



WORDLY WISE
LOOK, THERE’S NO METAPHYSICS ON EARTH
LIKE CHOCOLATES.
— FERNANDO PESSOA

The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

UNCERTAIN AGAIN

To attract investors, government needs to ensure consistency and predictability of economic policies

THE RECENT ECONOMIC Survey made a strong case for reducing uncertainty in economic policy. Investors, both domestic and foreign, favour consistent and predictable policy regimes. As the Survey noted, “surges in economic policy uncertainty increase the systematic risk, and thereby the cost of capital in the economy. As a result, higher economic policy uncertainty lowers investment, especially because of the irreversibility of investment.” The Survey also pointed out that policy uncertainty has steadily declined in India since the days when the term “policy paralysis” dominated public discourse. Recent events seem to have, unfortunately, reversed the trend.

Take, for instance, the tax proposals in the Union budget. In an attempt to raise resources, the finance minister proposed to increase the income tax surcharge on super rich individuals and association of persons (AOPs). As many foreign portfolio investors are structured as AOPs, limited liability partnerships or trusts, the proposal effectively increased the tax liability of foreign investors as well. Faced with a backlash, the government reportedly considered issuing a clarification on the matter. But, later on, it stood its ground, instead advising FPIs to structure themselves as corporate entities. Amid the confusion, foreign investors pulled out thousands of crores in the weeks thereafter. Another such proposal was the decision to raise tariffs on several import items, with a view to protecting the domestic industry. The decision marks a departure from the post-1991 trend of a gradual lowering of tariffs — hardly a positive signal to send, especially at a time when India aims for greater integration with global supply chains. Such unpredictable tax policies, driven by short-term revenue considerations, will have long-term repercussions.

Another example is that of the proposal to raise a part of the government’s borrowing through foreign currency loans. The domestic bond market welcomed the move, notwithstanding concerns raised by former RBI governors. Bond yields fell by more than 30 basis points in the weeks following the announcement. But the manner in which the top bureaucrat of the finance ministry, who was reportedly spearheading the initiative, was shifted out of the ministry, and his subsequent decision to seek voluntary retirement, only fuels speculation. While there has been no official announcement on the bond issuance following the bureaucratic reshuffle, the uncertainty surrounding it has pushed bond yields by as much as 12 basis points. Such uncertainty undermines the ability of investors to take informed decisions. Reducing policy uncertainty is critical for maintaining the country’s attractiveness as an investment decision, else capital will simply move elsewhere. The government would do well to pay heed to its chief economic adviser.

TWENTY YEARS AGO

Undertaking reforms in the spirit of the Kargil committee report will be the best tribute to the soldiers who lost their lives

INDIA AND PAKISTAN had fought three wars before the Kargil War 20 years ago: In 1948, 1965 and 1971. But there was something different about the Kargil War. The two countries had become declared nuclear weapon states in 1998, a war was never formally declared in 1999 and it ended without a ceasefire, as in 1948 or 1965, or a surrender document, as in 1971. Moreover, it was limited to about a 150-km frontage of the Line of Control (LoC) in Kashmir by the Atal Bihari Vajpayee government by choice, contrary to what Lal Bahadur Shastri did in 1965 when he chose to open a front in Punjab. Fought in the full glare of the media, it was a war which captured the Indian imagination. As it occurred during the 1999 election campaign, the military victory was closely enmeshed with the political narrative of the period.

In late 1998, four generals in Pakistan conspired to launch intrusions on the LoC in the Kargil-Dras sector for the purpose of internationalising the Kashmir issue — remember, this was before 9/11 — and cutting the India lifeline to Siachen glacier. By the first four months of 1999, Pakistani soldiers established approximately 140 posts and pickets. The intrusions went undetected till early May when they were grossly underestimated by the Army, which thus pushed soldiers piecemeal, leading to heavy losses with no breakthrough in the initial stages. The army eventually pushed more than 30,000 soldiers in the area, flooded it with Bofors guns and attained some initial success as the Indian Air Force was also brought in. Eventually half of the Pakistani pickets and posts were captured by the Indian military. Under huge global diplomatic pressure, Pakistan vacated the rest of the posts, which almost restored the status quo ante.

In the final analysis, it was a humiliating military and diplomatic loss for Pakistan. While it is true that Pakistan achieved initial tactical surprise, it failed abysmally when confronted by a determined Indian military. Globally, Pakistan came to be seen as an irresponsible country despite possessing nuclear weapons. The Kargil war also punctured the Pakistani myth that no conventional conflict was possible under a nuclear umbrella. It demonstrated that there was enough space for a limited conflict, and that principle has only been buttressed since, as seen at Balakot. Pakistan refused to learn the lessons but India established a review committee under K Subrahmanyam and followed up on most of the recommendations. Twenty years on, undertaking reforms in the spirit of the Kargil review committee to prepare for the challenges for the future will be the best tribute to the 527 soldiers who lost their lives on the icy heights of Kargil.

30 PER CENT LESS

Cadbury’s Dairy Milk has a diet version.
What a travesty

CHOCOLATE, MILK, SUGAR. For 114 years, the three ingredients — in the right proportion — have been a source of comfort and delight for millions. But now, in the country of its birth, Dairy Milk, the flagship product from Cadbury, has been diluted by precisely 30 per cent. Diet Dairy Milk, launched last week and described as an “innovation” by its manufacturers, has been described more aptly by Britons chagrined at the desecration of the most basic of confections. The diluted chocolate is, in fact, a travesty.

The ostensible reason behind the “innovation” is the British government’s plan to reduce sugar in snacks by 20 per cent in the next year in a bid to combat childhood obesity. But, given that the diet chocolate is smaller, and costs as much, the motive behind it might be more than purely altruistic. Then there’s the fact that the Dairy Milk is Britain’s version of apple pie: It was a taste of home for soldiers campaigning on distant shores during the World Wars; a simple combination of flavours, unpretentious and meant for the masses, unlike its German and Swiss counterparts.

