Opinion

THURSDAY, APRIL 11, 2019

CORRUPTION OF ELECTIONS

N Gopalaswami, CEC from 2006 to 2009

The potential of mischief for subversion of the process of elections represented by social media is immense

When all parties flouting rules, what is EC to do?

If EC bans party chiefs for flouting its directives, all hell will break loose; parties need to ponder over this possibility

WITH MOST POLITICAL parties flouting the Election Commission's (EC) model code of conduct with impunity, it is not surprising EC is coming in for a lot of flak and being pilloried as a stooge of the government. Though the EC has retrieved some ground in ordering that the biopic on prime minister Narendra Modi will be shown only after the elections are over, it allowed the NaMo channel to be aired and it didn't take any serious action when Modi tried to made a clear divide between Hindu and Muslim voters by saying that, after angering Hindu voters with the UPA's Hindu-terror charge, Rahul Gandhi was contesting in an area where the majority was in a minority. And, while it is still examining the issue, it is not clear if the EC will take a decisive stand—and without much delay—on the prime minister canvassing votes in the names of the CRPF jawans who died in Pulwama or the air force heroes who conducted the Balakot raids; this is despite the EC clearly saying, last week, that the Balakot strikes were not to be politicised.

But before alleging EC is soft on the government, it is important to keep in mind that it is not just the BJP, most major political parties are guilty of the same thing. The EC's advisory asks parties not to make unverified allegations against one another, but that didn't stopped Gandhi from saying, after Wednesday's Supreme Court (SC) ruling, that SC had accepted that there was corruption in the Rafale deal and that Modi had given ₹30,000 crore to Anil Ambani. The SC has not opined on corruption and the fact that Ambani does not get ₹30,000 crore has been explained many times over, but Gandhi's allegations haven't stopped. While UP chief minister Yogi Adityanath was censured by the EC for referring to the armed forces as Modi's *sena*, BSP chief Mayawati made an explicit appeal to all Muslims to vote against Modi.

Certainly, the EC's reputation has taken a beating, but so has that of the entire political class since the model code of conduct is something they have all promised to adhere to. When all parties are united in throwing decency to the winds—in the days the EC was seen as more powerful, parties and individuals took the EC warning/censure more seriously—the only option for the EC is to take extreme steps to enforce its writ. This could include barring candidates from fighting elections or asking them not to campaign in certain states, but if this is done to leaders of various political parties, the repercussions of this could be a quite serious. Perhaps the EC should consider large monetary fines running into a few crore rupees, depending upon the size of the infraction.

Along with political parties—obviously it is too late to do this in the current election—EC needs to take a fresh look at the model code of conduct. Asking parties not to base appeals on the basis of caste or religion sounds very good—indeed, there is a PIL on this in the Supreme Court—but when political parties are either set up on the basis of caste/religion, or derive a substantial part of their support from such groups, it is even reasonable to lay down such a code of conduct? And if, as in this case, one party is seeking votes on the basis of it being more muscular than the other, then is it reasonable to even expect that a Balakot will not be politicised even if, in keeping with EC orders, pictures of defence personnel are not used as a backdrop to a stage in a political rally?

Right move on VVPAT

This should lay to rest the fears over EVM hacking

THE SUPREME COURT'S direction to the Election Commission of India (ECI) to increase random matching of voter-verifiable paper audit trail (VVPAT) to five polling booths per assembly segment, from one at present, will help allay the doubts—even if these are irrational—that voters might have regarding EVMs. While 21 opposition parties were demanding that VVPAT slips be matched for at least 50% of EVMs across all assembly segments—currently, this is done for less than 1% of the EVMs—the ECI had opposed it because that would have imposed tremendous pressure on the poll regulator's overextended manpower and infrastructure, and delayed announcement of results by six days. The SC reasoned that increasing the VVPAT matching to five booths per assembly segment will neither leave the ECI struggling for manpower nor will it delay the announcement of results significantly. But, the larger gain, as the SC noted in its ruling, is that increased VVPAT verification "would be of greater satisfaction not only of political parties but also for the entire electorate".

