THE HINDU BusinessLine
THURSDAY, JULY 6, 2017

Dealing with the dragon

India needs to resolve the ongoing stand-off with China without damaging its strategic or economic interests

It's a border stand-off that's lasted three weeks and the difference this time is the rhetoric is heating up rather than cooling down. China's Communist Party-run *Global Times* has stepped up the war of words, saying: "This time we must teach New Delhi a bitter lesson... (Defence Minister Arun) Jaitley is right that the India of 2017 is different from 1962 — India will suffer greater losses if it incites military conflicts." Meanwhile, China's ambassador Lhuo Zhaohui has fuelled the fire, declaring India has no right to speak on Bhutan's behalf. The *Global Times* has even warned investors they may have to reduce investments in India, though most analysts believe this is unlikely to happen.

Key to note is that the nuclear neighbours have been relatively successful at maintaining peace along their 3,500km border stretching from Ladakh in the west to Uttarakhand, Himachal and Arunachal Pradesh in the east. The last time troops fired at each other was in 1975 and, since then, the stand-offs have gone little beyond scuffles and destroying frontline bunkers — though there have been many such skirmishes. This time, though, the slanging matches have been amped up to unusually high decibels and the Chinese have heightened pressure by closing the Nathu La pass to Kailash Mansarovar pilgrims. Complicating the situation is the fact the confrontation is on the China-Bhutan border and the Indian Army regards the Doklam plain as strategically crucial because it opens a path to the Siliguri Corridor which links the northeast to the rest of India. Over the past decade, the Chinese have upped their strength in Tibet while India has raised two mountain divisions in reply.

The prolonged nature of this stand-off indicates the Chinese are using it to send various political messages. Beijing's miffed India boycotted the Belt and Road Initiative jamboree in Shanghai in May. It's unclear if its $50-billion China-Pakistan Economic Corridor (CPEC) will be viable if India doesn't join. Secondly, China's riled at India's growing US tilt in what Beijing sees as an anti-China alliance that includes Japan and Australia. Most importantly, the Chinese are signalling that India can't expect to be a pre-eminent power in its own part of the world and that China has consolidated its position on the global stage and will be calling the shots — even in south Asia. Despite the bonhomie shown during Modi's visit to Washington, Donald Trump has shown little interest in our part of the world and India's diplomatic leverage is limited. We can't afford to abandon Bhutan and we need to resolve the crisis without loss of face. One suggestion has been to make some kind of economic concessions and that while we stay out of CPEC, we should offer to join one of China's other grand economic schemes. What's clear is that in the coming days in our negotiations with China, we need to display the utmost finesse to ensure we aren't squeezed onto a smaller stage by the global giant next door.

OTHER VOICES

GLOBAL TIMES

India will suffer if it incites border clash

The face-off between Chinese and Indian troops in the Sikkim section of the Sino-Indian border seems to be escalating. India was not able to refute the evidence of illegal border-trespassing and coerced its small neighbour Bhutan to shoulder the blame. India has long treated Bhutan as a vassal state, a rare scene under modern international relations. The Chinese public is infuriated by India's provocation. We believe the Chinese People's Liberation Army is powerful enough to expel Indian troops out of Chinese territory. We firmly believe that the face-off in the Donglang area will end up with the Indian troops in retreat. BEIJING, 4 JULY 2017

the guardian

Return of the migrant boats: Europe's problem

High summer is migrant season in the Mediterranean. In rising numbers, men, women and children set off in the flimsiest of craft for Italy. So far this year at least 2,000 people have drowned in the attempt. This is made all the worse by the equivocation and even the hostility of EU states. The Mediterranean is already the world's worst maritime cemetery. Italy, which finds itself on the receiving end of this migration, urgently needs more European support. LONDON, 4 JULY 2017

TORONTO STAR

Stop real estate agents from 'double-ending'

Real-estate agents can't fairly represent both a seller and a buyer on the same deal. The conflicts of interest are numerous — and one client or the other will often get hurt by receiving too little or paying too much. Yet these so-called double-ended deals are commonplace in Toronto's red-hot real estate market. By some estimates one in 10 sales falls into this dubious category. That's why it's welcome news that the Ontario government is proposing banning double-ending, except in limited circumstances. TORONTO, 4 JULY 2017

Innovative finance for a greener India

India needs an estimated $2.5 trillion by 2030 to meet its climate goals. A combination of financial instruments will help here

RANA KAPOOR

Climate change is arguably the biggest challenge of our times and poses a global threat to civilisation as we know it. It's also the single reason that brought 195 countries of the world together in an unprecedented agreement at Paris in December 2015. This dual nature of the climate crisis which on one hand is poised to disrupt 'business as usual', and on the other holds a promise of ushering in an age of collaboration and disruptive innovation, is also perhaps the biggest opportunity of our times.