The fact that the people taking the decisions at Cadbury are now American — the company was bought by the US giant, Mondelez International — may have something to do with this apparent disregard for the subtle tastes of history and culture. Since it took over in 2010, Mondelez has tinkered, in its appetite for change, with the Crème Egg and had earlier “rounded out” the corners of the Dairy Milk. Perhaps someone needs to point out to them that chocolate, even when reduced by a third, is not likely to be a diet food. Meanwhile, it is likely that the trans-Atlantic “innovation” will reach India just in time for the festive season. Imagine saying during Diwali, “kuchh meetha ho jaye, par 30 per cent kam”.

Politics of a different kind



SUGATA SRINIVASARAJU

Why it is important to invoke Gopala Gowda in these politically unhinged times in Karnataka

IF YOU RUMMAGE through the 1972 proceedings of the Karnataka Assembly, you’ll discover an intervention related to Shantaveri Gopala Gowda. He was a Socialist leader and a three-time member of the House, who had passed away in June that year. The intervention, which sounds more like petitioning Chief Minister Devaraj Urs, is made by H D Deve Gowda, the then Leader of Opposition. He says Gopala Gowda’s family is in fragile economic health, and as colleagues, they had a duty towards the family. Urs, a mentee of Gopala Gowda, responds positively.

What was a simple act of fraternal concern 48 years ago has great significance today.

Gopala Gowda, an associate of Ram Manohar Lohia, was an influential figure in Karnataka politics in the 1950s and ’60s. He had sparked a new wave of idealism. He not only inspired farmer movements, social justice ideas, renaming of the state, land reforms, but, as an intellectual lodestar, became an intrepid and anarchic protagonist for writers like Gopalakrishna Adiga (Jana Sangh LS candidate in 1971), UR Ananthamurthy and P Lankesh. In fact, Ananthamurthy wrote *Awaste*, a novel largely based on his life.

Why is it important to summon Gopala Gowda in these politically unhinged times in Karnataka? Does he have the power to offer a corrective? The answer is unreservedly in the negative. But it plays a trick on the minds of the people. His penury offers a glorious contrast to today’s Karnataka legislators who are being measured in dollar millions. He functions as a convenient instrument to measure the slide of intent and values in public life. Never mind that Gowda himself was not a norm in his times, but an exception.

This decontextualised resurrection of memory is a kind of hope-medicine. It calms the guilt-filled moral nerves by inducing a message that it is possible to restore order, it is possible to regain poise, and it is possible to recover idealism. It helps to rebuild the campaign to vote again. It helps to put democ-

The entire trust vote deliberations that were being telecast live on local channels were like a public trial of a politician’s probity. As the alluring details of private jets ferrying rebel legislators to a Mumbai hideout did the rounds, the only thing that one saw BS Yeddyurappa, the puppeteer-in-chief of the defection drama, do, was reluctantly press ear phones to his cheeks. It made one wonder what message echoed in his ears, and what noise was cancelled out.

racy on a clever loop.

Perhaps this was why the sanctimonious Speaker of the Karnataka Assembly, K R Ramesh Kumar, more than once made Gopala Gowda a totem, and told what he imagined as his degenerate audience: “Is this the same House that once had the likes of Gopala Gowda? A simple, honest man, committed for the cause of the people. He never became a chief minister or a minister. He never sat on the treasury benches. But see what you are fighting for?” To this sermon, he added: “People are watching, everything is going live, everything is going on record, you are being exposed.” This last sentence became a refrain through the proceedings.

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The BJP’s entire floor strategy was flawed. Even as Congress-JDS legislators stretched the debate by miles, they responded with either a patient smile, a pregnant silence or a loo break. Perhaps they didn’t want unruly scenes as an impediment to the last mile of their power trip. They took all the abuse and allegations hurled at them. But, how much can a self-respecting political party really afford to ignore and condone?

Consider this: Three BJP MLAs who apparently tried to lure a JDS legislator were named, shamed and the amount was disclosed. They were not provoked, they did not protest, and it went on record. Their national leaders were called names, they did not stand up to defend. When the character of the rebels who were helping them claim the throne was ransacked, they allowed the assassination. When their alleged nexus with the media to carry out this operation was un-

raveled, they did not challenge. Interestingly, even when there was a positive reference to the stellar personal habits of some Jana Sangh and RSS leaders in the past, they didn’t as much as acknowledge their own legacy. It was not their sangfroid, it was being cold and transactional. There was power to be won and power to be lost. Nothing else truly mattered. In people’s memory, this was a trait that the Congress exhibited, not the BJP.

While this was happening, some old conscientious hands of the party were furiously tapping keys on their smart phones. One message sent to the BJP central leadership read somewhat like this: “Party should seriously study the antecedents of these rebels, for whom Yeddyurappaji has claimed moral victory after the SC’s interim order. They are scamsters, real estate agents and land sharks. If we form a government with them, public will not approve. Their crimes and indiscretions will be attributed to us.” For those heavily invested in the game, this would sound naive.

Yeddyurappa has always played an independent game. He credits himself with the BJP’s success in Karnataka, something that pre-dates Narendra Modi and Amit Shah. This has made him only reluctantly acknowledge the party’s new avatar and order. In fact, the former BJP CM is so self-reliant that he was neither close to Atal Bihari Vajpayee nor was he accepted in L K Advani’s durbar. He is the stuff that feudal, dynastic, regional lords are made of.

Anyway, after the trust vote, there is candid appraisal in some political corners. They have acknowledged the simmering tide of public opprobrium. For instance, Congress minister Priyank Kharge tweeted: “All politicians have lost credibility. Public has lost faith in politicians irrespective of party. The way things have unfolded here over two weeks has damaged our reputation further.”

But can we expect Chief Minister Yeddyurappa to concern himself with this?