The fact is that the constant attacks by political parties, be it the BJP in the pre-NDA-2 years or the Opposition parties now, are corrosive for the electorate's faith in EVMs. There can be no doubt that the EVMs are a much more efficient way of polling and essentially an antidote to all the ways the paper ballot process can be hijacked, from booth capturing to manipulation of ballots and fake ballot papers. While the ECI has been insisting that the EVM it uses can't be hacked, the demonstration of wired hacking by scientists at University of Michigan and by AAP legislators in the Delhi Assembly brought the EVM under a cloud in recent years. And, even though voters in Surat (Gujarat) and Mandsaur (Madhya Pradesh), the epicentres of the anti-GST and the farmers protests chiefly targeting the BJP, could have overwhelmingly voted for the BJP despite the protests, the clean sweep the BJP made in these regions have been used by opposition parties to further fan EVM-scepticism among voters. To be sure, the ECI challenged political parties and civil society bodies stoking anti-EVM paranoia to hack its EVM in an open event, and none of the parties claiming that EVMs could be tampered with participated. Former chief election commissioners, including SY Quraishi, vouched for its security. Experts have also detailed how it is nearly impossible to hack EVMs in a wireless manner with currently available technology, and even if such an endeavour were to become possible with new technology being developed, how expensive and complicated it would be, requiring the hacker to collaborate with, among others, the EVM manufacturer and the ECI itself! But, the cloud of suspicion has doggedly refused to lift, more so in the light of reports emerging that what ECI presented as the Indian Statistical Institute vouching for the adequacy of the existing level of VVPAT verification may have been the endorsement of just one of the academics at the hallowed institute, and not the institute's considered view.

Once the ECI implements the SC order, and voters see for themselves how unfounded the fears over EVM hacking are, perhaps political parties across the spectrum will be forced to bury the bogeyman they have been using to put a spin on their own fast-eroding credibility at the hustings. Some have recommended that the ECI allow the candidate who comes second in EVM counting to select the five booths, but that is a call the ECI will have to take.

StandingFirm

US's objections to India's e-commerce policy should be viewed as a continuation of their global assault on trade

THE UNITED STATES has criticised India's restrictions on cross-border data flows and data localisation requirements. It has termed India's move as a barrier to digital trade in its 2019 National Trade Estimate Report on Foreign Trade Barriers. It said these requirements raise input costs for internet-based suppliers of services by forcing the construction of data centres and preventing local, indigenous firms from taking advantage of the best global practices available by impeding and restricting competition to these companies. The Indian government's draft e-commerce policy calls for regulating cross-border data flow, banning the sharing of data of Indian users stored abroad with other business and third-party entities, and mandating that all e-commerce companies have data storage in India.

This comes hot on the heels of last month's announcement that they will end preferential trade treatment for thousands of Indian products guaranteed under the Generalised System of Preferences (GSP), a programme that aims to promote trade with more than a hundred developing countries by giving duty-free entry for their goods. This is Trump's *modus operandi*—to economically arm-twist opponents until they give his country some concessions, as demonstrated by US's trade tussle with China, the outcome of which still lies in the balance. He has recently threatened to implement tariffs on goods worth $11 billion from the EU as well. With internet companies and social media platforms, both collectors and databases of massive troves of data on individuals, coming under increasingly intense scrutiny for the propagation of content on their platform and with privacy and ownership of data becoming a resultant matter of central concern, stringent policy proposals like India's e-commerce one are bound to come up. EU has the General Data Protection Regulation and Brazil, Japan and Australia are just three more countries that currently have a data protection and/or privacy law. India is right to introduce such legislation and should stand its ground, especially as the US's increasing hostilities with the rest of the world might open up grander trading opportunities as a result.

HAIRY POLICIES

LIKE DISCRIMINATION BETWEEN KINGS IN PLAYING CARD DECKS, THERE IS DISCRIMINATION BETWEEN ARMED FORCES AND POLICE WHEN IT COMES TO MOUSTACHE ALLOWANCES

Moustaches and the king of hearts

BIBEK DEBROY

Chairman, economic advisory council to the PM

Views are personal

USUALLY, WE DON'T notice subtle differences in playing cards. Sure, one deck of cards may differ a bit from another, depending on design. But often, the spade's sign on the ace of spades will be larger and more ornate than the corresponding signs on the aces of hearts, diamonds or clubs. There is a historical reason. Card manufacturers had to pay taxes and stamp duties were extended to playing cards in 1711 (in England). You needed a stamp to prove duties had been paid and that stamp would naturally be on the first card of the deck, which was the ace of spades. However, stamping every deck became a nuisance. Hence, the ace of spades bore the insignia of the printing house, proof that taxes had been paid. The consequent larger ace became a legacy that till now often continues. Ditto with the four kings.

In standard English playing cards, the two black kings wield swords. The king of diamonds has a battle-axe, while the king of hearts has a sword he seems to be using to slice off his own head, unlike the black kings. In addition, the king of hearts doesn't sport a moustache, while the other three kings do. Why should discrimination exist? I don't think anyone knows definitively. There are theories. A standard answer is copying from original French versions and the disfiguring and distorting when block-makers changed symbols of office. In French versions, all kings have moustaches.

