The 888 vs 996 debate

Those extra late nights in office may not necessarily be the best way to go

HUMAN FACTOR

SHYAMAL MAJUMDAR

Labour rights activist Robert Owen coined the famous phrase — 888 (eight hours labour, eight hours recreation, eight hours rest). That is one extreme. Alibaba founder Jack Ma went to the other extreme just a few days back. Ma has stirred up a huge controversy after saying that young people should see overtime work cultures ("996" schedule) as a huge blessing. The 996 schedule refers to working 9 am to 9 pm, six days a week. "Unfortunately, many companies and many people don't have the opportunity to work 996," Ma said.

However, very few, it seems, would be interested to avail of the opportunity — evident from the discussion group called "996.ICU" set up by activists on Microsoft's code-sharing site GitHub, suggesting that employees who work those hours could end up in an intensive care unit.

The 996 culture is common in many countries, apart from China. Japan, for example, has been having a problem with "death by overwork", expressed not only by statistics but also the fact that the Japanese language has a word for this: karoshi. It means employees dying either from stress-related ailments or the ones who take their lives because of the pressures of the job. A Japanese government report showed employees at nearly one in four companies notched up more than 80 hours of overtime a month, while staff at about one in 10 workplaces did an extra 100 hours.

But Ma's advice is perhaps being taken most seriously in India. Consider this: According to a study by UBS, two Indian cities (Mumbai and Delhi) figure in the top 10 overworked cities in the world. Mumbai, in fact, is the most hard working in the world as Mumbaikars work for an average of 3,315 hours annually. In comparison, a full-time employee in Beijing works for an average of 2,096 hours a year.

This is reflected in the number of vacations as well. According to the annual Vacation Deprivation Survey by Expedia, a global travel agency, India is the most vacation deprived country in the world. India moved up to the top position last year, from fifth in 2017. According to the survey, 68 per cent of people cancelled or postponed their vacations due to work in 2018.

This is a disturbing set of data, as research has shown that employee output falls sharply after a 50-hour-work-week, and falls off a cliff after 55 hours — so much so that someone who puts in 70 hours produces nothing more with those extra 15 hours. This is evidence that those extra late nights in the office don't necessarily boost output, and can put even rational employees on the edge. As the Harvard Business Review wrote, as employees work longer, they "progressively work more stupidly on tasks that are increasingly meaningless".

Technology has made matters worse. Some of the risks associated with the use of technology, often right up till bedtime, include disrupted sleep patterns, depression, burnout and relationship problems. Thankfully, many companies have realised this doesn't help anybody. That explains the "right to disconnect". In Germany, for example, Daimler offers staff an auto delete function for their email while they are on holiday. Volkswagen has set its servers to stop delivering emails to mobile devices for some workers from 30 minutes after the end of the working day time until 30 minutes before it starts. Of course, this right does not apply in emergency situations.

But a common mistake companies make is to overwork their top talent. It is not fair that because a person is twice as good that they work twice as much. They will notice, and they will feel undervalued, mistreated and as if they are being punished for performing. They are the first to realise that their work quality may fall as a result.

The idea is to avoid a culture that venerates overwork because in such an environment, people internalise crazy hours as the norm. But those incredibly long days clearly aren't sustainable and, therefore, it's perhaps time to ask a better question: Are we working smart instead of just working hard?

There is just no point in finding yourself in a state of being where everyone feels 24x7 working is the best way to impress the boss who would be mighty impressed with their permanent state of busy-ness. The danger is that the CEO would end up with a bunch of multi-tasking, channel-flipping, fast-forwarding zombies, who are always banging the lift button without realising that it will only stop working.

While the 888 culture may not be feasible anymore, the option can't be the 997 way of working. The solution may lie somewhere else.

CHINESE WHISPERS

Booth loses VVIP status

Stella Maris College, located on RK Salai, at the heart of Chennai, has been the cynosure of all eyes in most past elections. The late AIADMK supremo J Jayalalithaa lived behind the college; the late DMK supremo M Karunanidhi lived right opposite to this college. For decades they had cast their votes at the RK Salai booth. With the two dead, the polling station seems to have lost its sheen this election. While actor-turned-politician Rajinikanth and Karunanidhi's son Stalin went to the college to cast their votes, the security personnel there appeared relaxed and even found time to shake hands and take selfies with Rajinikanth.