The writer is a senior journalist and author

A MATTER OF DELIBERATION

To ensure legislative scrutiny, every bill must be sent to a parliamentary committee



CHAKSHU ROY

EARLIER THIS WEEK, the Rajya Sabha was witness to acrimonious scenes during the discussion on the RTI Amendment Bill, which amends the RTI Act of 2005. It provides that the term of office and remuneration of information commissioners (both at the Centre and states) will be prescribed by the central government. The original law specified both of these in the law rather than delegating the power to the central government. Opposition parties were demanding that the Bill be referred to a committee of the House for detailed scrutiny before being passed. The treasury benches and a few other parties were of the opinion that the Bill should be passed after debating it on the floor of the House. Ultimately, the House passed the RTI Amendment after voting down the demand for sending it to a committee. So far, none of the 13 bills passed by Parliament in this session have been referred to a parliamentary committee.

Our Parliament broadly has two forums for discussion. One is on the floor of the House where the debate is televised and MPs take positions based on their parties’ stand on a subject. The other is the closed-door forum of parliamentary committees. These committees are made up of MPs either from one or both Houses. Their meetings are not televised and the record of the meetings does not reflect the position taken by an individual MP. Both these forums have their own advantages and disadvantages. A debate on the floor of the House allows for the cut and thrust of political debate and can be wrapped up in a few hours. Debates in committees are

more technical but the deliberations require time and stretch for a few months.

The idea behind the establishment of the committee system in Parliament was to provide a specialised forum for deliberation on national policy issues, which was not constrained by the limited number of sitting days (less than three months a year) of Parliament. In 1993, when this modern subject committee system took shape, the then the Vice President of India summed up the objectives of parliamentary committees: “...the main purpose, of course, is to ensure the accountability of Government to Parliament through more detailed consideration of measures in these committees. The purpose is not to weaken or criticise the administration but to strengthen it by investing it with more meaningful parliamentary support.” The committee, over the years, has worked well in strengthening our legislative process.

The scrutiny of a bill by a committee usually takes a few months. If a bill is referred to a committee, its legislative journey slows down as it can only be debated after the committee has submitted its report. This slow down of legislation has been a source of continued tension between the ruling party and Opposition over the last five years. A bill can usually be referred to a parliamentary committee in three ways. First, the minister piloting the bill can seek the permission of the House to refer the Bill to a committee. Second, the Chairman/Speaker has the discretion in referring the bill to a committee. When ministers are trying to build political consensus on a bill, they welcome its refer-

ring to a committee. However, when they are in a hurry to get their legislative proposals approved by Parliament, they impress upon the Chairman/Speaker not to refer the bill to a committee. This is when the third mechanism kicks in. When a bill reaches a House where the government does not have a majority, the MPs of the House can marshal the numbers to move a motion to refer the bill to a committee. This leads to the government blaming the Opposition for the slowdown, which counters by accusing the government of trying to bulldoze legislation through Parliament. However, there is an additional dimension to the scrutiny of bills by committees. Whenever the government and Opposition see eye to eye on a subject, bills are not referred to a committee.

A robust lawmaking process requires thorough scrutiny by Parliament. Such scrutiny should not be impacted by either the strength of numbers in Parliament or political agreement on issues. This robustness can be ensured by requiring that all Bills be referred to Parliamentary committees. Exceptions to this rule should be strictly defined and the exceptions explained to Parliament. In addition, the committees should be strengthened to scrutinise and present their reports in a timely fashion. These mechanisms will ensure that all bills passed by Parliament, irrespective of the party in power, go through a well laid-out process of debate.

The writer is head of outreach, PRS Legislative Research

JULY 27, 1979, FORTY YEARS AGO

NEW PRIME MINISTER

CHARAN SINGH WILL be India’s new Prime Minister. He has carried the day with 262 members, and the President has invited him to form the government which, Singh says, he will do in a day or so. The President has, however, asked him to seek a vote of confidence from the Lok Sabha “at the earliest possible opportunity, say, by the third week of August 1979.”

CHARAN’S DREAM

CHARAN SINGH SAID that with the President’s invitation to him to form the government, “the ambition of my life has been fulfilled”. He told a big crowd of admirers,

gathered at his house that every politician desired that he should either attain the office of a chief minister or a prime minister. “If a politician does not have such an ambition then he is lying,” he added.

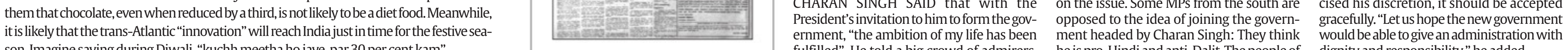
CONGRESS’S DILEMMA

CONGRESS HAS NOW been hurled into Hamlet’s dilemma: To join or not to join — that is the question. Some Congress leaders think the party should participate, others think it should not. The MPs, too, are divided on the issue. Some MPs from the south are opposed to the idea of joining the government headed by Charan Singh: They think he is pro-Hindi and anti-Dalit. The people of

the south do not know him at all. Many others are against participation in a government which will depend on Indira Gandhi.

JANATA’S CRITICISM

JANATA PARTY PRESIDENT, Chandra Shekhar, described President N Sanjeeva Reddy’s decision to ask Charan Singh to form the government as “an extraordinary one which tantamounts to putting premium on defections.” Talking to newsmen, he however said since the President had now exercised his discretion, it should be accepted gracefully. “Let us hope the new government would be able to give an administration with dignity and responsibility,” he added.



Let big data analysis begin

It is time we recognised that survey data, and the economic environment, cannot be interpreted in the way it used to be



NO PROOF REQUIRED

BY SURJIT S BHALLA

CORRECT ANALYSIS OF data is imperative for appropriate policy response. This is obvious. The reason I am repeating the obvious is that there are serious problems with the data that we, policymakers and academics, are basing our policy decisions on. Problems with methods and accuracy of data collection. The discussion on data for policy has been across the board — socio-economic (riots, infant mortality rates, sex ratio etc) and economic (GDP growth, exchange rate, poverty etc.). In this article, I would like to point to some of the perils of poor data quality and often erroneous interpretation.