The recalibration of the global economic compass towards a cleaner, greener and low carbon future, has given rise to new paradigms that redefine the metric of economic growth and development. Emphasis has shifted from mere productivity to efficiency, profitability to sustainability, and from expanding footholds to minimising carbon footprints.

New sectors of growth such as renewables, electric mobility, energy efficiency and climate smart agriculture, amongst others, have emerged as harbingers of a new, low-carbon economy. India has been at the forefront of this movement. To underscore its commitment to building a climate resilient future, it has voluntarily undertaken the Hanumanian national target of reducing emissions intensity of GDP by 33-35 per cent by 2030. One way it plans to achieve this is by reducing India's reliance on fossil fuels and increasing the share of renewables in its energy mix to 40 per cent by 2030. With its recent aim of making India the first country in the world with all-electric vehicles by 2030, the government has also made its ambitions clear on developing a future-ready economy. Transforming India into a truly green economy still requires concerted efforts on two main fronts – making the required financing available, and ensuring innovation in its deployment, areas in which financial institutions can play a significant role.

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Making financing available

The transition to a 'low-carbon economy' is entirely dependent on the mobilisation of large financial resources. India's ambitious Nationally Determined Contributions (NDCs), part of the Paris Agreement, are estimated by the Government to cost $2.5 trillion by 2030. According to industry estimates, the target of achieving a renewable energy installed capacity of 175 GW by 2022 alone would warrant $100 billion in investments. The mammoth scale of such funding requirement has made climate finance a critical component in climate-proofing the economy.

Financial institutions can play a crucial role in mobilising climate finance and investments by leveraging existing financial mechanisms. Leveraging the debt market, Green Bonds have emerged as a successful bridge between capital markets and addressing climate change. Since its first issuance in 2007, by two multilateral development banks (World Bank and European Investment Bank), green bonds have grown exponentially as a key tool to raise climate finance, with cumulative issuances pegged at over $180 billion globally by the end of 2016. Just like green bonds, other innovative mechanisms such as blue bonds have great potential to emerge as a mainstream financing mechanism for water related projects.

A helping hand For a climate-friendly India CIRCLEPHOTO/SHUTTERSTOCK.COM

India's green bond market is currently pegged at about $3 billion, with the majority of it being allocated to renewable energy projects – contributing directly towards achieving India's NDCs. Green municipal bonds hold promise towards building the 100 smart cities planned by India, through market interventions to revive the dormant municipal bonds market.

International and multilateral organisations have also been supporting climate action in developing nations like India by deploying green finance. The Green Climate Fund has recently announced that it would invest in a ground water recharge and solar micro-irrigation project in vulnerable tribal areas in Orissa for the next four years. Funds such as these serve the dual purpose of bridging the financing gap for sustainable development and establishing feasibility of investments in new sectors.

Ensuring innovation

The quantum of finance required to move towards a climate sustainable future is only one part of the challenge. Effective deployment and channelisation to the emerging climate positive sectors is another crucial element. These new economy sectors are at different stages of development and require customised financial solutions to deliver on India's climate targets.

Innovation is key to create new and tailor-made financial products and services. For a sector like renewable energy which has reached a certain scale, securitisation of long term assets could help provide the low-risk incremental capital, required for the next phase of growth. For an emerging and untested sector like e-mobility, there is a need to ensure access to mainstream financing channels. Financial mechanisms such as credit enhancement are instrumental in reducing the perceived high risk of such sectors. For smaller and more local climate adaptation initiatives, blended finance can help leverage public funds to crowd in private investments and drive socio-environmental benefits for local communities.

Collaborative approach

Though the green finance space has witnessed significant developments in India, there is still enormous untapped potential. With climate action taking centrestage in policy decisions globally, it is time for collaborative efforts and disruptive innovations to unleash the full potential of the new economy and embark on a journey of green growth.

The writer is the founder & CEO of YES Bank

Pulses mismanagement has hit traders too

This is because excess imports added to the difficulties of managing a bumper crop. Imports need better regulation

G CHANDRASHEKHAR

Despite record harvests and record imports, the year 2016-17 has been a challenging one for pulse growers and traders alike. Both categories of stakeholders have incurred heavy losses.

The loss suffered by growers has been on account of steep decline in farm-gate price of various pulses over the last six months or so. Their price realisation has either been less than the minimum assured by the government that is below the minimum support price (mainly in case of tur/arhar or pigeon pea for which MSP is ₹5050 a quintal but market price is ₹4,200) or substantially lower than the price at the time of planting that induced them to expand acreage (like in case of chana or desi chickpea — current price ₹5,100 a quintal, half of the price at the time of planting).