A 'fake' vote

A media house was caught on the wrong foot when it tweeted pictures of Google Chief Executive Officer (CEO) Sundar Pichai surrounded by people stating that he had "marked his vote in this election". The picture went viral *(above)*, with many retweeting the news. Some Twitter users from the state — Pichai hails from Tamil Nadu — also pointed out how a recent movie, Vijay-starrer *Sarkar*, had a character, Sundar Ramasamy, CEO of a multinational, who had returned to the country to cast his vote during an election. *Sarkar*'s Ramasamy went to the extent of conducting a fresh election and forming a government on his own after finding that somebody had cast his vote. But as it turned out, the Pichai video was from a tweet in 2017, when he visited his alma mater IIT Kharagpur. In any case, being a US citizen, the Google CEO cannot cast his vote in an Indian election.

Mosquito nets as wedding gifts

A joint Sun Pharma-Madhya Pradesh government initiative has helped bring down the incidence of malaria in Mandla (MP) by 90 per cent. Interestingly, the mosquito nets that were distributed among locals have taken pride of place among dowry gifts in many homes. When local coordinators of the programme visited families to assess the progress, they found that some families had neatly tucked away unopened packets of mosquito nets to give them as gifts to the groom's family when they marry off their daughters. Mosquito nets were also found in villages that were not targeted under the programme. When asked, locals told officials that they got them as wedding gifts.

Nokia wants to topple Huawei

It is trying to expand in the US and China, while steering a path through a global technology showdown

STU WOO

The US and China are waging a war for technological supremacy. Nokia Corp, the onetime cellphone pioneer, is looking to play both sides. The Finnish company, which had nearly disappeared, has transformed itself into a global manufacturer of telecommunications equipment — such gear as cellular antennas, phone switches, internet routers and new components for next-generation 5G wireless systems — and is now the world's No 2 player behind China's Huawei Technologies Co.

In the US, the government has all but barred Huawei sales over fears its equipment could be commandeered by Chinese authorities to disrupt or spy on communications. The Trump administration is pushing such allies as Britain, Germany and Japan to do the same.

That's a part of Nokia's sales pitch as the world prepares to upgrade wireless systems to 5G, the superfast technology that could enable driverless cars and internet-controlled factories. Its sales staff has cold-called wireless carriers in countries where the US has stepped up its anti-China rhetoric, pushing its gear as an alternative.

Without secure 5G systems, "essential trade secrets will fall with those networks: Airplane innovations, pharmaceutical formulas, electric-car schematics," Nokia Chief Executive Rajeev Suri said in a February speech.

At the same time, while helping the US wage its campaign against Huawei, Nokia is seeking to build its presence in China. Largely through a joint venture with a state-owned Chinese enterprise, Nokia employs roughly 17,000 in its Greater China region, which includes Hong Kong and Taiwan. That is about triple the number of its employees in Finland. Together, the company runs a factory and six research facilities in the region.

"We want to be a friend of China," Suri said in an interview at Nokia headquarters in Espoo, a forested city across the bay from Helsinki. He serves on the Chinese premier's overseas CEO council, which advises the government on business.

WSJ SPECIAL

Suri has said his goal is to be China's top foreign supplier. Last year, Nokia's business in its China region accounted for roughly 10 per cent of its sales, €2.1 billion ($2.4 billion).

Nokia Chairman Risto Siilasmaa is the co-head of a bilateral business consortium that China President Xi Jinping and Finland President Sauli Niinisto established. During a June 2017 trip to China, Siilasmaa announced creation of a Nokia unit dedicated to helping Chinese internet companies expand overseas.

To play both sides of the US-China divide, Nokia is following a strategy used by Finland during the Cold War. The nation allied with European countries while mollifying its eastern neighbour, the Soviet Union.

To play both sides of the US-China divide, Nokia is following a strategy used by Finland during the Cold War. The nation allied with European countries while mollifying its eastern neighbour, the Soviet Union

The playbook seems to be working. In July, Nokia signed a deal worth as much as $1.1 billion to provide equipment and services to China Mobile Ltd. , the world's biggest mobile carrier by subscribers. Three weeks later, it landed a $3.5 billion deal to sell 5G equipment and services to T-Mobile US .

Nokia has a long way to catch up with Huawei, which began to expand beyond China two decades ago. Huawei found a global toehold by first winning over carriers in developing countries with cheap and reliable gear. Huawei has since gained customers across the West. Carriers say the company routinely offers hardware innovations months before Nokia does and is competitive on pricing.

Last summer, a Finnish wireless carrier set up a 5G network to test a wireless system from Huawei to deliver high-speed Wi-Fi directly to homes. If successful, it could eliminate visits from a cable guy to hook up the home internet.

Nokia didn't introduce a comparable product until February.