"In fact, there are endless styles of mustachios, all appropriate to the wearers and indicative of the various orders, as rigorously adhered to as if they had all been patented by the Government of India or had been sanctioned by special appointment with His Majesty, the King, or Her Majesty, the Queen". This is from Mulk Raj Anand's *A Pair of Mustachios*, written in pre-Independent India. In Independent India, what are rules for the armed forces? I am asking about whiskers/moustaches, not beards.

For beards, there are indeed some prohibitions and special exemptions. Do remember that before fighting the Persians, Alexander the Great had his soldiers shave off their beards. Because of Abhinandan Varthaman, if not otherwise, everyone knows moustaches are allowed in armed forces. Indeed, between 1860 and 1916, moustaches were compulsory in the British Army and that also applied to British India, starting earlier with the East India Company. These rules changed in October 2016 and World War I was the reason. If you had to wear a gas mask, a moustache was a problem. Henry VIII taxed beards and so did Peter the Great in Russia. I don't think Henry VIII's tax applied to moustaches, but the Peter tax seems to have covered both beards and moustaches.

In the army and police, there was a movement away from beards and moustaches, though those who wanted to sport them could do so

A tax is a disincentive. There is no prohibition against, or compulsion for, moustaches in the Indian army today, nor is there a tax on moustaches. But neither is there an incentive in the form of a moustache allowance. However, like discrimination between kings in playing card decks, there is discrimination between armed forces and police when it comes to moustache allowances. Here is a quote from 1943 police regulations. "Officers and men shall always be neat and clean in person and dress both in and out of uniform. Their hair shall always be closely cut. Those who shave shall always be clean-shaved. Moustaches may be worn though beards are shaved. Sikhs and Punjabi Muslims who are in the habit of growing long hair and beards are permitted to do so". No bar, but there can be a positive incentive through a moustache allowance. I don't mean a moustache allowance specific to an individual. For instance, Bengaluru traffic police now have Meesey Thimmaiah as an official mascot. He was known as "Meesey" because of his distinctive and ornate moustache and he died on duty, trying to save a woman and her child from being run over. While he was alive, Meesey Thimmaiah got an annual moustache allowance of ₹500. This was an allowance specific to him, not across the board.

Across the board, I know of only two states where policemen get a moustache allowance—Madhya Pradesh and Uttar Pradesh. In Madhya Pradesh, it only seems to be for some districts, not all, and is ₹33 per month. In UP, the targeting of moustache allowance isn't district-wise. Policemen get it everywhere, but only if they belong to Uttar Pradesh Provincial (Pradeshik) Armed Constabulary (PAC), not otherwise. The amount has recently been hiked from ₹50 per month to ₹250.

I don't think there is any correlation between popularity of Chulbul Pandey or Singham and absence, or presence, of moustache allowances in different states. In a government system, the answer often lies in precedence. For the Indian Police Service, something like this is governed by Indian Police Service (Uniform) Rules of 1954. For a state, it will be the respective state rules on uniforms, such as the 1986 rules for UP, or corresponding uniform rules for PAC. Differences between rates are thus inevitable. In the army, there was a movement away from beards and moustaches, though those who wanted to sport these could do so. That is what happened in the police, too, and you see this reflected in UP's 1986 uniform rules. However, because of historical preferences and legacies, traces of moustache preference and "*mooch*" allowances remain in PAC uniform rules. Evidently, UP's 1986 Police Service (Uniform) Rules will soon be amended. But probably not those for PAC. Others are kings of hearts.

Western nations can avoid the Japan trap

When crafting the required comprehensive policy response, economies must recognise that the hurdles are a lot less technical, and a lot more political

MOHAMED A EL-ERIAN

Chief economic adviser at Allianz, was chairman of former US president Barack Obama's Global Development Council

NOT TOO LONG ago, the conventional wisdom held that "Japanification" could never happen in Western economies. Leading US economists argued that if the combined threat of weak growth, disinflation, and perpetually low interest rates ever materialised, policymakers would have the tools to deal with it. They had no problem lecturing the Japanese about the need for bold measures to pull their country out of a decades-old rut. Japanification was regarded as the avoidable consequence of poor policymaking, not as an inevitability.

And yet, the spectre of Japanification now looms over the West. After the 2008 financial crisis, the recoveries in both Europe and the United States were more sluggish and less inclusive than the majority of policymakers, politicians, and economists expected. And, more recently, hopes for achieving "escape velocity" out of the "new normal" of low growth and persistent disinflationary pressure have been dashed in Europe and Japan, and some worry that they may be receding in the US.

