of them operating across various sectors and contributing to 400,000 jobs. France is one of India's top foreign investors, with a total stock of €11 billion of foreign direct investment (FDI). Given India's rapid economic growth, digitization, rising middle class and availability of talent, the country represents a high-priority market for French companies. Also, India's emergence as a manufacturing and supply hub offers an attractive alternative to China.

While major French groups already have a presence in India, small and mid-sized companies are increasingly establishing operations in the country through direct investment or acquisitions. Acquisitions serve as a strategic approach for companies to gain market share, acquire talent and expand in the Indian market.

French investments in India are focused on the defence and aerospace sectors, with companies such as Airbus, Safran, Thales, Dassault Aviation and Naval Group playing

significant roles. Other recent investments include those by TotalEnergies, which has invested over \$3 billion to support India's energy transition, and by Schneider Electric, which acquired L&T's electricals and automation business for \$2 billion. The Paris Airport group also acquired a 49% stake worth about \$1 billion in the Indian airport operator GMR Airports.

The rare honour accorded to India's PM is a clear sign of fast strengthening relations across many spheres

A reason why India is an attractive business destination is its large talent pool. French IT services company Capgemini employs close to 200,000 people in India, making it the largest French employer here. Indian leaders are increasingly assuming top positions in large French corporations, highlighting Indian talent.

France is actively engaged in India's 'Make in India' programme, contributing significantly to our infrastructure development. As India explores opportunities to develop supply chains, French companies are looking at the country as an important hub. L'Oréal operates two manufacturing

units in Pune and Baddi, catering to domestic demand. Global transport company Alstom is building a local supply chain to facilitate product delivery; it currently operates six industrial units, multiple engineering centres and two depots, with global exports in mind.

Some French companies also serve as Indian government partners. Idemia, a prominent French identity technology firm, is a partner of the government's Jan Dhan Yojana and Aadhaar programmes and has recently implemented facial recognition technology in DigiYatra, a tech initiative by India's ministry of civil aviation to enhance the travel experience of air passengers.

Around 200 Indian companies have invested in France across the automotive, pharmaceuticals, biotechnology, IT and other sectors. Recently, Biocon acquired an American company Viatrix and now has three manufacturing units in France.

The Indo-French partnership has flourished over the past 25 years, with deepening ties across various sectors. The anniversary celebrations and Prime Minister Modi's visit to France underscore the significance of this partnership and the joint commitment to further strengthen bilateral relations in the coming years.