



THEIR VIEW

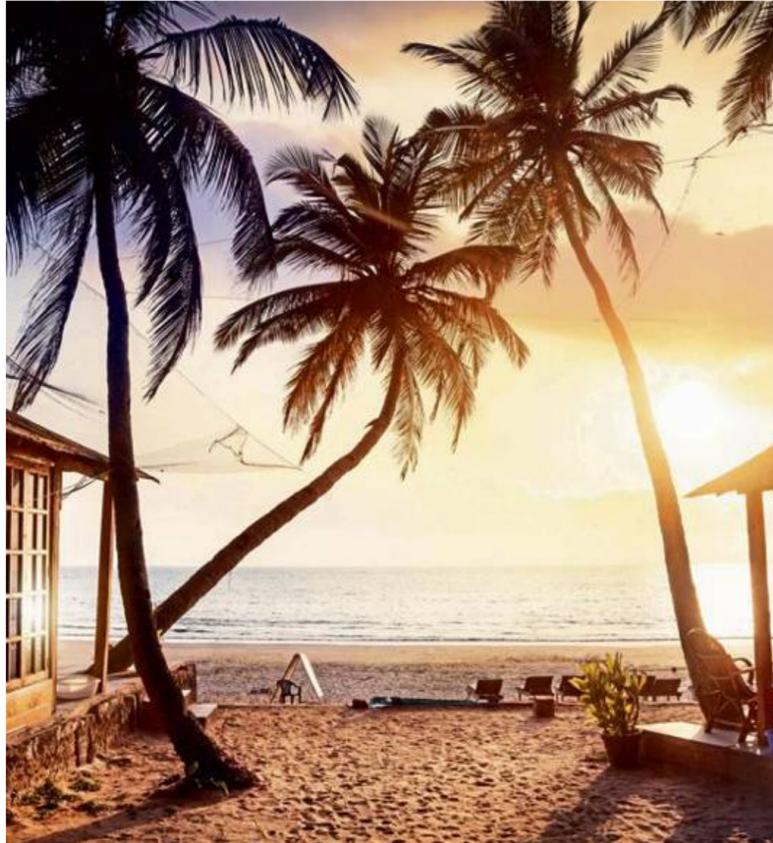
MINT CURATOR

Notes from a quiet Goa beach on getting our tourism act together

India must exit its 'soft state' trap, effect a mindset shift in governance and make the most of its low-cost tourism potential



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As a climate refugee from toxic Delhi temporarily in Goa, I cannot help wondering: if cities like Tokyo, London, Beijing and others that had high levels of pollution were able to clean up their air, what prevents Delhi from doing the same? In his voluminous tome, *The Asian Drama*, Gunnar Myrdal introduced the concept of the 'soft state.' He was really writing about South Asia, especially India, with barely any mention of the 'miracle economies' of East Asia. He characterized the Indian state as a 'soft state,' implying a government with limited capacity, unable to unwind a gridlock of competing interests that sucked up and dissipated scarce resources. This pre-empted the high growth necessary for reducing widespread poverty. India is now a fast-growing economy and poverty is much reduced, but regulatory failure to clean up the air in Delhi under successive governments suggests that the 'soft state' still prevails.

Of late, the soft state has also been very visible in the awful tragedy in Arpora, Goa, where a fire at an unauthorized night club, Birch by Romeo Lane, killed 21 persons. The blaze was set off by fireworks in a closed structure on a sandbank in a water body without adequate exits. An order to demolish the structure issued months earlier was ignored with impunity, as were a range of other required clearances. The night club was operating without permits on the basis of just an excise licence. As reported, even this licence was issued on a forged No Objection Certificate from a local health officer. The club's owners, the Luthra brothers, and their associates had reportedly sliced through compliance requirements like a knife through butter, using a combination of bribery and browbeating. They were backed, allegedly, by powerful politicians and bureaucrats.

