

The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

Our best investment

To improve educational outcomes, policy must address deprivations in early years of children's lives



VIKRAM PATEL

A CRIMINAL APATHY

Gorakhpur's encephalitis deaths are a test for Yogi Adityanath government. It must reset its priorities

AT LEAST 60 children, many of them encephalitis patients, died in a Gorakhpur hospital last week, 30 of them in the past four days. Reports have described a shortage of oxygen supply to intensive care units in Baba Raghav Das Medical College Hospital where the children were admitted — the UP government has denied that the cut in supply was the cause of the deaths. But encephalitis has been a scourge in Gorakhpur for nearly 40 years — and it has not been addressed by successive governments with the urgency it deserves. According to conservative estimates, 25,000 people have succumbed to it since the disease was first reported in the area in 1978 — more than 50 of them this year, before last week's pestilence. The latest tragedy confirms that the Yogi Adityanath government has treated the festering public health crisis in Gorakhpur — which also happens to be the chief minister's constituency — with the same criminal apathy, even as it seems to have prioritised polarising issues, like setting up anti-Romeo squads and devising patriotism tests for madrasas in the state.

Encephalitis is a viral disease that mosquitoes transmit to humans from pigs. In most cases, it causes a mild fever and headache that recede within a few days. But one in 250 people develop high fever, severe headache and neck stiffness that exacerbates into seizures, paralysis and coma. At times, survivors are left with serious disabilities, mental and physical. In 2006, a study in the journal, *Emerging Infectious Diseases*, pointed out why Gorakhpur is prone to the virulent form of the disease. An abundance of rice fields and a bowl-shaped landscape that allows water to collect in pools create ideal breeding grounds for mosquitoes. Since then, several studies and reports have highlighted the link between poor sanitation facilities, open defecation and encephalitis in eastern UP where Gorakhpur is located. Yet uncovered drains, clogged sewers and garbage-strewn streets remain a common sight in the region. Gonda, which sends a large number of encephalitis patients to the Baba Raghav Das Medical College Hospital every year, has been named the worst performing district in the Swachh Bharat Survey this year.

The hospital, itself an example of all that continues to be wrong with public health management in the country, is the only institution within a 300 sq km area with facilities to treat encephalitis and other infectious disease. Last year, Prime Minister Narendra Modi laid the foundation stone of an AIIMS at Gorakhpur. While the setting up of such an institution is welcome, encephalitis can be best combated by strengthening primary healthcare facilities. Epidemiological studies have shown that lives of encephalitis patients can be saved if they receive immediate treatment from trained doctors and are not forced to travel long distances to access medical care. Last week's tragedy is a grim reminder to the UP government — it has work to do, it must reset its priorities.

STIRRING THE PLOT

The debate over the Lingayat community's religious identity can influence poll outcomes in Karnataka