Comprehensive policy failure

It is a tragedy that policymakers failed to recognise the emerging situation. New Delhi's indifference or inadequate intervention to support growers has spawned protests in different parts of the country. Farmers feel shortchanged because no one has come to their rescue when prices have collapsed, even as they came to the Government's rescue by producing a record crop to contain high prices.

Not just in procurement, the government failed to deploy appropriate trade and tariff policies. It is most unfortunate, New Delhi's tepid response to the price situation has left much to be desired.

Sadly, growers are not the only sufferers this year. The pulse traders including importers and dal mills have lost enormous amount of money as open market prices have sharply corrected down in the last six months as a result of the glut caused by record domestic harvest exacerbated by excessive imports. Also, a strong rupee has made imports cheaper.

For sake of record, it must be stated that domestic production in 2016-17 is estimated at 224 lakh tonnes (164 lakh tonne) and imports at 66 lakh tonne (59 lakh tonne) taking total availability to a new high of 290 lakh tonne. While no one needs to shed tears over losses incurred by the trade — they ought to have known the emerging market scenario — the after-effects of such losses and financial drain will be felt in the new harvest season four months away.

Unrestrained imports in addition to humongous domestic harvest has meant warehouses across the country are currently bursting. With market prices falling steadily because of continuing large imports and inventory pile up, the off-take is rather sluggish. Buyers are keeping off in anticipation of even lower prices.

Weak pulses Traders are losing money MOHAMMED YOUSUF

Several traders this writer spoke with recently had their own tales of woe. At current prices, their losses are anything between ₹1,500-2000 a tonne. Even assuming conservatively that importers lost money on say 30 lakh tonne (close to 50 per cent of total import), the losses aggregate to a staggering ₹450-600 crore. Losses incurred by dal mills are manifold. It is feared that many financially weak traders will be forced to exit business, while the unscrupulous ones merrily default on commitments. A large number of defaults both in local trade and overseas trade are reported. Overseas sellers have turned cautious about striking forward deals with Indian importers for fear of further defaults if the market turns more adverse.

Monitoring imports

Unfortunately, the government has absolutely no clue how to handle the pulse situation because it is in the dark about the world market dynamics, the quantum and price of import contracts entered into and flow of goods in the domestic market. In other words, commercial intelligence within the various ministries is rather poor.

This was evident not only from the belated imposition of 10 per cent customs duty on tur/arhar imports, but also from the ineffectiveness of such imposts as tur/arhar coming from two major origins — Myanmar and East Africa — is exempt from such levy under bilateral pacts Obviously, the Government did not do its homework. It would have been more appropriate to canalise or channel tur/arhar imports through government agencies so as to restrict the volume of import and support domestic growers.

New Delhi has to be on top of the situation for which it is absolutely essential to immediately introduce a system of compulsory registration of import contracts through a government designated neutral agency like the DGFT. Registration of import contracts and monitoring of imports will provide the policy-makers sufficient data to regulate the market effectively.

The early trends in pulse planting are ominous. If these trends hold, the size of upcoming kharif harvest will shrink and possibly go below the target of 87.5 lakh tonne. In the event the present weak price sentiment can change. It would then be the turn of consumers to protest. All this is best avoided.

The writer is an agribusiness and commodities market specialist. The views are personal

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Let's prioritise

This refers to the article " 'Digital India', a double edged sword" (July 5). The infrastructure for digitalisation has not reached many pockets of the country, which in fact are still struggling to get clean power. India has multiple issues to address before embracing digitalisation. It is only the financial sector that has facilitated inclusive growth, thanks to the PSBs. Digitalisation no doubt enhances connectivity and increase transparency besides efficiency, but the normal India looks forward to basic needs and the farmer for remunerative pricing for his produce.

S Veeraraghavan
Coimbatore

Value for money

This refers to the Supreme Court's suggestion to the Government for providing one more window for exchange of denotified notes. The ball is in the Government's court now. It is a welcome suggestion and must be given a thought to. Not only elderly people or people who were abroad during that phase of 50 days, many housewives who generally keep a few currency notes here and there will also be benefited, as that will not be a too large sum in the number to be categorised as stashing unaccounted money.

Bal Govind
Noida

The Supreme Court's advice is appreciable, but how to find out the genuineness of persons, as appearances might prove deceptive sometimes? Also, the sympathy may be used by some others as tools of exploitation.