"You can nitpick us on one or two products," said Suri, Nokia's chief executive, "but on the whole, we're competitive."

Nokia sold its phone business in 2013 to Microsoft Corp. for $7 billion. By then, its market share was around 14 per cent. The company was left with its telecom-equipment enterprise, which it expanded with the purchase of French rival Alcatel-Lucent for $17 billion in 2015.

The acquisition turned Nokia into a major seller of routers and other infrastructure to cable and internet providers, propelling the company past Swedish rival Ericsson AB to become the industry's No 2 player. Only Huawei was bigger.

Nokia hasn't had a profitable year since 2015. The company has since gone through layoffs and executive turnover. Last year, Nokia reported revenue of €22.6 billion ($25.5 billion) and a loss of €335 million. In January, it announced more layoffs, including 280 in Finland and 408 in France.

Company executives saw a potentially lucrative edge in the American market: Congress had effectively barred Huawei on national-security grounds in 2012, just as the Chinese company had started to make inroads in the US Nokia's acquisition of former American giants Motorola and Lucent helped it earn Washington's seal of approval. The Committee on Foreign Investment in the U.S., a national-security panel, reviewed the purchase of Alcatel-Lucent in 2015 because the deal included Bell Labs, the famed New Jersey research center with a long history of sensitive government work. The panel gave its approval.

Nokia has gotten help at home and abroad. Finland's export credit agency, Finnvera, reached a novel deal in 2017 with its counterpart in Canada for both organizations to guarantee Verizon Communications Inc.'s purchase of Nokia equipment and services, worth at least $1.5 billion.

Despite the US-led campaign against Huawei, the Chinese company expanded its lead in the global telecom-equipment market in 2018 with a 28.6 per cent share of revenue, compared with Nokia at 17 per cent and Ericsson at 13.4 per cent, according to research firm Dell'Oro Group.

Suri, Nokia's chief executive, has been cautious in public statements about Huawei, rarely naming Huawei or China as he addresses security risks raised by Washington and its allies.

Source: The Wall Street Journal

INSIGHT

From penury to affluence

VANI S KULKARNI & RAGHAV GAIHA

The Congress manifesto for 2019 elections announced with elan an ambitious Nyuntam Aay Yojana (NYAY) that guarantees a cash transfer of ₹72,000 a year to the poorest 20 per cent of the families without compromising fiscal prudence. This is inspired by Rawlsian difference principle that "...social and economic inequalities are to be arranged so that they are... to the greatest benefit of the least advantaged".

The spate of recent commentary is largely ill-informed, hostile, and ideological, and occasionally favourable but with serious fiscal concerns. Some are even concerned about its perverse incentives such as discouraging job search. Apart from the mistaken concern for perverse incentives (lump sum transfers do not affect the labour-leisure choice), what the commentary lacks is solid empirical evidence one way or another. In a previous comment, we sought to fill this gap and offer insights into targeting of NYAY and how state environment matters.

Here we focus on income mobility-from the poorest to moderately better-off and (relatively) affluent over the period 2005-12, based on a detailed analysis of India Human Development Survey 2015. This is the only nationwide panel survey of income distribution. Three income categories are constructed: poorest in 2005 (≤20 per cent in terms of per capita income) who remained poorest in 2012; poorest in 2005 who moved up into the next higher income category (21 per cent-≤50 per cent) or moderately better – off, and the highest (>50 per cent) or relatively affluent.

Let us first consider salient facts of income mobility of households during this period. 34.50 per cent of the poorest in 2005 remained poorest in 2012, while a little over 37.5 per cent moved up into the category of moderately better-off and about 28 per cent into relatively affluent. Besides, per capita incomes rose markedly. The poorest who remained poorest recorded an increase of 1.35 times; the larger category of the poorest saw a markedly higher increase of 2.9 times; the moderately better-off doubled their income; in sharp contrast, the relatively affluent experienced the lowest increase of 1.06 times. Thus there was considerable upward income mobility-from a state of penury to affluence.

Now let us examine the factors underlying the upward income mobility of the poorest, based on a state-of-art econometric model.

Poorest in the general category of castes were less likely than OBCs to move up into moderately better-off during 2005-11. In sharp contrast, they were more likely to be among (relatively) affluent. SCs did not show any upward movement. However, STs were less likely to move up the income ladder.

Illiterate poorest were more likely than those with middle level education to move up into moderately better-off but less likely to be (relatively) affluent during this period. Those with some education (one-five years of education) were more likely to be moderately better-off but less likely to be affluent. Matriculates were less likely to be moderately better-off but more likely to be (relatively) affluent. Some of these results are seemingly implausible as educational attainments denote highest level of an adult in the household.