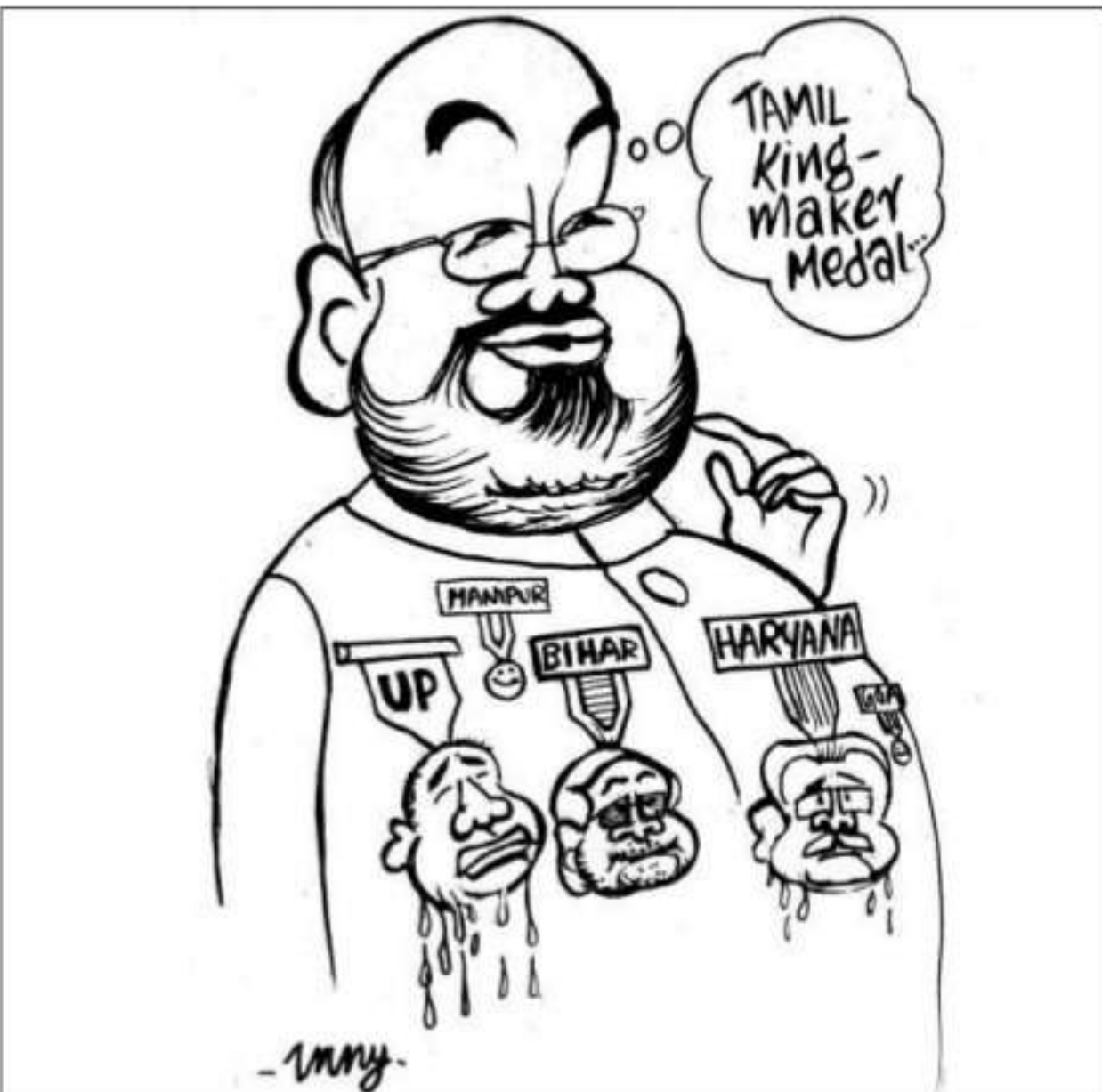
THE MOVES BY a section of the Lingayat community to intensify the demand to be recognised as a separate religious group will have a bearing on politics in a state in which assembly elections are scheduled for early next year. The Lingayats, who constitute about 17 per cent of Karnataka's population, can influence the poll outcome. A meeting organised by community leaders last week resolved to press the claim that the Lingayats have a religious identity independent of Hinduism and that they should be identified as such in the Census. A rally is scheduled on August 22 to take the issue forward.

The Lingayat claim for a separate religious status is not new: The All India Lingayat Mahasabha is said to have passed a resolution to this effect in 1941. The present move, however, seems to be driven by Lingayat leaders associated with the Congress — four state ministers attended last week's meeting. Chief Minister Siddaramaiah has promised government backing if there is consensus on the demand. But the community is split on the issue with an influential section preferring to be identified as a reformist sect within the Hindu fold. This latter view is backed by the BJP, which sees a Congress hand in the demand to categorise the Lingayats as a religious minority. The BJP banks on the Lingayat vote to win the next assembly election. The party lost the 2013 assembly election mainly because B.S. Yeddyurappa, a Lingayat, split the party and won the backing of the community. Yeddyurappa, who supported the separate religious status demand in 2013, has since merged his party with the BJP. The Congress hopes to attract a section of the Lingayats, and expand its social coalition of backward communities, Dalits and Muslims.

Away from its electoral consequences, the Lingayat identity controversy centres on complex questions like who is a Hindu and what constitutes Hinduism. Basavanna, who lived in the 12th century, proposed a casteless, egalitarian society in his poetry (*vachanas*) and worked to realise it. In one view, he is a Hindu social reformer, a part of the Bhakti movement that challenged the institution of caste. Others argue that the Lingayat order, considering its anti-caste vision, is distinctly different from Hinduism, which accepts a social order based on caste hierarchy. While the debate is unlikely to be resolved soon, it has stirred the political cauldron in Karnataka in the short term.

FREEZE FRAME

E P UNNY



THE GOVERNMENT RECENTLY reviewed the section of the Right of Children to Free and Compulsory Education (RTE) Act which stipulated that "no child admitted in a school shall be held back in any class or expelled from school till the completion of elementary education", which covers Classes 1 to 8. This decision, which now permits states to impose examinations which can detain, and presumably expel, children during elementary education, has been welcomed by many teachers because the automatic promotion of students was leading to large numbers of students landing up in Class 9 without basic learning abilities. This, in turn, doomed them to failing the Class 9 examinations and ultimately triggering drop-out.