The Arpora case is unfortunately not the only instance of regulatory failure that impacts tourism in Goa. Several other unauthorized tourist establishments are being closed in the wake of that disaster. Unsafe facilities, poor quality services and high costs are driving tourists away to destinations in Thailand, Sri Lanka, Croatia, Georgia and other countries where services are better and costs lower. All this is killing the goose that has laid Goa's golden eggs for decades.

Goa is a highly visible illustration of how service providers and the government have failed tourism. However, it is symptomatic of a much wider malaise that ails tourism in India. In a *Mint* column last year (28 June 2024), I had pointed out that India was ranked 39th in a World Economic Forum Global Tourism ranking, though it is the world's fourth largest economy. Tourism accounts for a mere 0.9% of GDP, down from a pre-pandemic peak of 2.7%. In comparison, tourism accounts for

20% of GDP in a small country like Croatia (population: 4 million) and as much as 11% of GDP in China, the world's second largest economy, at the other end of the spectrum. In a recent *Hindustan Times* article (19 December 2025), Amitabh Kant points out that a four-star hotel room in India costs ₹12,000-15,000 per night, while it costs half or less in Phuket or Danang. India's coastal length is thrice that of Thailand and its national park area is twice that of Kenya's, but it has fewer tourist destinations with decent accommodation. Kant's plea is to rationalize our Kafkaesque regulatory framework. It not only deters investment, but also generates the rent-seeking opportunities that lead to disasters like Arpora.

It is very unfortunate that tourism has been so neglected, since it is a highly employment-intensive sector with strong multiplier effects. The sector accounts for only 0.9% of India's GDP, but its employment share is much higher at 5.5%, according to recent Periodic Labour Force Survey data. Thus, if its GDP share could be raised back to its pre-pandemic level of 2.7% in, say, the next three years, direct and indirect employment would go up from 76 million to 95 million. If the share could be doubled to 5.4% in another three years, the consequent employment would go up to 195 million. But setting these goals, even if feasible,

would require a mindset change. Bureaucrats are not the best candidates for such out-of-the-box thinking, though civil-service officers like Kant have been exceptions. Politicians too may not be sufficiently induced by the potential employment impact, since organic job generation seems to have limited electoral mileage.

QUICK READ

A horrific blaze in Goa's Arpora was symptomatic of India's weak capacity to enforce rules. This must change. So must a mindset that has held us back from fulfilling our tourism potential.

The sector's high employment intensity demands that we let no opportunity go. Budget tourism, especially religious travel, could yield huge gains if we devote attention to this segment.

However, what is important here is not high-end tourism, but low-budget tourism, especially the religious kind that accounts for the bulk of India's tourism revenue. These are tourists who travel by second or third class compartments in trains, look for rooms at ₹1,000-2,000 per night and meals for ₹150-200 per head. Most Indians are devout. The huge number of religious tourists who travel to destinations like Hardwar, Vaishno Devi or Tirupati and the hardships they are prepared to bear in the process are remarkable. Equally popular destinations of minority faiths include Ajmer Sharif Dargah, the Bodhi Gaya-Rajgir-Nalanda Buddhist circuit or the Basilica of Bom Jesus in Old Goa. Providing cheap but safe travel facilities, cheap but clean hotels and budget meals for such religious tourists on a vastly expanded and improved scale could interest political leaders. The revenue and employment impact of such a mindset change would be phenomenal. *These are the author's personal views.*

The big global lesson of 2025: Do not underestimate China

An economy that was expected to falter has emerged as a winner



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Western elites may have let their political view of China colour their analysis. REUTERS

From US President Donald Trump's trade war to AI developments, 2025 has been full of dramatic twists and turns. One consequential takeaway is to never, ever underestimate China.