Labour households displayed a lower probability of moving up into moderately better-off but a higher probability of becoming (relatively) affluent

Occupations of the poorest reveal an interesting contrast. Labour households displayed a lower probability of moving up into moderately better-off but a higher probability of becoming (relatively) affluent. A similar pattern of income mobility is observed among artisanal households, those in organised business, salaried and others. Arguably, this could be due to the low threshold of (relative) affluence (that is, above the median income).

Poorest in 2005 exhibited a higher probability of becoming moderately better-off but a lower probability of moving up into (relatively) affluent relative to not- poor who remained not-poor.

State environment in terms of affluence (that is, NSDP per capita) and inequality a la Piketty (that is, share of top 1 per cent of state income distribution) reveals an interesting contrast. State affluence is associated with a lower probability of poorest becoming moderately better-off but a higher probability of being (relatively) affluent compared with not-poor who remained not-poor. The pattern is reversed with higher inequality's positive association with poorest becoming better-off but a negative association with becoming (relatively) affluent.

While NYAY is a first important step towards justice to the most deprived, much more is needed to enable a transition from penury to affluence in terms of investment in education, overcoming of caste barriers against advancement of the poorest (that is, exclusion of STs from the mainstream of economic activities), occupational diversification, state affluence, and curbing of income inequality drastically.

In conclusion, from penury to affluence is far from a fairy tale, as the poorest could be enabled to do much better.

Kulkarni is lecturer in Sociology, University of Pennsylvania, USA; Gaiha is (Hon.) professional research fellow, Global Development Institute, University of Manchester

LETTERS

Calibrating interest rate

Your editorial "Rate or stance" highlights an important issue that has been brought into focus by the Reserve Bank of India (RBI) Governor Shaktikanta Das' *(pictured)* speech in the recently concluded fund-bank meeting in Washington. One possible way to calibrate the interest rate response is possibly to look at the level of neutral rate. If one assumes that the neutral rate in the United States is about 3 per cent, while the same in India being at least 6 per cent, a 25 basis point rate response will amount to about 8 per cent of the neutral rate in the US while in India it will be about 4 per cent.

Given the rigidities in transmission in emerging markets, the effective rate response may even be lower. Hence there's possibly a case for calibrating rate response to the level of interest rates. The second issue you talk about in the edit is the need to ensure liquidity. Clearly, a central bank cannot target rate and liquidity simultaneously. If the interest rate (including term deposit rates) is what the central bank policy is designed to target, it should be possible to provide any amount of liquidity to achieve the target.

Indranil Chakraborty Mumbai

Verify investment inflow

This refers to your article "India-focused funds under Mauritius lens" (April 17). The verification of the sources of funds originating from foreign economies (also read portfolio investors) and flowing into a national system is as important as monitoring their external movement from the country of origin. Further the authenticity of the fund movement within a country will additionally ensure continuous monitoring of the funds trail not only within the country of origin but also globally. Illegal investments have social repercussions like terrorism and smuggling.

A background comparison in the inflow of investment has thus to be made by Mauritius along the lines of know your customer norms currently prevailing in India. This will help it prevent illegal funding by ensuring greater fund supervision in interactions with the foreign regulators. A stringent verification of investment inflow will, as a consequence. also enhance the reputation of Mauritius, and shed its image as a tax haven, providing better confidence to the international community.

C Gopinath Nair Kochi

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

Business Standard
Volume XXIII Number 176
MUMBAI | FRIDAY, 19 APRIL 2019

Transparency in data

Questions abound about IMF and World Bank forecasts

Last week, the International Monetary Fund revisited its estimates of growth in Indian gross domestic product (GDP) for 2019-20 and 2020-21 and revised them both downwards by 20 basis points, to 7.3 per cent and 7.5 per cent in the respective years. Prior to that, the World Bank had also revised its estimates of Indian GDP growth downwards, to 7.2 per cent for 2019-20 — again, lower by 20 basis points. These estimates are not out of line with the current official growth numbers for the Indian economy reported by the Central Statistics Office and are dependent, according to the two multilateral agencies, on certain policy steps that would step up the growth momentum over the next two years. Even so, however, one question should be asked: What provoked the downgrading? After all, neither the World Bank nor the IMF has independent data collection sources on the ground in India. So it is unclear what additional data triggers a downward — or an upward — revision to the growth forecast by either agency.