It is presumed that detection of learning under-achievement during elementary education will trigger efforts by students, and, one would hope, their teachers, ultimately improving educational outcomes. But besides the obvious pedagogical reasons such as large class sizes and the focus on rote learning, there is one major reason why this sudden change of policy is unlikely to reap the dividends the government and educational community hopes for: It is happening far too late in the life of the child.

The latest report of the Annual Survey of Education, published last year, and based on assessments of basic abilities of reading, writing and arithmetic of over five lakh rural children, offered a glimpse into the scale of the challenge confronting India. While 95 per cent of children aged 6 to 11 years were enrolled in schools, a large proportion of children were simply not learning. Nationally, less than half the children in Class 3 were able to read a Class 1 level text, a figure which had shown virtually no improvement since 2011. One of every four children enrolled in Class 8 could not read at Class 2 levels. Just over a quarter of Class 3 children could do a two-digit subtraction and a similar proportion of Class 5 children could do simple division.

Will the new detention policy lead to these staggering numbers of India's children being held back? And, if so, are schools adequately resourced to support these students'

learning needs to help them clear the examinations?

What is also clear from these grim figures is that a huge proportion of India's children, exceeding 50 million in a recent estimate, experiences fundamental limitations of learning abilities which have their roots well before they even enter primary school. In short, their intellectual capabilities, a direct outcome of the level of cognitive development of the brain, have been blighted by enormous deprivations in the early years of their lives. These deprivations are mostly the direct result of poverty, from the lack of adequate nutrition which leads to bodies, and minds, being stunted, to the lack of a responsive parenting environment due to the enormous economic and social barriers experienced by their parents, in particular their mothers. We now know that the brain is exquisitely sensitive to the environment, and toxic influences ranging from the lack of essential nutrients to the lack of essential stimulation, adversely impact the architecture and function of the developing brain. A vast proportion of India's children who are failing to learn in school were already condemned to this fate before they entered school.

This loss of human potential threatens a perfect storm for a country with the largest number of children in the world and a global economic environment in which entire segments of employment — in particular in the service sector, which is often the only opportunity to those who do not complete school — are being replaced by digital technologies. The future looks truly bleak for tens of millions of our children who are, in effect, doomed to a life of servitude or unemployment even before they have stepped into school, perpetuating the transmission of poverty from their parent's generation to their own.

The good news is that, just as the brain is damaged by harmful environments, the "plastic" nature of this most precious organ of our body can overcome these challenges when provided with a nurturing alternative, one where both the primary emotional and physical needs are met. Some of these are fi-

nally being addressed on a war-footing, for example through improvements in sanitation and hygiene by the eradication of open defecation.

But beyond the attention to physical health, we must act on the need that young children have for intellectually and emotionally nurturing environments, through providing adequate support and information to the care-givers of young children to stimulate them through play, building parent skills to be responsive and non-punitive, and providing affordable and appropriate pre-school child education and high quality engaging primary education.

A few years ago, the World Bank referred to the development of young children as "one of the best investments that countries can make" because a child's earliest years presented "a unique window of opportunity to address inequality, break the cycle of poverty, and improve a wide range of outcomes later in life". A key philosophy was that children should be intellectually "ready" for primary school. While India was amongst the earliest countries to acknowledge the importance of this investment through the Integrated Child Development Scheme launched in 1975, the observations on learning abilities are testimony to the limited success of this scheme. Further, the scheme is almost entirely facility-based, missing the enormous opportunity to provide nurturing environments in the homes of young children.

As we celebrate the fact that India's children now survive in unprecedented numbers, we must turn our attention to giving every child the opportunity to thrive so that they ultimately become capable adults who not only attain their own dreams, but also contribute to the development agenda of the nation. For this to happen, we will need a massive and renewed national commitment to investing in the earliest years of a child's life.

The writer is the Pershing Square Professor of Global Health at Harvard Medical School and affiliated with Sangath and the Public Health Foundation of India



PRANAV CHANCHANI AND YASH SHETHIA

THE SUNDARBANS WAY

What Pilibhit Tiger Reserve can learn from its Bengal counterpart

DISQUIET HAS GIVEN way to clamour in the fields around Pilibhit Tiger Reserve (PTR) in Uttar Pradesh. At the heart of this clamour is an unfolding tragedy, as one or more tigers continue to claim human lives. Fifteen people have lost their lives since last November. Villagers have blocked highways and traded charges with forest managers. But the solutions considered thus far to mitigate the human-animal conflict in Pilibhit have been mostly poorly thought out.