As we all know, and appreciate, India was a pioneer in data collection some 70 years ago. The National Sample Survey Organisation (NSSO) was set up in 1950 and has been providing important information about most of our everyday concerns — consumption, employment and prices. It should be recalled, and remembered, that GDP data in the first 30-odd years was based on the consumption data collected by the NSSO. Poverty rates, and policies, were based on NSSO data.

In my 2002 book, *Imagine There's No Country*, I reported that something was amiss with the then recent NSSO data on consumption. The 1999-2000 NSSO consumption survey (S) reported average per capita consumption to be only 56 per cent of consumption as measured by national accounts (NA) — this was termed survey capture or S/NA. In China, close to the same year, the S/NA ratio was as high as 96 per cent; in Korea 85 per cent; in India in 1960, 92 per cent. Only 10 per cent of some 700 consumer expenditure surveys in the world had a S/NA ratio less than India in 1999.

We do not know *a priori* whether the NSSO data are a correct reflection of the underlying reality, or the national accounts data produced by the CSO are a better proxy. This has to be based on hard empirics (what is now fashionably called Big Data Analysis) and not on ideological or other predilections.

That there might be a problem with the NSSO consumption data reports was recognised by the first National Statistical Commission (under the late Suresh Tendulkar). I was a member of this commission and had numerous discussions with the NSSO authorities in Calcutta. The NSSO survey capture deteriorated further in 2009 and 2011, dropping to an average of 48 per cent in the two years.

The demotion of NSSO data became a hard reality at the time of the GDP revision in 2015. Until this revision, the *growth* of employment as revealed by the Employment and Unemployment Surveys of the NSSO (now called PLFS) was used to estimate growth in value-added in the wholesale and retail trade sector of the economy (accounting for some 15-20 per cent of the GDP). For example, employment growth in the wholesale sector during 1999-2004 was 3.2 per cent per annum. This rate of growth was assumed to be the same rate — that is 3.2 per cent for every subsequent year between 2004 and 2011. Post the availability of the 2011-12 NSSO employment survey in 2013, the new employment growth “reality” hit the CSO — employment



Suvajit Dey

had barely grown, across sectors and in wholesale, during the seven high GDP growth years 2004-11 — only 0.3 per cent a year, rather than the assumed 3.2 per cent.

The CSO, as a responsible statistical outfit, had to come out with a new method to estimate GDP growth in the wholesale trade sector — they came up with the eminently sensible idea of deriving employment growth via the (real) growth in state value-added taxes.

The reason for this extended discussion is to put into perspective the recent debate on the PLFS data — unemployment at 6.2 per cent, a 45-year high, etc. There will be another occasion to discuss the employment aspects of the PLFS data. Today, I want to discuss a little-known, and troublesome, aspect of the PLFS 2017-18 data — its perspective on consumption behaviour.

It is not well-known that NSSO employment surveys have a smaller consumption module — some 30 questions on household consumption rather than the 300-odd questions in the consumption survey. Between 2004 and 2011, this smaller module tracked the growth in consumption reasonably well — the average rate of growth of per capita consumption in the two NSSO surveys (smaller module employment and the exhaustive consumption) were similar to each other and to the growth of consumption as reported by the national accounts.

Results of the 2017-18, NSSO consumption survey have not been released as yet. But details of household consumption in 2017-18 are available via the recently made public unit-level PLFS data. These data are a shocker — it is surprising that those questioning the accuracy of GDP data post 2011-12 have not latched onto these figures as well. Perhaps because they are too outlandish to be believed. PLFS 2017-18 and EUS 2011-12 consumption model show a log growth in average per capita consumption of 24 per cent between the two years. Consumer prices rose by an average of 36 per cent during the two years. Real growth in consumption — minus 12 per cent over six years. (Both 2011-12 and 2017-18 were good weather years) A real consumption decline of anything even close to this magnitude has not been observed at any time in Indian history (not even in pre-historic times!) or to the best of my knowledge in any country in the world (other than Zimbabwe and Venezuela and other hyper-ventilating economies).

How inaccurate is the consumption growth recorded by the employment surveys in 2011/12 and 2017/18? Grotesquely inaccurate. And, the reasons for this ever-declining

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survey capture is something that the new CSO/NSSO combine should seriously examine. In contrast, note the per capita growth in selected (consumption related) items: Total NA consumption is 34 per cent; agriculture is 11 per cent; oil is 25 per cent; electricity is 29 per cent; mobile users 29 per cent; passenger cars 31 per cent. I am leaving this for discussion at a later date, several items of greater use and declining prices (for example, telecommunications, banking services, insurance) — all point to a significant increase in real consumption and above a 6.5 per cent growth in GDP.

What is going on? Why are sample survey data missing out on underlying trends? I can think of two major explanations. (For regular readers of my columns, this will be repeating myself for the umpteenth time.) Please, please, recognise that the world economic environment has changed, and changed radically over the last 20-odd years. In particular, Indian inflation is now structurally down to the world inflation levels from being significantly above during the period 2004-2015. All of us need to understand the implications of long-term two to three per cent inflation levels. When I went to graduate school in the 1970s, this was considered frictional inflation. Just a year ago, almost to the date, the RBI/MPC raised policy rates to 6.5 per cent, warning of impending higher GDP growth (sustained above 7.5 per cent) and higher (sustained >5 per cent) inflation levels. All of us make mistakes, but the changed economic environment means that we have to stop doing old-fashioned and/or knee-jerk analysis and policy.

The second changed reality is technological change. And, the mother of all changes, of course, is climate change — and in case those caught in the past (the 1970s or even the 1990s) haven't caught on, climate change is the *most* deflationary. Within technological change, there are newer methods of gathering information. In addition, modern techniques of computer-aided surveys suffer from interview bias — the same question, asked of the same person by two different computer-supervised individuals, can elicit radically different responses.