S Ramakrishnasayee
Ranipet, TN

India-Israel ties

Prime Minister Modi's three-day diplomatic sojourn in Israel indeed represents a major paradigm shift in India's long-held policy in West Asia. Even though New Delhi holds that it sticks to the 'two state solution" vis-a-vis Palestine, this commitment, to all intents and purposes, exists only in theory. Prime Minister Narendra Modi's disinclination to visit Ramallah or meet any Palestinian leader, his refusal to call for the dismantlement of Israeli settlements in Palestinian territory and the withdrawal of Israeli troops from the occupied regions of Gaza Strip and West Bank and his coinage of the sobriquet "I for I" — India for Israel — have clearly shown with whom his sympathies lie.

Gone are the days when India took up cudgels on behalf the "weak and vulnerable". It appears that in the fond hope of emerging as a superpower India now chooses to side with the mighty and forfeit its moral authority.

Pakistan and China have been warned to beware of new killer drones and missiles India is all set to procure from Israel. To say that these neighbours are rattled is to underestimate them. This is not to take away from the mutually beneficial agreements on trade, space cooperation, water and agriculture being signed in Tel Aviv.

G David Milton
Maruthancode, TN

Whatever be Modi's shortcomings (his perceived 'anti Muslim' stance) one thing is very clear: his ability to connect with people of all hues and every strata. During his three years as PM he has virtually visited each and every country of the world which matters to India. He is drawing attention from all world leaders. It is expected that a large number of defence equipment purchase deals will be signed.

K Ashok Kumar
Kolkata

Collateral damage

The new rule by the Centre banning the sale of cattle for slaughter at animal markets has taken a huge toll on leather trade, meat trade and small traders who deal with the products made from these animals.

Besides these, the country would be losing foreign exchange due to non-export of tannery and meat. In addition to this the existing tannery factories have to import the skins from foreign countries which will have a dent in balance of payments.

Annually leather products worth of ₹2,800 crore are exported in major global brands which brings foreign exchange besides providing huge employment at the factories which will be lost with the ban. This law brings already distressed farmers into the debt trap

TSN Rao
Bhimavaram, AP

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CH-X

'Is RBI Governor responsible only for inflation?'

YV Reddy, an eminent former RBI Governor, speaks on the current monetary policy set-up, his way of drawing the line with political power, and other aspects of his public life

RAGHUVIR SRINIVASAN

YV Reddy saw it all as a central banker. Unstable currency markets, the dotcom boom and bust, searing growth in the Indian economy and the onset of the global financial crisis. His recently launched book *Advice & Dissent: My Life in Public Service* is as much a chronicle of India's recent economic history from up close as it is about the man himself. In a chat with **BusinessLine** on Tuesday, the diminutive Reddy, known for his ready wit, was at his best. Excerpts:

THE BL INTERVIEW

An interesting anecdote about you is how once, as RBI Governor, you threatened to get yourself admitted in hospital to avoid doing something that you did not want to....

Oh, there was no threat or anything like that. I genuinely felt that it would be too painful for me to execute something, which I felt strongly, had adverse consequences. The government would also not have full confidence that I would do it. There was no point in making an issue and embarrassing anyone because I could not assert that I was right and the government was wrong.

All I could do was go quietly without creating a controversy. Secondly, you should not make too much of that one incident. If you go back and see, I've narrated an episode when Vengal Rao was CM of AP and wanted me to receive Sanjay Gandhi against protocol, I did not make an issue, I simply said, "transfer me".

There were some other instances too where I told the government "It's not my job to embarrass you. I'm your instrument. If you're going to be embarrassed, I'd better give you notice so you have the option." See, there are certain areas which border on politics and you have to be clear on the choices. The point is that the politician should know what my reaction is and if I cannot do something he has the choice. That's my way of reminding him of this truth. There's no point in getting into a fight.

Let's talk about your famous speech at Goa in 1997 that sent the rupee plunging. What was the thinking behind that "open mouth operation", as you've described it?

Fairly simple. It was agreed that the rupee is vulnerable to attack and it's better to be devalued. In order to devalue the currency, instead of actual operations where you might get locked in, you sort of express your feeling which is like telling the market "you better note" and telling it what behaviour is expected. This was new in our country at that point of time. In principle it was decided between the RBI and the government that a little devaluation of the rupee is desirable. How to do that is an operational matter that was left to the RBI.