At the onset of the year, the world's second-largest economy was left for dead. Economists were predicting lost decades akin to what Japan experienced in the 1990s and its dominance of manufacturing was being challenged by Trump's second term and the drive by exporters to diversify their supply chains and move operations abroad. Global investors had largely fled, seeing that the country's '3D' problems—deflation, debt and demographics—were structural and insurmountable.

By year-end, the perception couldn't be any more different. President Xi Jinping was [among the few leaders] who stood up squarely to Trump's bullying tactics on trade. Xi forced him to back down by weaponizing Beijing's control of rare earth materials. It has kept its status as the world's most vibrant factory, so much so that some are lamenting that Europe, for one, has nothing to sell to China. As for global money flows, foreign investors are returning as an AI boom has lifted the Hong Kong bourse to a four-year high.

How did China manage to shake off its malaise and dazzle the world with Deep-Seek moments in tech, biotech and even defence? Were the seeds of success always there and elites in the West simply chose not to see them? It's a bit of both.

First, Xi's focus on higher education is finally paying off. These days, roughly 40% of high-school graduates go to university, versus 10% in 2000. Engineering is by far the most popular major for post-graduate studies. As a result, the nation's talent pool has greatly expanded: Between 2000 and 2020, the number of engineers ballooned from 5.2 million to 17.7 million in China; in 2022, 47% of the world's top 20th percentile AI researchers finished their undergraduate studies in China, well above the 18% share from the US.

What this means is that by the law of large numbers, innovative breakthroughs are bound to happen and that China still has a cost advantage in advanced manufacturing. Those under the age of 30 account for 44% of the total engineering pool, versus 20% in the US; compensation for researchers is only about one-eighth that of their American counterparts. Therefore, even if the likes of Apple want to quit China, they can't.

Second, China is pragmatic. The AI arms race offers a good illustration. Whereas the

US seeks the holy grail of artificial general intelligence, Xi is pushing the industry to be "strongly oriented toward applications," locking in any advantages that AI might bring to sharpen the nation's edge in manufacturing. Across the country, industrial robots operate in so-called dark factories, where automation is so efficient that work happens with the lights dimmed. Companies are also using AI to speed up logistics and product-design cycles.

Productivity gains from AI and automation are for all to see: China's trade surplus hit a record \$1 trillion this year, beating rival export powerhouses like Germany and Japan, with the fastest growth coming from advanced manufacturing, such as cars, integrated circuits and ships.

Third, deflation cuts both ways. Investors dislike it because companies have no pricing power. On the flip side, local brands capable of charging premium prices at home have hit consumers' soft spot, giving them export prospects as well. The prime example is Guangzhou-based Pop Mart International Group. The company's gross profit margin of 70% is more than twice what a generic toymaker can make, thanks to the wickedly cute and viral Labubu.

Going forward, Chinese brands will be increasingly known globally for their design and aesthetic flair. Shoppers will get to appreciate silent air-conditioners, quiet luxury designer bags, fragrances that rival Le Labo and even gelatos that taste as good as those in Italy, as my Sicilian calisthenics trainer proclaimed. 'China chic' is coming to wow the world—okay, perhaps anywhere but in the US, a market to which Chinese exports tumbled 19% this year.

The nagging question is how thought leaders in the West got the world's second-largest economy so wrong. Of course, Beijing doesn't make it easy—the country didn't open up from pandemic-related lockdowns until the end of 2022. But some of it, I suspect, is an aversion to visiting an autocracy whose political values are different from the Western elite's core beliefs. Making money off China isn't as easy as a decade ago, and some worry that, once there, they might get an exit ban.

But, amid all this, one thing is for sure: It would be a huge mistake to write off China, the world's only other economic superpower that matters. **©BLOOMBERG**

MY VIEW | PEN DRIVE

As 2026 dawns, let us ring the bells that can still ring

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At the end of each year, I search my soul to draft a New Year message for near and dear ones, among others, assessing the year gone by and looking forward to the coming year with hope and expectation.