Let us all embark on a new mission. Collect good quality data and analyse it in a dispassionate manner with one over-riding objective - what policy will enhance and accelerate GDP growth so that we can redistribute better. All else is old-style *garam hawa*.

The writer is contributing editor, The Indian Express. Views are personal

WHAT THE OTHERS SAY

“Past clashes between imperialist powers were often triggered by competing for colonies and overseas spheres of influence. But China has no colony and is not interested in seeking spheres of influence.” — GLOBAL TIMES, CHINA

Aadhaar & vote

India's de-facto identification system must sync with voter IDs to empower citizens



NAMAN PUGALIA

THE RECENTLY CONCLUDED national polls have brought to light, yet again, a problem that has plagued every election in India: Discrepancies in voter eligibility and rolls, and the disenfranchisement it inevitably results in. It is hard to think of a more disempowering moment in a democracy than a voter showing up at a booth, only to be told that she is ineligible to exercise her franchise.

This disenfranchisement of voters is likely due to four factors. First, several people are unable to register to vote, for reasons ranging from not being aware of the registration methodology, to the process itself being inconvenient to not even knowing there is one. It is the responsibility of the Election Commission of India (ECI) to inform those that have not registered to vote yet but are otherwise eligible. The ECI does this via mass campaigns since it is not possible for it to exclusively identify unregistered adult citizens. Currently, the easiest way to freshly apply to be registered as a voter is to fill out a Form 6 on the NVSP (National Voters' Service Portal) or the ECI's app. This is an extremely cumbersome exercise and potentially an impediment to comprehensive voter registration efforts. Aadhaar can significantly simplify the process, once the ECI has ascertained that a resident is eligible to vote. This whole process could be replaced with a single step Aadhaar based e-KYC.

Second, there are people who have voted at a particular booth previously but have been inexplicably omitted from the voter rolls. In many cases, the ECI does not have the contact details (or updated ones) of voters to notify them before a deletion takes place. The absence of contact information stems from the fact that up until recently, the ECI did not collect these details. In cases where they have contact details, the changes in the same are not made by voters unless the Electors Photo Identity Card (EPIC) is their de facto ID. If during registration, Aadhaar holders do give consent to the ECI to have their contact details shared, they could be preemptively notified about an impending deletion.

Several government functionaries have discretionary powers that empower them to remove names from voter lists. Additionally, the ECI has the right to disqualify citizens from voting under certain conditions as per the Constitution. The ECI maintains and is indeed mandated to publish a list of people disqualified from voting in each state, but the reasons for their disqualifications is not included and likely not recorded either. The most sinister factor is the political adventurism of parties (and politicians) and voters alike. There have been cases reported, for example, of voters that are registered to vote in multiple booths and, thus, can vote multiple times. More worryingly, there has long been speculation that there is incentive for

political agents to use their influence to omit people, and indeed whole communities, from the voter rolls. These factors need to be made transparent so that any misuse is fixed. The illegality and perniciousness of private and political actors needs to be checked. Here, Aadhaar's anti-fraud and deduplication features can be put to use.

Third, several people have been turned away due to discrepancies between their details as listed on the rolls and the ID documents they present for validation. It is common for people who get married or have recently changed other demographic parameters to make the necessary changes to their Aadhaars and neglect other IDs. In such cases, reliance on Aadhaar will mitigate the risks of exclusion that are a consequence of demographic data mismatches.

Fourth, and the most easily addressable cause of this disenfranchisement, is relocation. It is far more likely for people to update Aadhaar rather than their EPIC: The Constitution grants the right to every citizen to cast her vote in the constituency where she is ordinarily residing. There are a number of constitutional stipulations that must be addressed to achieve ordinary residence, but the ECI will accept such documents as a proof of residence (as an electricity or water bill) along with a prescribed form completed. It is often the case that people who have made the requisite changes will feature both on the voter list of their new residence as well as that of their previous residence. This was the very problem for the ECI's most recent ambassador in Karnataka, Rahul Dravid, who, having only recently changed residences, was turned away from his new booth on polling day.

Many of the exclusions discussed here can be remedied with Aadhaar: It uniquely identifies every individual in the country through all of the same details as the EPIC. Unlike EPIC, Aadhaar captures biometric data, which is generally benign information and only useful in validating uniqueness. The EPIC, however, captures additional information such as familial details — it was a crucial source of identification or proof of residence, but that was before Aadhaar. Ironically, the EPIC does not guarantee a vote: If a name does not appear on the voter rolls, she will not be permitted to vote under any circumstances. Even if a person's name does appear on the voter rolls, the EPIC is not the only document that is accepted as proof of identity: A considerable portion of voters likely use their Aadhaars to identify themselves. Therefore, the very existence of the EPIC is worth reconsidering today.

The ECI publicly expressed its interest in seeding their databases with Aadhaar to improve the accuracy of the voter rolls and clear doubts of malpractice and duplication error. It also attempted a drive to voluntarily link Aadhaar to voter IDs but was halted by the Supreme Court in 2017. There have been recent reports, however, suggesting that the ECI has been preparing to resume these activities. Given that Aadhaar is the only universal, de-facto identification infrastructure in India today, it is inexplicable that this *sangam* has not happened yet.