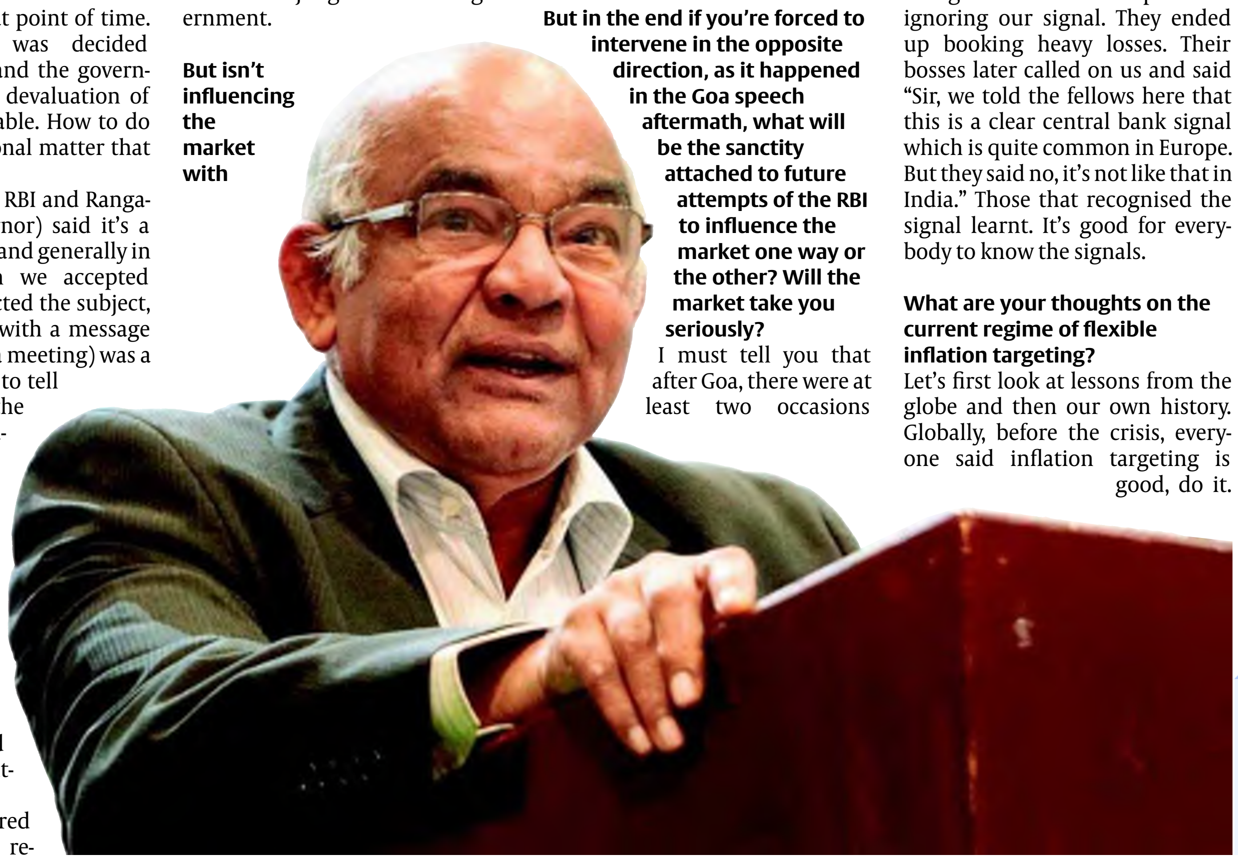
We discussed in RBI and Rangarajan (then Governor) said it's a good opportunity and generally in those days when we accepted speeches and selected the subject, it was contextual with a message involved. This (Goa meeting) was a good opportunity to tell dealers, and in the forex market, major part of the transactions take place through foreign banks. They're quite sensitive to central bank communications and this was the first time we were coming out with this method to influence the outcome.

When we prepared the speech, I still remember, Rangarajan went through it so carefully that at one place he insisted on inserting the word "end". He said that otherwise if they take one sentence in the press, it can be incomplete. What happened was that though it was intended, the government felt that the fall was too rapid.

The point is that such movements always overshoot and it is better that we have such expectations of depreciation behind rather than ahead. This is like a surgical operation, as they would call it now. We at the RBI felt that it was better to let it (depreciation of rupee) overshoot, solve the issue quickly so that the currency will come back. The government felt that such a rapid depreciation will be disruptive on quite a few balance sheets. Finally, we had to concede to the judgement of the government.

But isn't influencing the market with statements risky as the effect can be disproportionate to intentions? Your experience with the Goa speech and of course, the "taper" comment of Bernanke are good examples.

But why do you think that market operations will be any different. In fact, the effect will be less. In market operations you'll be putting your money also, here you're only putting your mouth! In the former case, once you start, you'll have to decide on where to stop. There's no such locking in here. You're first nudging them with the weapon of suasion and then the choice to intervene is always there. If you start with intervention, the option of suasion is gone.