While global economic growth has settled at a little above 3% over the last few years after recovering from the covid crisis, uncertainty arising from US President Donald Trump's tariffs hangs over the global economy, haunted as it is by the century-old ghost of America's Smoot-Hawley tariffs. Indeed, the fate of the entire post-war order currently hangs in the balance.

Man doth not live by bread alone. There has also been a growing unease for some time and a somewhat sombre state of mind. There was a sense that the core values I have cherished since my growing-up years—of individual freedom of expression, social equality, humanism, harmony and religious universalism—were under threat.

Despite their outsized potential, recent advances in technology like social media and AI have created new challenges. They have accelerated socio-economic inequalities and created a growing disgruntled underclass that enabled populist demagogues to ride to power on a form of belligerent nationalism that has divided rather than united people.

These new technologies created new means of control and made civil society more divided, angry, combative and disrespectful, often within the same family. Trump and the 'Make America Great Again' (MAGA) phenomenon were symptomatic of these developments that had echoes all over the democratic world, including India. In the wake of such developments, I wrote an opinion piece in *Mint* a decade ago under the ominous headline 'Is the history of the 1930s repeating itself?' that concluded with: "History is unlikely to be repeated in the same manner, but with capitalism in crisis, and both the Centre and organized Left in retreat, human tragedy of indeterminate magnitude is likely. Whether the post-war liberal order will survive the right-wing onslaught is moot."

Developments over the last decade only fuelled my fears. I nevertheless looked at the

positives in each subsequent New Year message, or at what economists are wont to call 'green shoots.' I likened each new year to a new dawn that heralded the end of darkness. Arthur Clough's poem, *Say Not the Struggle Naught Availeth*, was almost a constant in my New Year messages. While drawing an analogy between the new crop of global leaders and the 'four horsemen of the Apocalypse' of the biblical book of Revelation, I also referred to their fiery eyed nemesis mounted on a white steed.

Indeed, the defeat of the Taliban and ISIS, and of Trump in 2020, made it seem that the tide was coming in through 'creeks and inlets' and that one need not look only at the sunrise in the east, for with it the west looked bright as well. The Taliban, however, fought its way back and the past year saw the triumphant return of a more virulent version of Trump's MAGA politics. The famed institutional

checks and balances of the world's oldest democracy are faltering. Similar figures seem to be on the ascendant all over the democratic world.

Green shoots are no doubt also visible in the world's oldest democracy. The second Trump presidency is less than a year old and already piling up electoral losses. But while Trump might go, Trumpism and the MAGA movement that spawned it are not going anywhere.

Meanwhile, the resolve to fight global warming weakens by the day. Hot on the heels of unending strife in Africa and the endless war that is destroying Ukraine came the horrific genocide in Gaza.

These disheartening developments make it difficult to look at 2026 with renewed hope.

It is a conundrum of history that despite long-term progress, people are always dissatisfied with the present. Golden Ages all lie in the past.

We also need to be cognizant that humans are imperfect beings, with the capacity for both good and evil. The philosopher and thinker Isaiah Berlin called this the 'crooked timber' of humanity. Prophets and spiritual leaders have over the years endeavoured to draw out the good within us. The spirit of the current age, or *zeitgeist* as Germans might put it, is not heart-warming as baser instincts are seemingly ascendant.

But we have been there before and individual acts of kindness are everywhere. Our belief in the basic goodness of humans need not waver despite this crooked timber.

To paraphrase the Urdu poet Faiz Ahmad Faiz, though the night seems long and dark, it is after all only night, and dawn will surely break through.

But people also make their own history and it is for us to do our bit to amplify the light by drawing out the best not just in ourselves, but in others. So,

*Ring, ring the bells that still can ring,
Forget that perfect offering;
For 'twas a crack, a crack in everything,
That's how the light gets in.*

With that message from singer-poet Leonard Cohen, here is wishing readers a Merry Christmas and Happy New Year.