Europe, in particular, is back in the grips of a worrisome regionwide slowdown. Growth projections have been consistently revised downward, and the European Central Bank has acknowledged that its earlier optimism about achieving on-target inflation was misplaced. With yields on government bonds having fallen, the global trade in securities at negative interest rates has reached around $10 trillion. Meanwhile, Japan is approaching its fourth consecutive decade of consistently low nominal growth, inflation, and interest rates. And, in the US, a growing number of economists are worried about a coming slowdown, with some urging the US Federal Reserve to cut interest rates, and others calling for it to adopt a higher inflation target in order to combat the risk of excessive disinflation.

Were all those Western economists who dismissed the threat of Japanification in the past being too glib? Yes and no.

Today's Japanification fears stem from legitimate worries about structural disinflationary forces that could cause lower, less inclusive growth, both directly and indirectly. These forces include societal aging, rising inequality (in terms of income, wealth, and opportunity), social and economic insecurity amongst broad segments of the population, and a loss of trust in institutions and expert opinion.

Along with the zombification of firms after the last asset bubble, these structural factors have led to lower demand, as well as increased risk aversion and self-insurance, rather than growth-promoting risk-pooling, at the margin. Innovation, particularly in artificial intelligence, big data, and mobility, is another factor. Though the economic impact of these technologies is ambiguous, there is no doubt that they are reducing entry barriers across a growing number of economic activities and putting downward pressure on prices (the "Amazon effect"), at least in the short-term. Nonetheless, their long-term effects on growth and productivity remain to be seen. Growth is also being undercut in less direct ways. For example, persistently low—and in some cases, negative—interest rates tend to eat away at the institutional integrity and operational effectiveness of the financial system, thereby reducing bank lending and limiting the range of long-term products that insurance/retirement firms can offer to households. Another indirect effect stems from expectations about the future. The longer growth and inflation remain low, the more tempted households and companies will be to postpone consumption and investment decisions, thus prolonging low growth and inflation.

The Western economists who initially underestimated the threat of Japanification did so because they had downplayed or simply ignored these direct and indirect factors. In retrospect, they should not be surprised to find that the societies with the fastest-aging populations and less inward migration are the ones now struggling with Japanification. Still, those economists were not wrong to argue that policies can play a decisive role in macroeconomic outcomes—especially when structural forces are being amplified by excessive cyclical tightening, as was the case in Japan in 1989. The problem is that they have tended to focus too narrowly on monetary policy, while overestimating its effectiveness. Countries at risk of Japanification need a much broader mix of policies to address both the demand side and the supply side of the economy.

Monetary policy, after all, is less effective near the "zero bound" and in scenarios where other "liquidity trap" factors are in play. Large-scale balance sheet operations like quantitative easing (QE) can buy time by seeking to inject more liquidity directly into the system. But they don't address the underlying issues, and they come with their own set of costs, forms of collateral damage, and unintended consequences.

The strongest protection against Japanification, then, is a combination of demand- and supply-side measures at the national, regional (in the case of Europe), and global levels. In countries with adequate fiscal space, this could mean looser government budgets and more productivity-enhancing investments (such as in infrastructure, education, and training). And in any country facing skills shortages, increased legal migration and better policies to facilitate labour mobility can help close the gap.

Moreover, these policies would need to be accompanied by more effective protections for the most vulnerable segments of the population, particularly when it comes to health, training, and labour retooling. None of this will materialise without better political leadership and more enlightened global policy interactions.

Japanification offers three lessons that Western policymakers and politicians have yet to internalise sufficiently. First, structural pressures make prompt action to reverse low growth, disinflation, and zero-to-low interest rates all the more critical. Second, unconventional monetary measures may be necessary, but they certainly are not sufficient. And, third, when crafting the required comprehensive policy response, we must recognise that the hurdles are a lot less technical, and a lot more political.

LETTERS TO THE EDITOR

Blame it on the EC?