Misconceptions around the human-tiger interface in PTR are widespread. For instance, it has been reported in a section of the media that unlike other tiger habitats, humans live "cheek by jowl" with big cats in Pilibhit, and thus routinely fall victim to them. Another theory is that the area's tigers, being unaccustomed to humans, have taken to attacking them. Another theory pins the blame on the emergence of a population of man-eating tigers. Some contend that Pilibhit's tiger population has doubled since its designation as a reserve three years ago, and therefore the big cats are spilling out into farmlands in search of habitat and prey. Until its creation in May 2014, the area today that constitutes PTR was one of north India's most productive timber-yielding reserve forests. Logging crews and local residents, grazing their cattle or harvesting minor forest resources frequented the reserve on a daily basis. Given this, Pilibhit's tigers are likely to be accustomed to human presence. Many generations of the region's human population have also lived in close proximity to tigers — presumably today's residents of the

region are also well aware of the perils of venturing into the forest after dark, and of other basic precautions they need to take when living in the vicinity of tigers.

Pilibhit is among the narrowest tiger reserves in India, and in many areas, fields along the edge merge with the forests. These fields, especially when seen from the eyes of a wild feline, are grasslands, extensions of natural habitats and corridors. They hold water because they are well-irrigated, and shelter pigs and hog deer and are thus attractive for wild carnivores. These farmlands have replaced expansive tracts of forest and riparian habitats, with land-use change that began in the colonial area. The presence of tigers in these farmlands is thus neither novel nor unexpected. For the most part, they move through such areas, silent and unseen under cover of darkness, avoiding humans, light and noise.

Data also does not support the claim of a rapidly growing tiger population in PTR. Instead, the population has fluctuated greatly since 2010, and is characterised by high turnover (where the same tigers are not seen from one year to the next) and moderate adult survival. The occurrence of a large tiger population, a dense human population within five kilometres of the forests' edge, extensive sugarcane cultivation and the forests' narrow geography do increase the potential for the spatio-temporal overlap of humans and tigers.

It is also untenable that Pilibhit's tiger population is biologically predisposed to preying on humans, more than any other

tiger population. Recent attacks on humans in and around PTR could primarily be attributed to one or two animals that could be young individuals in marginal habitats without territories, older individuals with disabilities, or those with debilitating injuries. Conflict mitigation in PTR needs to shift from a case-by-case response to a cohesive and coordinated approach. There are lessons to be learnt from the Sunderbans in West Bengal where tiger attacks on humans are managed on a regular basis. The state has evolved mechanisms to identify and relocate the conflict-causing tiger(s). It has also established quick response teams to ward off straying tigers and aid in their capture, when necessary.

Following the Sunderbans' example, PTR's administration should take steps to build rapid response teams comprising wildlife veterinarians, forest department staff, and local volunteers trained to contain conflict-prone animals and engage irate crowds. The local police too needs to be integrated into these response teams and assist in crowd control. Educators and public health professionals need to engage communities to enhance their preparedness for conflict and reduce casualties.

The proposed solution to fence the tiger reserve is not feasible. Fencing in tigers and their natural prey will lead to new problems. These will limit animal dispersal and may increase conflict in the long-run.

The writers are with the WWF

AUGUST 14, 1977 FORTY YEARS AGO



INDIRA IN BELCHHI

FORMER PRIME MINISTER Indira Gandhi, in Bihar on a two-day visit, visited Belchhi, the village where 11 persons including eight Harijans were killed in May. On reaching the impassable stretch of the road between Harnaut and Belchhi, she refused to be argued out of her decision to proceed further. This happened after the jeep hitched to a tractor got stuck in the slush. A composed tusker stood by. She looked at it intently. In less than a minute, the elephant docilely squatted. She lost no time in getting on to its back from the rear. Pratibha Sinha, MP, was helped on to it, as misgivings flushed her face, to accompany Mrs Gandhi.

EDITORS GUILD

ABOUT 30 LEADING editors from all over India announced the formation of the Indian Editors Guild. The aims and objects of the guild are to uphold the freedom of the press, to work for improvement of the professional standards in the print and other media, and to preserve the independence of the editor. An announcement issued by the joint conveners, S. Sahay and Nikhil Chakravarty, says the guild had been set up to provide an opportunity for editors to discuss professional problems such as press freedom, ethics and standards and the rights of readers. Among its sponsors are B.G. Verghese, Ajit Bhattacharjee, Nikhil Chakravarty, Inderjit,

K.R. Malkani, Kuldeep Nayar, C. Raghavan, S. Sahay, Sham Lal, Kalpana Sharma, Romesh Thapar, V.K. Narasimhan, S. Nihal Singh and S.H. Vatsyayan.