But in the end if you're forced to intervene in the opposite direction, as it happened in the Goa speech aftermath, what will be the sanctity attached to future attempts of the RBI to influence the market one way or the other? Will the market take you seriously?

I must tell you that after Goa, there were at least two occasions where I also engineered questions to be raised at me!

Why don't you tell us about it?

There was a feeling that there was excessive enthusiasm in the debt markets. So I told my executive assistant, "I hope someone asks this question in the media conference". He used his network and suggested to someone that this question be asked, and it was. I replied and interestingly, this was first time we were attempting this in the debt market.

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I think I said something like "in our view the debt markets are excessively enthusiastic but we're confident that the markets are analysing these..." And then some foreign institutions took positions ignoring our signal. They ended up booking heavy losses. Their bosses later called on us and said "Sir, we told the fellows here that this is a clear central bank signal which is quite common in Europe. But they said no, it's not like that in India." Those that recognised the signal learnt. It's good for everybody to know the signals.

What are your thoughts on the current regime of flexible inflation targeting?

Let's first look at lessons from the globe and then our own history. Globally, before the crisis, everyone said inflation targeting is good, do it. But after the crisis, they introduced the concept of flexible inflation targeting. In our case, our inflation performance is creditable compared to other emerging market economies over the last 30-40 years.

So it's not as if we were indisciplined and required inflation targeting to influence expectations at that point in time. But still, it was sometimes very high and volatile. So the idea that inflation expectations should be contained was accepted. Inflation targeting was also accepted but it was not rigid. That's why I called it self imposed inflation targeting. So when I was Governor, when there was no requirement for mandatory inflation targeting, I said, I'm imposing it on myself to influence expectations.

Now it has been formalised and flexibility has been introduced in terms of the range. So, I cannot oppose the idea that there has to be some kind of a target. The issue now is whether the governor is responsible only for inflation. But the governor of the RBI is responsible for many things and so if he delivers on inflation and muffs up everything else, are we happy?

'If you start with intervention, the option of suasion is gone'

Shouldn't there be more diversity in the composition of the MPC with representatives from industry and banks?

It is a question of what you're looking for from the policy. If you see the RBI board, technically, till the MPC was appointed, it was in charge of the governance. The RBI was to be run under the overall supervision of the Board. The government exercises concurrent powers with the board, not overriding powers. And the Board represented society, economy and money & finance.

But if you've decided one instrument, one target, then it is narrow. For a narrow remit, you can have a narrow technical expertise. At the moment there is lack of clarity because the RBI Act now superimposes the MPC over the RBI.

'The politician should know what my reaction is and if I cannot do something he has the choice. There's no point in getting into a fight.'

But what do you prefer as an expert?

I'm not an expert or anything but I can tell you what the expert said. After the global crisis, Prof. Charles Goodhart, who's considered as *Bhishma pitamaha*, said that there's considerable merit in having full service central banks.

What's it about the RBI that makes whoever occupies the governor's chair, even a bureaucrat, fiercely independent?

Two things. In general, I think you know that where you stand depends on where you sit. The total number of about 40 economists who have gone to Ivy League schools in the RBI is a multiple of the total number of economists in government. Therefore, when you have to depend on professional advice, the amount available in the RBI is impressive.

In recent times, the government has tried to outsource but the problem is that most of them are aligned with financial markets and therefore their public policy approach is different. The RBI's pre-eminent position in policy-making is because the professional advice available at the disposal of the governor is multiple that available in government.

Log on to businessline.in for a longer version of the interview

5 THINGS to WATCH OUT for TODAY

- **Thousands** of farmers are to take out a rally on vehicles from Mandsaur in Madhya Pradesh today to mark one month since the police firing that killed five farmers. Nearly 200 farmers' organisations, under the banner of the Akhil Bharatiya Kisan Sangharsh Samanvay Samiti, have planned the rally, which is expected to be addressed by Patidar leader Hardik Patel.

- **Election** Commissioner Achal Kumar Joti is to take over as the next Chief Election Commissioner succeeding Nasim Zaidi today. 64-year-old Joti was previously the chief secretary of Gujarat when PM Modi was the chief minister.

- **Prime Minister** Narendra Modi is to arrive in Hamburg for the 12th G-20 Summit hosted by Germany today. He would engage with leaders from other G-20 countries on vital issues that have a bearing on economic growth, sustainable development, and peace and stability during the two-day meeting on July 7-8.

- **India** and the West Indies will face off in the fifth and final one-dayer to be played in Kingston, Jamaica, today. The visitors, who lead the series 2-1, slumped to a surprise defeat in the previous match when they fell short of the victory target by 11 runs in a stunning turnaround on a slow pitch.