Often, the political entities leave no stone unturned when it comes to undue criticism of the regime and, at times, even their so-called allies. While stringent regulations are required to establish ethical leadership skills and ensure that members refrain from actions that have a potential to impact solidarity, micro-monitoring is not feasible/viable, especially because the buck doesn't stop with the EC. Parties, too, are accountable for the potential failure to project a constructive long-term vision/agenda, aimed at addressing sensitive and key issues in a diligent manner. Announcement of consumer-friendly schemes to combat unemployment, illiteracy, inflation and malnutrition ought to be backed by a thorough financial planning and market research and analysis for sustainable generation of revenue/income in the state. Reactive measures to enforce policies that tend to benefit a particular section of the society, at the cost of the other, far from promise an ideal governance model. Acquiring numbers via opportunistic alliances, drawing attention through ambiguous/bizarre statements and focusing on gains in the short-term appear to be the prime motive, as significant effort is seen expended towards futile tasks. It is unfair to blame the regulator or question its credibility when most participants in the process are found wanting on decorum

— Girish Lalwani, Delhi

Balakot card

PM Narendra Modi playing the Balakot card and pleading with first-time voters to dedicate their vote to the defence personnel who carried out the heroic act has left a bitter aftertaste. The move has come in for stick from several quarters, including the opposition leaders. The Election Commission has rightly taken cognisance of the prime minister's remarks and has sought a report from poll officials. The saffron party would do well to desist from wooing voters in the name of soldiers and martyrs

— Ravi Chander, Bengaluru

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Walking the tightrope: emissions vs development

India will need much more energy as its people prosper. Therefore, given the dependence on coal-fired power and its indispensability to some sectors, steps should be taken to reduce emissions from existing fuels and make power generation more efficient through newer technologies, in addition to developing renewable sources of energy

THE WORLD BANK'S historic issuance of green bonds in November 2008 was the result of a phone call to their Treasury by Swedish pension funds who were keen on investing in climate projects. It gave investors an opportunity to support climate solutions through investments guaranteeing financial returns. According to the multilateral agency, they have since then raised $13 billion through 150 green bonds in 20 currencies. The Intergovernmental Panel on Climate Change (IPCC) 2007 report that prompted Swedish investors to take note of climate solution projects had linked the increase in global temperatures to the increase in anthropogenic greenhouse gas (GHG) concentrations, and had highlighted that the largest contributors to emissions during 1970 to 2004 were energy supply, industry and transport sectors. Ever since, emissions have gotten the attention of global policymakers like never before. Last month, reports of record levels of carbon emissions in 2018 made to the headlines of several dailies.

India accounts for around 7% of global GHG emissions. India's per capita emissions are one-fourth of the G20 average. Despite a low share and low per capita emissions, India seems to be on the forefront of reducing its emissions. The 2018 Brown to Green report mentions that none of the G20 Nationally Determined Contributions (NDC) targets for 2030 are in line with the Paris Agreement. India's NDC are the most ambitious, closest to the 1.5°C limit, and closest to the Paris Agreement. The central aim of the Paris Agreement is to keep the rise in global temperatures in this century well below 2°C above the pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5°C.

Estimates suggest that India's GHG emissions more than doubled between 1990 and 2015. This coincides with India emerging from the legacy economic policies to embracing open economic policies. In these 25 years, India's economy grew by an average of 6.5% per annum, versus sub-4% growth in the preceding 25 years. Many of today's developed nations reduced their GHG footprint by shifting their production base out of their national borders. Developing countries such as China, India and other South-east Asian nations were more than happy to take up production activities in a bid to promote economic growth.

Power generation has the highest share in GHG emissions. India has an ambitious plan for clean energy—to achieve a share of 20% in electricity generation by FY22 and 23% by FY27 for renewable energy. According to an IndiaSpend report, in 2016, India invested a record $9.7 billion (₹64,990 crore)—the cost of building 11 new coal-fired plants of 1,000 MW capacity each—in renewable energy installations. The resulting installed renewable capacity is much less than the possible thermal capacity. Falling solar tariffs have made solar power competitive to coal-based thermal power, primarily due to a fall in prices of solar power modules. While the cost of generation of solar power has fallen, the cost of transmission has not fallen at the same pace. Various challenges of using solar and wind power for heavy industrial activity are well known.

The clean energy populism isn't really all clean. Setting up of solar capacities, too, leaves behind a large carbon footprint. Over 85% of the solar equipment used in India is imported. Extraction and production of quartz and silicon involves a huge amount of energy. China, the world's largest manufacturer of solar panels, is still heavily dependent on coal for its power needs. In fact, 65% of electricity generation in China comes from coal. Logistics and transportation to get these panels to their place of intended use further adds to the carbon footprint. While the life cycle emissions of solar power are still less than those of thermal power, there are other challenges. For example, production of panels involves use of hazardous chemicals, with many reports citing improper disposal—proper disposal of solar panels at the end of their 25-30-year life remains a challenge. In addition, recycling of solar panels is expensive and hasn't really picked up in a big way as yet. Some studies have also shown that land-based solar parks alter the local climate and land characteristics.