This is a larger issue that speaks to the reliability of the growth forecasts from multilateral agencies. In a situation in which official statistics are increasingly coming under question, it is natural for many observers of the Indian economy to turn instead to "independent" sources for answers as to what is happening to macro-economic variables. However, if those independent sources are not clear as to why their estimates are better sourced and more reliably calculated than official statistics, then it is not certain why they would help anyone. What precisely is the relationship between the official headline numbers for growth issued by the CSO and the multilateral agencies' predictions? The World Bank is, for example, clear that it uses for its data tables the local-currency data issued by each country. If so, what changes to its methodology does it make to ensure consistency when methods of calculation by domestic statistical agencies are changed, as has controversially happened in India? And what additional data could have come in that caused a change in forecasts? There should also be some accountability for problematic past forecasts. The World Bank and IMF should consider listing its past forecasts and the eventual outcomes for growth while providing an explanation, if any, for the diversions. This will provide accountability for its analysts and transparency to observers.

There are other questions that should also be asked about the World Bank and IMF GDP numbers. For one, the World Bank says that India's GDP in 2017 was $2.6 trillion and its GDP in purchasing power parity (PPP) terms was $11.9 trillion. This is a PPP scale-up of 4.76. But, in the same year, the World Bank claims Bangladesh's PPP GDP was $637 billion while in real terms it was $250 billion. This is a scale-up of only 2.54. The difference is so stark as to be questionable. In other years and for other similar peer economies it can be even starker. Questions of PPP size and per-capita power are increasingly important in international negotiations. These anomalies should also be better explained.

A rough road

The risk factors in Uber's IPO prospectus are alarming

Ride-hailing pioneer Uber has filed the initial documentation for an initial public offer and is probably aiming to raise about $10 billion, with a valuation of about $100 billion. Alongside its lofty mission statement, Uber has printed a disclaimer suggesting that it expects its operating expenses to increase significantly, and that it may not achieve profitability. Even as it listed a large swathe of transportation-related businesses it is interested in, Uber has also warned investors that these could be dead-ends. The filing highlighted the platforms Uber runs across 700 cities in 63 countries. The core idea — using software to match rides and passengers — is, by far, the biggest contributor to revenues. Ride-hailing generated $9.2 billion in 2018, out of the total revenues of $11.3 billion, with an impressive 42 per cent growth rate over 2017. Uber is also into food delivery, developing self-driving cars, pooling, on-demand scooters and bicycles, freight-trucking and research into flying cars.

Ten years into its existence, Uber had a $3 billion loss on operations in 2018. It has made $987 million net profits mainly because of the sale of its South-East Asia business to Grab for $5 billion. Uber also has $6.9 billion in long-term debt. But Uber does seem upbeat about growth. It says it holds less than 1 per cent of market share in terms of the miles (4.7 trillion) logged on personal transport in the 63 nations where it has operations. It sees ride-hailing as a $5.7-trillion "opportunity" and its meal delivery business, Uber Eats, as a $795-billion one. The company estimates the Uber Freight business, where it matches shippers and carriers, as a $700-billion market opportunity. Beyond this, there are "advanced technologies, including autonomous vehicle technologies".

However, there are several problems: Ride-hailing, freight-matching and meal delivery are all easily replicable. Indeed, Uber has lost out to Didi, Yandex and Grab in key regions. It is fighting to retain market share versus Lyft in North America and Ola in India, which is one of its biggest markets. In the Indian meal delivery business, Uber Eats is fighting to gain traction against entrenched locals — Zomato and Swiggy. There are multiple regulatory worries as well. It has been hit by bans in several jurisdictions for flouting local laws. It has a love-hate relationship with its 3.9 million drivers, who have filed many class-action suits, demanding they be considered Uber employees. Plus, there are problems with an allegedly toxic work culture. Founder-promoter Travis Kalanick was forced out as chief executive officer after many unsavoury incidents and allegations. Uber has also been sued by Waymo, Alphabet's autonomous vehicle arm, for intellectual theft, and it paid $128 million in a settlement that may not be final.

The jury is out on whether Uber can surmount these issues and challenges. It sparked a revolution when it launched its ride-hailing concept. But it might find itself outpaced by later entrants or forced out by regulatory changes even though it initiated radical change in the transportation industry. While the profitability part can be treated as a standard disclaimer in IPO documents, the fact is that Uber's risk factors run into 35,000 words. And the warning may indeed be real, as only 16 per cent of the technology firms that went public last year were profitable.