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LETTERS TO THE EDITOR

WHY RTI MATTERS

THIS REFERS to the article, 'Look who is afraid of the RTI' (IE, July 26). With the BJP having a clear majority in the Lok Sabha, holding office in a majority of the states and poised to get a majority in the Rajya Sabha, the role of the Opposition has become important. But the Opposition remains divided in Parliament and is cagey about taking the fight to the government. In such a situation, the citizen has to make the government accountable. But the CVC does not have many powers, the judiciary is encumbered with delays and the Lokayukt remains a non-starter. RTI was the only tool in hand of the citizen to make the government accountable. Is that why it has been snatched it away? **Suchak D Patel, Ahmedabad**

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THIS REFERS to the editorial, 'It takes two' (IE, July 26). The bills passed in the Lok Sabha needed proper discussion and the government should have taken all Opposition parties on board. The Opposition too needed to behave responsibly and the pieces of legislation should have been contested on merit. Even then, the current Lok Sabha session has shown marked improvement. **Deepak Singhal, Noida**

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in the editorial: The so called non-state actors are committing acts of terror in India. Pakistan suspended operations Zarbe-Arz and Ruddul-Fissad because of the military-militant nexus. **Bhaskar Bhusari, Pune**

RAY IN HD

THIS REFERS to the article, 'A timeless tale' (IE, July 25). The writer asks if the government would "take some initiative" to make Satyajit Ray's films "accessible far and wide". It will not be out-of-place to mention the new high-definition digital restoration with uncompressed monoaural soundtrack of 12 Ray masterpieces. These include the Apu trilogy. Each edition is enriched with material such as interviews with actors, filmmakers and scholars. **Subhamay Ray, Kolkata**



YASHWANT SINHA

PRESIDENT DONALD TRUMP has done it again. He has spoken a complete falsehood, without thinking about the consequences, out of turn and without knowledge of the issue on which he was pontificating. Prime Minister Narendra Modi deserves to be criticised on many counts but I cannot believe that he could ever have made such a preposterous suggestion to Trump. Even a child in India knows the country's position on a dialogue with Pakistan. But I was disappointed by the external affairs minister's statement in Parliament on this issue on July 23. He referred to the Simla Agreement and the Lahore Declaration, but failed to mention the very important January 6, 2004 Joint Press Statement issued in Islamabad after a meeting between Prime Minister Atal Bihari Vajpayee and President Pervez Musharraf. I would place this statement in the same league as the Simla Agreement and the Lahore Declaration.

The statement was issued almost at the end of Vajpayee's second term as prime minister. In the six years before that, India-Pakistan relations had gone through a roller-coaster ride starting with his bus yatra to Lahore followed by the Kargil war; then there was the failed Agra summit followed by the attack on the Indian Parliament. This led to Operation Parakram when our troops were eyeball-to-

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In 2004, Pakistan made significant commitments to end cross-border terror

eyeball with the Pakistani forces along our border and the LoC. But Vajpayee was genuinely interested in peace with Pakistan. So, after a year of the confrontation, he made his peace offer again, this time from Srinagar. This led to gradual disengagement of the two armies and a number of confidence building measures were announced unilaterally by India. Pakistan reciprocated. So, when the SAARC summit was due to take place in Islamabad, India took a calculated risk and Vajpayee travelled there. The visit was a great success bilaterally and the outcome was the Joint Press Statement of January 6, 2004. A part of it is reproduced below:

"The President of Pakistan and the Prime Minister of India met during the SAARC Summit in Islamabad...Both leaders welcomed the recent steps towards the normalisation of relations between the two countries... Prime Minister Vajpayee said that in order to take forward and sustain the dialogue process, violence, hostility and terrorism must be prevented. President Musharraf reassured Prime Minister Vajpayee that he will not permit any territory under Pakistan's control to be used to support terrorism in any manner. To carry the process of normalisation forward, the President of Pakistan and the Prime Minister of India agreed to commence the process of composite dialogue in

February 2004. The two leaders are confident that the resumption of the dialogue would lead to peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides. The two leaders agreed that constructive dialogue would promote progress towards the common objective of peace, security and economic development of our peoples."

Musharraf had spoken of not allowing the territory under the control of Pakistan to be used for violence and terrorism against India even earlier but this was the first time he agreed to include it in a bilateral document. It was also a clear admission by Pakistan that the territory under its control (read Pak-Occupied-Kashmir) was indeed being used for terrorism against India. This was a unilateral commitment given by Pakistan which did not demand any such commitment from India as it did at Sharm-el-Sheikh where it insisted and succeeded in including a reference to Balochistan in the joint statement. The January 6, 2004 statement also clearly established the principle that resumption of dialogue with Pakistan was not automatic but was contingent upon Pakistan stopping cross-border terrorism against India.

Musharraf must have realised the importance of the statement and the commitment Pakistan had made in it. Therefore, no sooner

did the Vajpayee government demit office that he tried to wriggle out of these commitments. Unfortunately, the UPA government, like the present NDA government, failed to realise the value of this statement and allowed it to get buried under the weight of the not-so-significant statements issued subsequently. Pakistan could not have asked for more.

Relations with Pakistan should not be a partisan issue. An all-party consensus has always guided our policy towards Pakistan barring a few differences with regard to nuances. But the problem is that not only does Pakistan go back on the promises it makes, but every prime minister in India also forgets history and starts from the beginning. One would have expected a foreign service professional who is now the external affairs minister to remember the not-so-ancient history and refer to the 2004 statement in his speech in Parliament. Amnesia is a good virtue at times but not when you are dealing with an extremely sensitive issue like India-Pakistan relations.

Trump is a bull in a china shop. We do not have to bother much about what he says. But the PM should have appeared in both Houses and set the matter at rest.

The writer is a former Union external affairs and finance minister



THE IDEAS PAGE

Let big data analysis begin

It is time we recognised that survey data, and the economic environment, cannot be interpreted in the way it used to be



NO PROOF REQUIRED

BY SURJIT S BHALLA

CORRECT ANALYSIS OF data is imperative for appropriate policy response. This is obvious. The reason I am repeating the obvious is that there are serious problems with the data that we, policymakers and academics, are basing our policy decisions on. Problems with methods and accuracy of data collection. The discussion on data for policy has been across the board — socio-economic (riots, infant mortality rates, sex ratio etc) and economic (GDP growth, exchange rate, poverty etc.). In this article, I would like to point to some of the perils of poor data quality and often erroneous interpretation.

As we all know, and appreciate, India was a pioneer in data collection some 70 years ago. The National Sample Survey Organisation (NSSO) was set up in 1950 and has been providing important information about most of our everyday concerns — consumption, employment and prices. It should be recalled, and remembered, that GDP data in the first 30-odd years was based on the consumption data collected by the NSSO. Poverty rates, and policies, were based on NSSO data.