Today, India proudly sits in the league of top renewable power-generating countries, along with China, the US, Japan, Germany and the UK—which are the leading economies of the world. However, India's GDP per capita is one-fourth that of China's GDP, one-30th that of the US's and about one-20th that of Germany, the UK and Japan. In addition, the country's per capita electricity consumption is one-third the global average.

An analysis by the United Nations Development Programme (UNDP) shows a high correlation between lower energy consumption and lower development; development increases as energy consumption increases. The analysis also shows a strong correlation between human development and per capita energy consumption till around 100 gigajoules (GJ), and 80% of the world's population is currently below this threshold. Per capita energy consumption in the US is over 300 GJ and that for India is around 30. India will need much more energy as its people prosper.

Thus, given the dependence on coal-fired power and its indispensability in some sectors, parallel steps should be taken to reduce emissions from existing fuels and make power generation more efficient through newer technologies. According to the World Coal Association, since 1970, US emissions from coal have reduced by 82%, even as coal consumption has risen 146%. Their estimates suggest that moving the current average global efficiency rate of coal-fired power plants from 33% to 40% could cut 2 gigatonnes of carbon dioxide emissions—equivalent to India's carbon dioxide emissions. Carbon capture, use and storage (CCUS) is the next step in further reducing emissions from coal and making it a sustainable source of cheap energy. Globally, more than 30 million tonnes of carbon dioxide is captured from large-scale CCUS facilities, and more than 70% of this occurs in North America. Leading energy-intensive industries in the UK have already come together to form a new government-backed advisory group, in a bid to accelerate the development of CCUS technology, even as the current pace of development and adoption of CCUS technology remains low.

World Coal Association estimates suggest that moving the current average global efficiency rate of coal-fired power plants from 33% to 40% could cut 2 gigatonnes of carbon dioxide emissions

Nearly 70% of the incremental global energy demand in 2018 was met by fossil fuels—of which coal accounted for 8%. Coal accounts for nearly 40% of global power generation; in India, it accounts for around 74%. While Europe and the US are decreasing their reliance on coal, for India and most of the emerging economies of the world, coal will remain a critical source of energy in the foreseeable future. India's coal demand is expected to rise 120% through 2040. As India tries to follow an export-led growth model and promote manufacturing to create jobs for its people, reducing GHG emissions will be all the more challenging. Debates and discussions around climate change and emissions have become far too common. While populism in this regard is not unwarranted, discussions around energy needs and energy security to promote development need to be strengthened. Prosperity of a major chunk of global population, including India, depends on the availability of cheap and reliable energy.

We're not even close to the next great recession

DANIEL MOSS

Bloomberg

The global economy may not feel great. That doesn't mean it's terrible

WHAT'S ALL THE FUSS about? Maybe the world economy isn't in such terrible shape, after all. New projections from the International Monetary Fund, published Tuesday, show that expansion still has some legs. Growth will be a not-too-shabby 3.3% this year.

That's down from a previous forecast of 3.5%. So, yes, it's a cut. But not a dramatic one. These numbers are a ways from one IMF definition of recession, 2.5%, and miles from the contraction recorded in 2009. Superlatives about the lowest growth since the Great Recession are misleading.

These updates from the IMF also make you wonder where all the drama—so prevalent in headlines—is coming from. A bounce in US job growth last month, signs of a partial recovery in China and a dovish pivot from big central banks give some comfort.

Let's not get too giddy, though. A recession in, say, the US is inevitable at some point. The current expansion will this year become the longest ever. Germany is flirting with recession and China is on a long-term trajectory of slower growth.

On the surface, the IMF numbers don't say anything dire. Their direction does make an impression—this was the third time the lender has marked down its numbers in six months. You have to give them credit for staying current. Is the IMF's track record perfect? Far from it. (I'm writing this column from Indonesia, scene of one of the IMF's most contentious programmes).

Let's not get too giddy, though. A recession in, say, the US is inevitable at some point. Germany is flirting with recession and China is on a long-term trajectory of slower growth

Private sector doomsayers deserve equal scrutiny. Next time you see a survey showing recession odds, question why and how far it deviates from consensus. Same with the hagiographies accorded some individual investors whose prognostications just glide by without review. I'm all for putting the IMF under the microscope; let's do the same for others.

The list of risks outlined by the IMF in its World Economic Outlook could use a little refreshing. Trade wars? Check. Brexit? Sigh. What else you got?