- **RBI Governor** Urjit Patel is to appear before a parliamentary panel ,which has called him for the fourth time to discuss the demonetisation move. On the previous two occasions, the central bank governor sought exemption saying that he was occupied with the monetary policy.

Kamilla Bjorlin and the art of faking

JINOY JOSE P

THE CHEAT SHEET

Kamilla who?

The lady is a Hollywood actor. According to *The Washington Post*, she has performed alongside the likes of Al Pacino and Anthony Hopkins. She once played the role of an 'evil serpent' in the soap opera *Days of Our Lives*.

That's bio enough; now, tell me why she's in the news.

Well, she's embroiled in a fake news controversy in the US as we speak, and the case could leave some imprints on how business news is created and spread in the country. This week, reports quoted court documents that revealed Bjorlin as the "mastermind" behind a fake news mission. She, allegedly, was paying content creators clandestinely to dish out hundreds of articles and social media posts that said great things about some companies in an attempt to boost their stock prices.

Really?

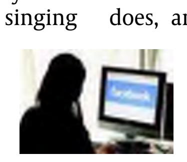
So says the Securities and Exchange Commission (SEC) of the US, the country's stock market regulator, like our own SEBI. The SEC has already taken enforcement actions against dozens of individuals and companies that churned out articles promoting business entities and their products without disclosing that they were paid by the very companies they were merrily singing paeans about.

But how 'successful' have these fake-newsies been?

What the SEC has revealed might surprise you. Take Bjorlin's case. Her firm placed dozens of fake, promotional material across media, eventually boosting the stock price of Galena Biopharma, a small-scale drug maker, by, hold your breath, 925 per cent. Most of these articles appeared on popular online media portals known for their credibility. Just two years ago, the SEC had booked a Scottish trader for tweeting fake news that caused stocks of two companies to plunge. Obviously, the trader tried to profit from the event. The fake tweets cost shareholders over $1.6 million (₹10 crore-plus).

That's terrible!

What matters is the impact these news have on markets at a time when most trades are conducted between machines. Which means these are based on algorithms, which may not be able to read between the lines like a human does, and raise alarms. In the world of algorithmic trades, transactions happen in split-seconds; it is impossible to track and bin fake news and prevent them from swaying stock prices.



Indeed, must be a headache for regulators.

You betcha! Social media throw up several such challenges. Now, several companies offer services such as social media screening and management for businesses. They build extensive networks and pump doctored information to these networks, ensuring that such information spreads fast and wide, culminating in a value-boost for their paymasters. Sure, several genuine players operate in this space, but distinguishing chalk from cheese is a tall order.

Can't agree more.

In fact, this menace becomes more dangerous when you consider that most countries, including emerging nations such as India, do not have a proper social media policy in place. So screening and tracking fake news, and business in particular, is a herculean task. India, where the stock market is on a song these days and where retail investor participation is booming, has a long way to go when it comes to tracking fake business news.

Sometime ago, SEBI had proposed a ban on unauthorised trading tips through SMSes and social media, but nothing came of it. Just this week, SEBI asked for help from telecom regulator TRAI to tackle fake investment tips sent by people claiming to represent brokerage houses such as Motilal Oswal and HDFC Securities. The broking firms had disowned these tips. One hopes there'll be more such measures soon.

A weekly column that helps you ask the right questions

BusinessLine TWENTY YEARS AGO TODAY

JULY 6, 1997

Cabinet approves divestment in 4 PSUs

The Union Cabinet has approved disinvestment in four PSUs — Gas Authority of India Ltd., Mahanagar Telephones Nigam Ltd., Container Corporation of India Ltd. and Indian Oil Corporation. The disinvestment is to be implemented before the end of March 1998. The Union Budget 1997-98 had indicated a realisation of Rs. 4,800 crores during the current fiscal from such divestments.