The eternally optimistic IMF

The IMF is unwilling to counter the recent upbeat sentiment. But with conditions set to worsen, complacency is likely to have a high cost

In April 2018, the International Monetary Fund projected that the world economy would grow robustly, at just above 3.9 per cent that year and into 2019. The global upswing, the Fund said, had become "broader and stronger." That view quickly proved too rosy. In 2018, the world economy grew only by 3.6 per cent. And in its just released update, the IMF recognizes that the ongoing slowdown will push global growth down to only 3.3 per cent in 2019.

ASHOKA MODY

As always, the Fund blames the lower-than-forecast growth on temporary factors, the latest culprits being US-China trade tensions and Brexit-related uncertainties. So, the message is that growth will rebound to 3.6 per cent next year. As Deutsche Bank points out, IMF forecasts imply that fewer countries will be in recession in 2020 than at any time in recent decades.

But the forces causing deceleration are still in place. Global growth this year will be closer to 3 per cent, with rising financial tensions in Europe.

The IMF keeps getting forecasts wrong because it misses the big picture. The economically advanced countries — which still produce about three-fifths of global output — have been experiencing a long-term slowdown since about 1970. The reason, Northwestern University's Robert Gordon says, is that despite the promise of modern technologies, ever-slower productivity growth has dragged down the growth potential of these rich economies.

As a result, China has come to play a dominant role in determining the pace of global growth. Besides its large size, the Chinese economy has extensive trade links that transmit its growth to the rest of the world. When China grows, it sucks in imports from other countries, giving the global economy a big boost. Rapid Chinese growth revved up the world economy between 2004 and 2006, in 2009-10, and in 2017.

But China's once-heady growth rates have necessarily fallen as the country has become richer. By historical standards, an economy as rich as China today should be growing at 3-5 per cent a year, rather than the 6 per cent or more that the Chinese authorities are trying to achieve through fiscal and credit stimulus.

Pushing too hard for extra growth has increased China's financial vulnerabilities to worrying levels. By standard measures of credit growth and asset-price inflation, the country should have had a financial crisis by now. The Chinese authorities have therefore played yin and yang, stimulating growth to prevent a rapid slowdown, but reining in the stimulus to contain financial risks.

The latest cycle has been no different. In 2017, Chinese policy stimulus spread through the world, leading to the celebration of a "synchronous upsurge." The most significant beneficiary was Europe, which depends heavily on trade. European Central Bank president Mario Draghi patted himself on his back for deft "monetary policy measures," which he said had supported "broad-based" momentum.

When China withdrew its stimulus in early 2018, the IMF, the ECB and other forecasters blissfully continued to project high growth rates, even as the global economy slowed rapidly. Soon enough, Europe swooned, sending Italy into a technical recession and Germany to the threshold of one. (Oddly, the United Kingdom's economy, for all its Brexit-related troubles, is doing marginally better than both.)

In the past few months, China's leaders, concerned about their economy's slowdown, began a new round of stimulus. Although data are not yet available, world trade growth appears to have risen slightly since then. European growth rates have ticked up, although only enough to alleviate immediate recessionary risks.

For the world economy, the continuing problem is the short-lived nature of Chinese stimulus. The OECD has already warned that the latest stimulus will drive up the worryingly high volume of corporate debt, and that over-indebted local governments will borrow more to finance wasteful infrastructure. Faced with the choice of financial crisis or slower growth, the Chinese authorities – and the rest of the world – will once again prefer slower growth. Thus, China's deceleration will resume in the coming months, dampening world growth yet again. For now, no other country is in a position to take China's place.

Darkening the global outlook further, the US economy is coming off the "sugar high" of fiscal stimulus and corporate cash repatriation from overseas. In addition, Germany's slowdown in 2018 and early 2019 may not only reflect its sensitivity to slower world trade growth. Its economy may be finally descending from its high pedestal as its vaunted diesel-engine-based car industry struggles to meet pollution standards and growing competition from electric cars.

The real risk, however, lies in Italy. Running down the checklist of crisis indicators, all of Italy's are flashing red. The economy has zero — possibly negative — productivity growth, which makes it impossible to generate internal momentum to pull out of recession. The ECB has no room to help. Italy's debt-to-GDP ratio is above 130 per cent, and the European Union's absurd budget rules, in any event, make fiscal stimulus nearly impossible. Tremors along the Italian fault line will spread quickly to France, which has only slightly better indicators and also little scope for an effective policy response to a serious downturn.

The IMF, always reluctant to ring alarm bells on the global economy, is especially unwilling to counter the recent upbeat sentiment. But with economic conditions set to worsen, complacency is likely to have a high cost.

The writer, a former mission chief for Germany and Ireland at the International Monetary Fund, is currently Visiting Professor of International Economic Policy at the Woodrow Wilson School of Public and International Affairs, Princeton University. He is the author of EuroTragedy: A Drama in Nine Acts.