IMF chief Christine Lagarde calls this a "delicate moment" for the world economy. Central banks have a role to play as well, in the US, Europe and Asia.

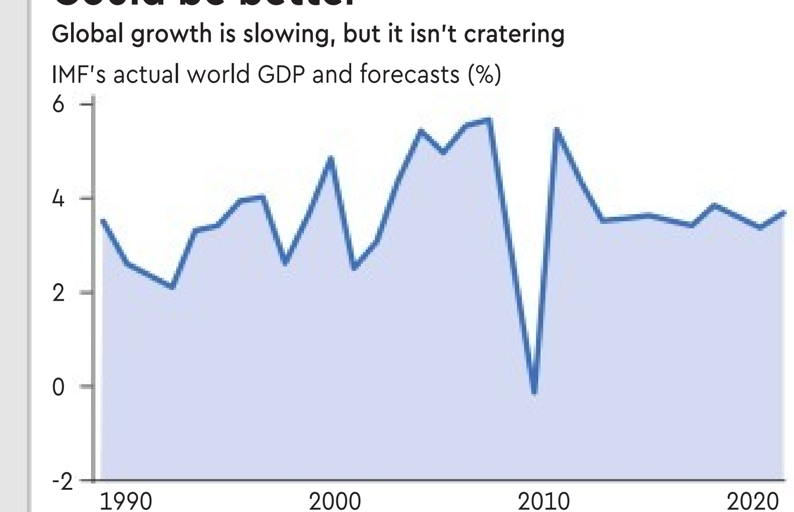
As I wrote late last month, the idea of interest rate cuts from the Federal Reserve was a fringe theory that's now come into the mainstream, even if it's not quite consensus. If cuts do come to pass, it won't be because the Oval Office wants it. It will be because of reasoned analysis that inflation is too low, or at risk of being so, and that risk management requires the Fed to take out some insurance.

It's entirely possible the world economy muddles through this year. It might be messy and there will be regional divergences aplenty.

The economy may not feel great, particularly depending on where you are. That doesn't mean it's terrible.