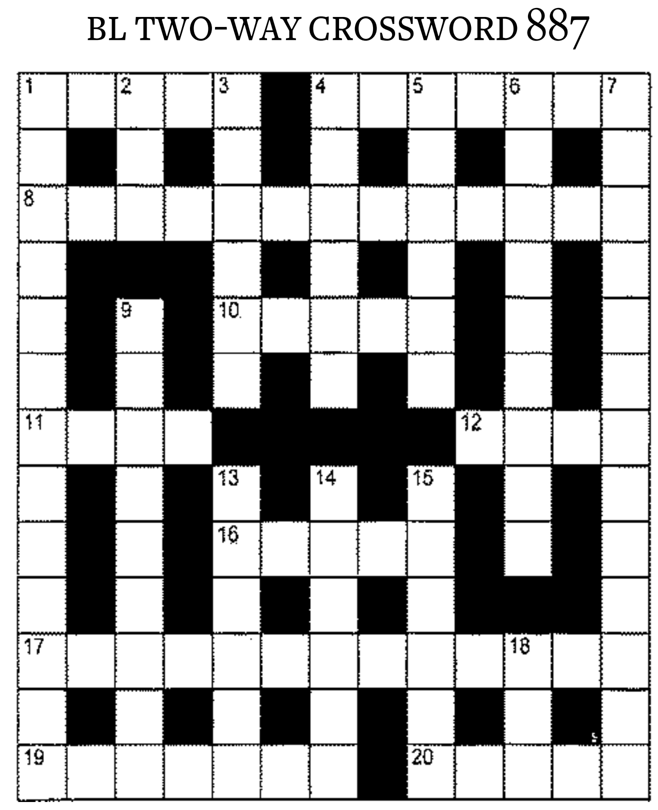
JD splits, Laloo floats new party

The Janata Dal suffered yet another split, the fourth major one since its formation in 1988, with the Bihar Chief Minister, Mr. Laloo Prasad Yadav, and his supporters forming a new party — Rashtriya Janata Dal — and electing him as its President. The Janata Dal Parliamentary Party also split with 16 Laloo supporters in the Lok Sabha deciding to break from the parent party. The parting of ways between Mr. Yadav and opponents of his continuance as the party President was on the cards after he and his followers boycotted the Dal presidential polls. Soon after his election as chief of the Rashtriya Janata Dal, Mr. Yadav announced that his party would remain part of the United Front and continue to support the Gujral Government.

TNEB in fix over fuel-linkage

The Tamil Nadu Electricity Board has decided to terminate only two of the three projects for which it had sent notices to that effect to the promoters on grounds of lack of progress. But the TNEB has not worked out how it will go ahead with the cancellation of the two projects as it is worried about litigation. The three projects were among the 16 for which the TNEB had signed MoUs. The two projects — the 1000-MW gas turbine project at Kattupalli and the 1520-MW project which envisages relocating an oil fired thermal plant — have not yet got fuel linkage.

BL TWO-WAY CROSSWORD 887



EASY

ACROSS

01. Projecting roof-edge (5)
04. Barristers, solicitors (7)
08. Meditating on (13)
10. Small bay, opening (5)
11. Roll, enumeration (4)
12. Offer of goods by auction (4)
16. Set upright (5)
17. Unsmiling (8-5)
19. Was at the wheel (7)
20. Scorch, burn surface (5)

DOWN

01. Showmen extricating themselves from bonds (13)
02. Commercial vehicle (3)
03. Coined money (6)
04. Revers (6)
05. Monetary plenty (6)
06. Cancel, get rid of (9)
07. Forswear alcohol (4,3,6)
09. Speech, conversation (9)
13. Higher in standing (6)
14. Mode of accomplishing (6)
15. Bodies of people employed (6)
18. Tin (3)

NOT SO EASY

ACROSS

01. Part of house one abandons, having lost head (5)
04. Left sawyer to sort it out with the solicitors (7)
08. Cop letting man suffer while thinking about it (13)
10. Coastal feature at home may be leased out (5)
11. Strip from the edge cut from the catalogue (4)
12. It's bargain time for beer after 1st September (4)
16. Put up tree of a sort around top of crescent (5)
17. She'd tragic fat problem she dealt with without a smile (8-5)
19. Was at the helm and may have rested top of elbow in it (7)
20. Make it too hot for genius perhaps to be non-u (5)

DOWN

01. They are bound to find their way out of difficulties (13)
02. The front of a winnowing basket (3)
03. Coined money, pieces of which may be distributed (6)
04. Turned-back parts one could take a spell at (6)
05. The law was responsible for a good deal of money (6)
06. Do away with meat: lie in preparation of it (9)
07. Promise not to drink gin: gets helped to accomplish it (4,3,6)
09. Conversation is so crude in its makeup (9)
13. With higher status one is confused right at the end (6)
14. A way to do them out of it (6)
15. Work forces the county to go short (6)
18. Is able to give one no end of stick (3)

SOLUTION: BL Two-way Crossword 886

ACROSS 1. Panic 4. Tears up 8. Robin Hood 9. Dun 10. Muddles 12. Deny 14. Scandal 17. Away 18. Pungent 20. Ore 21. Garibaldi 23. Slavery 24. Sprig

DOWN 1. Perambulators 2. Nobody 3. Conflict 4. Too 5. Aids 6. Sudden 7. Penny-farthing 11. Sun-up 13. Cannabis 15. Camera 16. Teller 19. Ogee 22. Ray