In my 2002 book, *Imagine There's No Country*, I reported that something was amiss with the then recent NSSO data on consumption. The 1999-2000 NSSO consumption survey (S) reported average per capita consumption to be only 56 per cent of consumption as measured by national accounts (NA) — this was termed survey capture or S/NA. In China, close to the same year, the S/NA ratio was as high as 96 per cent; in Korea 85 per cent; in India in 1960, 92 per cent. Only 10 per cent of some 700 consumer expenditure surveys in the world had a S/NA ratio less than India in 1999.

We do not know *a priori* whether the NSSO data are a correct reflection of the underlying reality, or the national accounts data produced by the CSO are a better proxy. This has to be based on hard empirics (what is now fashionably called Big Data Analysis) and not on ideological or other predilections.

That there might be a problem with the NSSO consumption data reports was recognised by the first National Statistical Commission (under the late Suresh Tendulkar). I was a member of this commission and had numerous discussions with the NSSO authorities in Calcutta. The NSSO survey capture deteriorated further in 2009 and 2011, dropping to an average of 48 per cent in the two years.

The demotion of NSSO data became a hard reality at the time of the GDP revision in 2015. Until this revision, the *growth* of employment as revealed by the Employment and Unemployment Surveys of the NSSO (now called PLFS) was used to estimate growth in value-added in the wholesale and retail trade sector of the economy (accounting for some 15-20 per cent of the GDP). For example, employment growth in the wholesale sector during 1999-2004 was 3.2 per cent per annum. This rate of growth was assumed to be the same rate — that is 3.2 per cent for every subsequent year between 2004 and 2011. Post the availability of the 2011-12 NSSO employment survey in 2013, the new employment growth “reality” hit the CSO — employment



Suvajit Dey

had barely grown, across sectors and in wholesale, during the seven high GDP growth years 2004-11 — only 0.3 per cent a year, rather than the assumed 3.2 per cent.

The CSO, as a responsible statistical outfit, had to come out with a new method to estimate GDP growth in the wholesale trade sector — they came up with the eminently sensible idea of deriving employment growth via the (real) growth in state value-added taxes.

The reason for this extended discussion is to put into perspective the recent debate on the PLFS data — unemployment at 6.2 per cent, a 45-year high, etc. There will be another occasion to discuss the employment aspects of the PLFS data. Today, I want to discuss a little-known, and troublesome, aspect of the PLFS 2017-18 data — its perspective on consumption behaviour.

It is not well-known that NSSO employment surveys have a smaller consumption module — some 30 questions on household consumption rather than the 300-odd questions in the consumption survey. Between 2004 and 2011, this smaller module tracked the growth in consumption reasonably well — the average rate of growth of per capita consumption in the two NSSO surveys (smaller module employment and the exhaustive consumption) were similar to each other and to the growth of consumption as reported by the national accounts.

Results of the 2017-18, NSSO consumption survey have not been released as yet. But details of household consumption in 2017-18 are available via the recently made public unit-level PLFS data. These data are a shocker — it is surprising that those questioning the accuracy of GDP data post 2011-12 have not latched onto these figures as well. Perhaps because they are too outlandish to be believed. PLFS 2017-18 and EUS 2011-12 consumption model show a log growth in average per capita consumption of 24 per cent between the two years. Consumer prices rose by an average of 36 per cent during the two years. Real growth in consumption — minus 12 per cent over six years. (Both 2011-12 and 2017-18 were good weather years) A real consumption decline of anything even close to this magnitude has not been observed at any time in Indian history (not even in pre-historic times!) or to the best of my knowledge in any country in the world (other than Zimbabwe and Venezuela and other hyper-ventilating economies).

How inaccurate is the consumption growth recorded by the employment surveys in 2011/12 and 2017/18? Grotesquely inaccurate. And, the reasons for this ever-declining

INDIA WAS A PIONEER IN DATA COLLECTION SOME 70 YEARS AGO. THE NATIONAL SAMPLE SURVEY ORGANISATION (NSSO) WAS SET UP IN 1950 AND HAS BEEN PROVIDING IMPORTANT INFORMATION ABOUT MOST OF OUR EVERYDAY CONCERNS — CONSUMPTION, EMPLOYMENT AND PRICES. IT SHOULD BE RECALLED, AND REMEMBERED, THAT GDP DATA IN THE FIRST 30-ODD YEARS WAS BASED ON THE CONSUMPTION DATA COLLECTED BY THE NSSO. POVERTY RATES, AND POLICIES, WERE BASED ON NSSO DATA.

India was a pioneer in data collection some 70 years ago. The National Sample Survey Organisation (NSSO) was set up in 1950 and has been providing important information about most of our everyday concerns — consumption, employment and prices. It should be recalled, and remembered, that GDP data in the first 30-odd years was based on the consumption data collected by the NSSO. Poverty rates, and policies, were based on NSSO data.

survey capture is something that the new CSO/NSSO combine should seriously examine. In contrast, note the per capita growth in selected (consumption related) items: Total NA consumption is 34 per cent; agriculture is 11 per cent; oil is 25 per cent; electricity is 29 per cent; mobile users 29 per cent; passenger cars 31 per cent. I am leaving this for discussion at a later date, several items of greater use and declining prices (for example, telecommunications, banking services, insurance) — all point to a significant increase in real consumption and above a 6.5 per cent growth in GDP.

What is going on? Why are sample survey data missing out on underlying trends? I can think of two major explanations. (For regular readers of my columns, this will be repeating myself for the umpteenth time.) Please, please, recognise that the world economic environment has changed, and changed radically over the last 20-odd years. In particular, Indian inflation is now structurally down to the world inflation levels from being significantly above during the period 2004-2015. All of us need to understand the implications of long-term two to three per cent inflation levels. When I went to graduate school in the 1970s, this was considered frictional inflation. Just a year ago, almost to the date, the RBI/MPC raised policy rates to 6.5 per cent, warning of impending higher GDP growth (sustained above 7.5 per cent) and higher (sustained >5 per cent) inflation levels. All of us make mistakes, but the changed economic environment means that we have to stop doing old-fashioned and/or knee-jerk analysis and policy.