©2019 Project Syndicate

A plan for deeper India-China engagement

Would not all-round economic engagement between China and India be in the mutual interest of both nations? Most of the discussion in India on economic relations with China is focused on short-term trade and investment issues. But huge mutual benefits are possible in the medium- and long-term if the two countries can strategise and develop expanded and deeper linkages.

Whilst China is India's largest bilateral trade partner ($100 billion in 2018-19, having grown from a mere $2 billion in 2002), the Sino-Indian trade relationship is still modest — even lower than that between China and Vietnam. China and India invest very little in each other — official cumulative investment from China in India is about $8 billion to date — though there is increasing Chinese interest in Indian brownfield projects, particularly in the digital e-commerce space. Two-way tourism amounts to just over a million persons — a minuscule fraction of China's 100 million-plus outbound tourists, or of India's 18 million. As these figures reveal, the overall India-China canvas of engagement is narrow.

RAVI BHOOTHALINGAM

Further, over the years, India has persistently run a bilateral trade deficit with China, which now (2018-19) amounts to $58 billion — a reduction of $5 million over the last year. The deficit causes political worry in India, even though trade or balance of payments figures are usually evaluated not in bilateral terms, but as an overall national picture. But since the bilateral deficit is a reality — and a worry — we need to find a way to deal with it.

India's exports to China consist predominantly of commodities and raw materials such as iron ore. Whilst India is not yet competitive in many value-added exports, there are areas such as IT and pharmaceuticals where we do have advantages. As one example, the price of several Indian generic drugs is well below what the Chinese pay for their medicines, so a compelling case can be made that targeted Indian generic exports will help China reduce healthcare costs for its people. (*Dying to Survive* — a popular Chinese film — depicts the true story of a man who smuggled anti-leukemia generic drugs from India to help over 1,000 Chinese patients. Convicted of the offence, he was released following an outcry in the social media). Since India imports Chinese drug intermediates (APIs) for many of its formulations, the Chinese API business is a natural ally to support the entry of India's generics into China. Strange, but true.

Inbound tourism from China — a relatively low-hanging fruit—can also reduce the bilateral deficit, since tourism is an "invisible export". How to attract Chinese tourists is well-known but not yet implemented: Simplified visa procedures, a stock of Mandarin-speaking tour guides, and imaginative tourism offers specially crafted for the Chinese outbound tourism market. Also, increased and more convenient flight connections, and the ability for tourists to pay using WeChat or Alipay. Above all, a creative communication strategy in China's social, print and TV media, presenting India as a novel and engaging destination.

Inward investment from China would provide a positive infusion on the capital account, thus mitigating the deficit on the revenue account. China seeks opportunities where its considerable investible reserves can earn a decent return. India needs massive investment in infrastructure facilities, transportation, port development, green energy projects etc — areas where China has both strength and experience. But for Chinese investment to strengthen employment generation in India, our own reform processes must see acceleration.

Coming now to medium- and long-term Sino-Indian economic collaboration, there are four areas that should draw our attention:

Firstly, the nature of globalisation is changing: Being first-to-market with a product is becoming more important, just as pure labour cost arbitrage is no longer the key. Thus, intra-regional trade chains are gaining ground over the shipment of goods across trans-oceanic expanses. Also, Asian economies continue to be fast-growing, with the lion's share of the future potential in trade, tourism, cross-border investments and services. It, therefore, makes economic sense for India to intensify its 'Act East' policy to engage even more intensively with China, Japan, Korea and the ASEAN nations.

Secondly, and as a consequence of the above trend, India and China must aim at an early conclusion of the Regional Comprehensive Economic Partnership (RCEP) plurilateral trade treaty. This will create a free-trade zone with over 40 per cent of the world's population and one-third of its GDP, with Asia's two largest countries having duty-free access to each other's markets. One way to mitigate our fears of Indian markets being 'swamped' by Chinese goods is to agree upon a transition period during which duties on imports from China can be reduced step by step. The long-term gains in opening these two giant markets to each other would more than offset the import duty losses for India, or the trade profits foregone for China.

Thirdly, Sino-Indian interaction in our neighbouring countries has been dominated by a narrative of rivalry. For two large powers living cheek by jowl, some competition is inevitable. But surely, we could also experiment with joint projects that create value for the peoples of Myanmar, Sri Lanka, Nepal or the Maldives, showing that playing India and China off against each other is not the only game in town.