Could be better

Global growth is slowing, but it isn't cratering



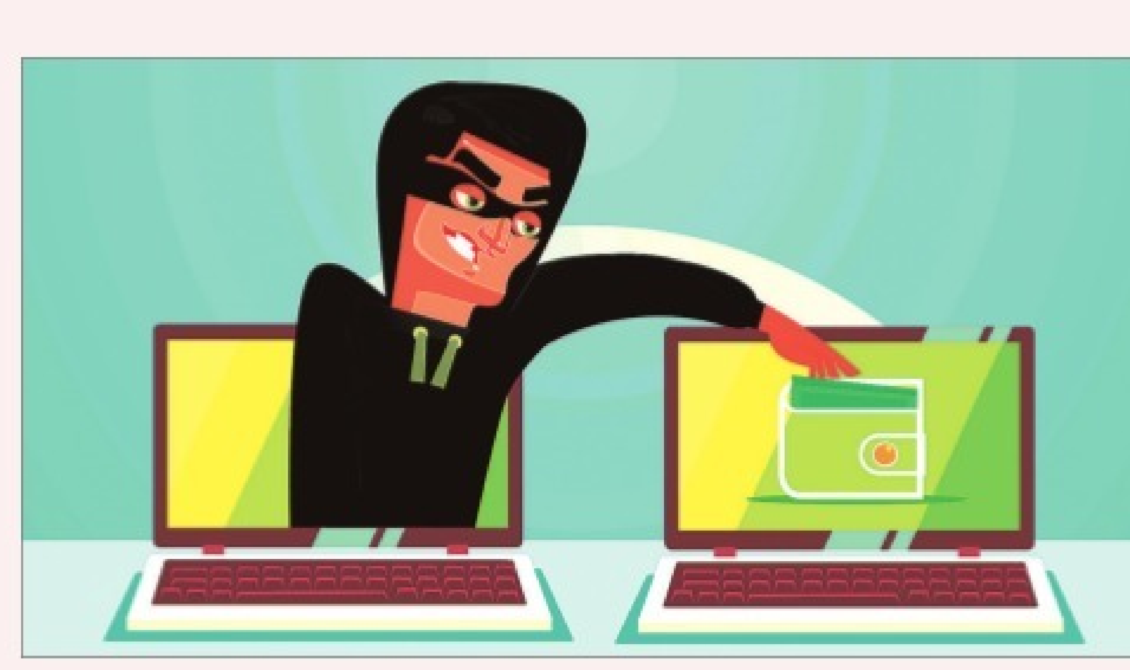
Source: IMF

SEBI's insider trading ruling gets new teeth

Listed firms should now be more careful in designing internal controls for UPSI

VANEESA AGRAWAL

The author is a former SEBI official and founder of Thinking Legal



INSIDER TRADING IS trading on the basis of unpublished price sensitive information (UPSI) that is not generally available to everyone. Insider trading is prohibited since it allows certain individuals with access to UPSI to profit from information asymmetry. In recent times, SEBI has stepped up the regulation of insider trading. In 2015, SEBI had put in place a new framework for prohibition of insider trading based on the report of an expert committee. Subsequently, SEBI set up another committee in 2017 under the chairmanship of TK Viswanathan to review the 2015 regulations. Based on the recommendation of this committee, SEBI made significant amendments to the 2015 regulations on the last day of 2018. To allow market participants to realign their internal procedures, SEBI has made these amendments effective from April 1, 2019.

Widening the ambit

The recent amendments have broadened the applicability of the regulations. The requirement for reporting trades and seeking pre-clearance before trading in the company's shares has been extended to senior employees of material subsidiaries and promoters of listed companies. The new requirements mandate that listed companies have to maintain records of personal information (including PAN, mobile number) of their directors, employees and their immediate relatives, and persons with whom such employees share a material financial relationship. The inclusion of persons with whom employees have material financial relationship is a much-needed inclusion. However, SEBI has decided to drop the requirement of disclosures about persons staying at the same address, as was recommended by the committee, based on public comments.

These records, especially mobile number, will make it easier for SEBI to establish a connection between the company and the person who trades, and provide valuable inputs during the investigation of leakages of UPSI. While SEBI already has access to call data records, it has now decided to send a proposal to seek power to intercept calls and electronic communication to the government. SEBI has also used Facebook to establish connections between insiders in certain cases. With the use of these records, technology and SEBI's sophisticated surveillance systems, we can expect a much higher possibility of insider trading complaints being more effectively investigated.

Crackdown on leaks

These amendments come on the heels of several directions passed by SEBI against listed companies (including Axis Bank, Tata Motors, HDFC Bank) to ascertain leakage of confidential financial results in private WhatsApp groups ahead of their official announcements to the respective stock exchanges. The recent amendments make it clear that the regulator is rightly concerned about leakage of sensitive information and difficulty in identifying the origin of such leaks.

To assist in identifying the source of leaks, listed companies are now required to have internal controls for identifying inside information and maintain lists of employees and other persons with whom such information is shared. They are also required to periodically review their internal processes to evaluate effectiveness of internal controls. Listed companies are required to intimate the persons receiving UPSI of their obligations towards preventing misuse of such information for insider trading, by way of an advance notice.

The latest amendments require boards of listed companies to put additional policies in place, including a policy for determining what constitutes legitimate purpose, whistle-blower policy for reporting leaks of UPSI and inquiry policy for determining the source of leaks. These policies are aimed at monitoring the flow of UPSI and encouraging employees to inform the company about any suspected leaks of UPSI. It will be interesting to see how effective the whistle-blower policy for reporting leaks turns out to be and whether internal investigations by listed companies are able to identify the source of leaks.

Additional defences

In the 2015 regulations, SEBI included a provision that in case of connected persons, the onus of establishing that they were not in possession of UPSI will be on such connected persons, whereas in all other cases it will be on the regulator. SEBI has now inserted an explanation clarifying that when a person who has traded is in possession of UPSI, his trades will be presumed to be motivated by such UPSI.

In its efforts to increase ease of doing business, SEBI has added certain defences to the charge of insider trading such as any transaction that is carried out in pursuance of a statutory or regulatory requirement. SEBI has also included exercise of stock options at a predetermined price as an exception. The defence available for off-market inter se transfers between promoters, who were in possession of the same UPSI, has been extended to all insiders. A similar defence has been included for trades carried out through the block deal window mechanism.

These amendments have far-reaching consequences for everyone who deals with UPSI of listed companies. SEBI has signalled its intent to clamp down on leakage of UPSI, and it is clearly trying to change the social culture of casually discussing UPSI. While the unauthorised communication of UPSI has always been illegal, these new amendments are likely to make it easier to identify the source of leakages. In the future, we can expect orders penalising insiders for leaking UPSI, even if they do not trade on it themselves. Incidentally, the charge against Rajat Gupta in the US was one of unauthorised communication of UPSI, not trading. In view of these recent amendments, listed companies should be far more careful in designing internal controls for handling UPSI and conduct regular training of their employees to ensure UPSI is handled in a responsible manner.