The second changed reality is technological change. And, the mother of all changes, of course, is climate change — and in case those caught in the past (the 1970s or even the 1990s) haven't caught on, climate change is the *most* deflationary. Within technological change, there are newer methods of gathering information. In addition, modern techniques of computer-aided surveys suffer from interview bias — the same question, asked of the same person by two different computer-supervised individuals, can elicit radically different responses.

Let us all embark on a new mission. Collect good quality data and analyse it in a dispassionate manner with one over-riding objective — what policy will enhance and accelerate GDP growth so that we can redistribute better. All else is old-style *garām hawā*.

The writer is contributing editor, The Indian Express. Views are personal

WHAT THE OTHERS SAY

“Past clashes between imperialist powers were often triggered by competing for colonies and overseas spheres of influence. But China has no colony and is not interested in seeking spheres of influence.” — GLOBAL TIMES, CHINA

Aadhaar & vote

India's de-facto identification system must sync with voter IDs to empower citizens



NAMAN PUGALIA

THE RECENTLY CONCLUDED national polls have brought to light, yet again, a problem that has plagued every election in India: Discrepancies in voter eligibility and rolls, and the disenfranchisement it inevitably results in. It is hard to think of a more disempowering moment in a democracy than a voter showing up at a booth, only to be told that she is ineligible to exercise her franchise.

This disenfranchisement of voters is likely due to four factors. First, several people are unable to register to vote, for reasons ranging from not being aware of the registration methodology, to the process itself being inconvenient to not even knowing there is one. It is the responsibility of the Election Commission of India (ECI) to inform those that have not registered to vote yet but are otherwise eligible. The ECI does this via mass campaigns since it is not possible for it to exclusively identify unregistered adult citizens. Currently, the easiest way to freshly apply to be registered as a voter is to fill out a Form 6 on the NVSP (National Voters' Service Portal) or the ECI's app. This is an extremely cumbersome exercise and potentially an impediment to comprehensive voter registration efforts. Aadhaar can significantly simplify the process, once the ECI has ascertained that a resident is eligible to vote. This whole process could be replaced with a single step Aadhaar based e-KYC.

Second, there are people who have voted at a particular booth previously but have been inexplicably omitted from the voter rolls. In many cases, the ECI does not have the contact details (or updated ones) of voters to notify them before a deletion takes place. The absence of contact information stems from the fact that up until recently, the ECI did not collect these details. In cases where they have contact details, the changes in the same are not made by voters unless the Electors Photo Identity Card (EPIC) is their de facto ID. If during registration, Aadhaar holders do give consent to the ECI to have their contact details shared, they could be preemptively notified about an impending deletion.

Several government functionaries have discretionary powers that empower them to remove names from voter lists. Additionally, the ECI has the right to disqualify citizens from voting under certain conditions as per the Constitution. The ECI maintains and is indeed mandated to publish a list of people disqualified from voting in each state, but the reasons for their disqualifications is not included and likely not recorded either. The most sinister factor is the political adventurism of parties (and politicians) and voters alike. There have been cases reported, for example, of voters that are registered to vote in multiple booths and, thus, can vote multiple times. More worryingly, there has long been speculation that there is incentive for

political agents to use their influence to omit people, and indeed whole communities, from the voter rolls. These factors need to be made transparent so that any misuse is fixed. The illegality and perniciousness of private and political actors needs to be checked. Here, Aadhaar's anti-fraud and deduplication features can be put to use.

Third, several people have been turned away due to discrepancies between their details as listed on the rolls and the ID documents they present for validation. It is common for people who get married or have recently changed other demographic parameters to make the necessary changes to their Aadhaars and neglect other IDs. In such cases, reliance on Aadhaar will mitigate the risks of exclusion that are a consequence of demographic data mismatches.

Fourth, and the most easily addressable cause of this disenfranchisement, is relocation. It is far more likely for people to update Aadhaar rather than their EPIC: The Constitution grants the right to every citizen to cast her vote in the constituency where she is ordinarily residing. There are a number of constitutional stipulations that must be addressed to achieve ordinary residence, but the ECI will accept such documents as a proof of residence (as an electricity or water bill) along with a prescribed form completed. It is often the case that people who have made the requisite changes will feature both on the voter list of their new residence as well as that of their previous residence. This was the very problem for the ECI's most recent ambassador in Karnataka, Rahul Dravid, who, having only recently changed residences, was turned away from his new booth on polling day.

Many of the exclusions discussed here can be remedied with Aadhaar: It uniquely identifies every individual in the country through all of the same details as the EPIC. Unlike EPIC, Aadhaar captures biometric data, which is generally benign information and only useful in validating uniqueness. The EPIC, however, captures additional information such as familial details — it was a crucial source of identification or proof of residence, but that was before Aadhaar. Ironically, the EPIC does not guarantee a vote: If a name does not appear on the voter rolls, she will not be permitted to vote under any circumstances. Even if a person's name does appear on the voter rolls, the EPIC is not the only document that is accepted as proof of identity: A considerable portion of voters likely use their Aadhaars to identify themselves. Therefore, the very existence of the EPIC is worth reconsidering today.

The ECI publicly expressed its interest in seeding their databases with Aadhaar to improve the accuracy of the voter rolls and clear doubts of malpractice and duplication error. It also attempted a drive to voluntarily link Aadhaar to voter IDs but was halted by the Supreme Court in 2017. There have been recent reports, however, suggesting that the ECI has been preparing to resume these activities. Given that Aadhaar is the only universal, de-facto identification infrastructure in India today, it is inexplicable that this *sangam* has not happened yet.

The writer is founder, Walkn. He previously co-founded, FourthLion Technologies, a political campaign planner

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