Finally, India and China must collaborate in scientific and technological research in 'blue-sky' areas, where benefits are both mutual and global. Climate change, epidemic disease, chaotic urbanisation and environmental pollution present problems that affect both countries seriously and have global consequences. Sino-Indian partnership ventures could create welfare for millions of people and accelerate the build-up of scientific and technological capacity worldwide. Remember, even in the darkest phase of the Cold War, the United States and the Soviet Union cooperated in landmark space projects. Similar win-win outcomes from the India-China engagement process can also bring positive and multiplier effects in public perceptions — a result that is both important and long overdue.

The writer is an Independent Director on corporate boards and Honorary Fellow, Institute of Chinese Studies, Delhi

India's fake news story

BOOK REVIEW

VIKRAM JOHRI

Alt News was launched in 2017 by software engineer Pratik Sinha to counter the menace of fake news, a global phenomenon that has been exacerbated by the spread of social media. Major events of this decade, from Donald Trump's election to Brexit to India's turn towards the right after 2014, have been variously attributed, at least in part, to the dissemination of fake news.

Mr Sinha and colleagues have now compiled their major findings since the website's founding into the book under review. From the BJP's massive social media army posting (dis)information online to the Opposition's selective targeting of the prime minister, the book covers a gamut of fake news propaganda that blurs the line between fiction and truth.

In quick chapters, the writers provide the source of the fake news and then proceed to debunk it with evidence. Since most fake news spreads through social media platforms like WhatsApp and Facebook, it is rich in visual and semantic cues. Picking apart these carefully constructed information bits, the writers provide original sources of the photographs and videos that are circulated with the context altered to meet what are often nefarious ends.

Consider an example. A picture of Nehru that seems to show him being manhandled by a mob was circulated online last year with a caption that indicated that the violence was the spontaneous outcome of India's loss to China in the 1962 war. In truth, the book informs us, the photo is from before the war and shows Nehru being protected by a security guard during a particularly well-attended Congress meeting. Without this clarifying context, it is easy to fall prey to the fake message's interpretation.

The book is chock-a-block with such instances and notes on how the Alt News team meticulously tracks the origins of fake news using such tools as Google's reverse image search. While the focus is largely on political personalities, the book also looks at pernicious events involving common citizens, such as the spate of mob lynchings around false claims of child abductions that took place in mid-2018.

Although the book is a valuable compendium of fake news claims and the website's commendable efforts to invalidate them, it provides no discussion on why fake news has become such a potent force in our divided times, and why certain kinds of fake news find far greater traction than others.

Consider the Nehru fake image discussed above. One Twitter user who shared it wrote: "Why didn't he disperse Congress when Gandhi asked Nehru? He kept it for Indira, then for next and next. Is this nation a family property of Nehru?..." One notices here that the picture — which, even in its fakeness, ostensibly spoke about India's defeat to China in 1962 — has little to do with the poster's comment.

In other words, the fake news machine works not merely to bring up particular historical points that continue to rankle — India's defeat, say — but to use such moments to make a larger commentary about historical figures. The fake picture was used by the Twitter user in this case to criticise dynastic politics to which the Congress, more than any other party, has fallen victim.

This phenomenon is seen, most perniciously, when the propagation of fake news sows communal discord. One example is the stories from last year circulating about Rohingya Muslims who sought asylum in India after being thrown out of Myanmar. Accounts portraying these refugees as murderers out to destabilise India greatly enlarged their numbers within the Indian territory.

Although the book deflates such claims, it refuses to analyse the source of such anxiety. It is no secret that illegal immigration from Bangladesh has altered the demography of border districts in West Bengal, a fact that has been used by some political parties to adapt their vote appeals in the current election season.

Speaking of such matters is verboten in traditional media for fear of destabilising India's coalition of coexisting faiths. But not addressing something does not wish it away. While fake news can be reprehensible, in some circumstances it can allow the articulation of ideas and anxieties that are too controversial to be raised by un-fake media.

India Misinformed takes a measured, non-partisan stance towards the phenomenon it seeks to expose. There are exposés of fake news against both Prime Minister Narendra Modi and Congress President Rahul Gandhi, though, of course, the numbers pertaining to the latter are far higher given the zeal with which the BJP IT army functions.

Yet, the book would have made for richer reading had it gone beyond chronicling and discrediting this menace of the modern media age and looked into the reasons and conditions that allow it to not just exist but thrive in a manner that has now become the headache of governments, investigation agencies and tech companies.

INDIA MISINFORMED: The True Story
Pratik Sinha, Dr Sumaiya Shaikh and Arjun Sidharth
HarperCollins, ₹399, 270 pages