AIR, DD AUTONOMY

AN 11-MEMBER working group will examine the government's proposal to convert AIR and Doordarshan into autonomous institutions. Headed by B.G. Verghese, the group will submit its report within three months. working group consists of Verghese (chairman), V.G. Rajadhaksha, Malcolm Adiseshiah, Chanchal Sarkar, P.L. Deshpande, Umashankar Joshi, and A.G. Noorani among others.

13 THE IDEAS PAGE

Plan for the agri-futures

The futures market is one way to ensure that farmers' planting and selling decisions are forward-looking. It can help smoothen the boom and bust problem in agri prices



FROM PLATE TO PLOUGH
BY ASHOK GULATI AND TIRTHA CHATTERJEE

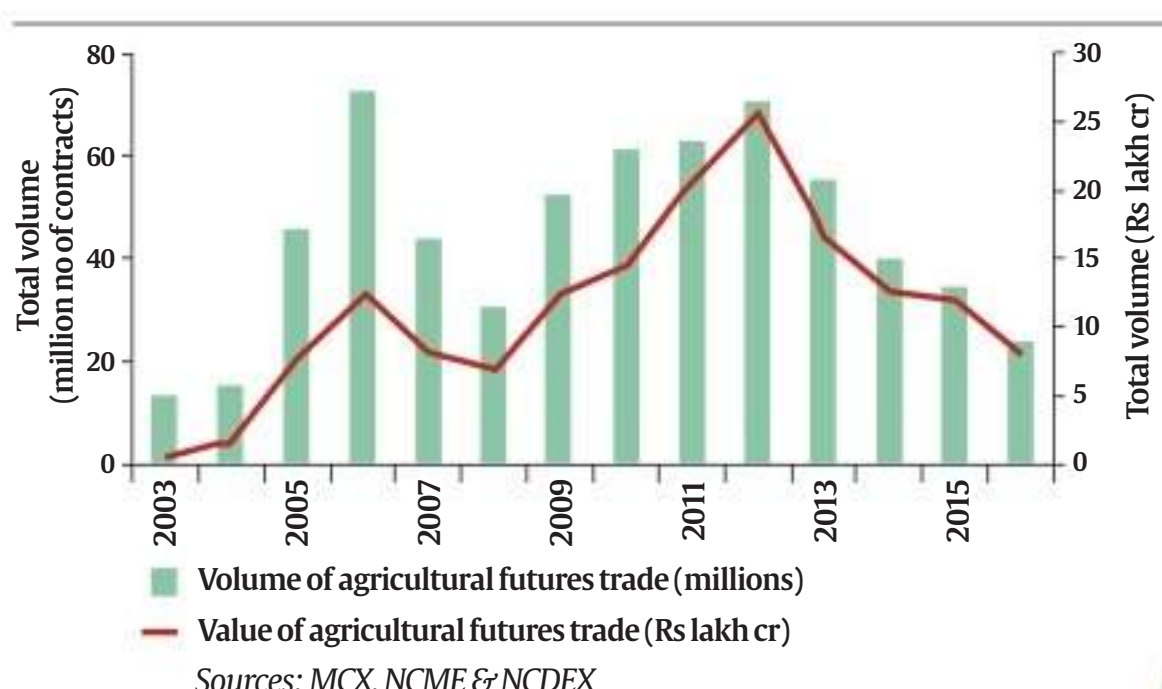
EVEN AFTER 70 years of Independence, the marketing system for agri-products remains un-supportive to farmers. They can't discover and realise the best prices possible for their produce across space and time as markets are not sufficiently integrated. They sell in local markets where prices bust in case of bumper harvests, as happened in the last few months, not only for potatoes and onions but also for most pulses and oilseeds. The e-NAM aims to create an all-India spot market by creating an electronic platform.

However, for transactions to take place across mandis and states, one has to do much more than installing a simple software. It needs assaying, grading, sorting, storing, delivering and settling disputes with respect to each transaction. Despite the good concept of e-NAM, creation of an all-India spot market for farmers is still at least five years away, if not more. If the government wants to do it faster, there could be some lessons from India's nascent and China's well-developed futures markets.

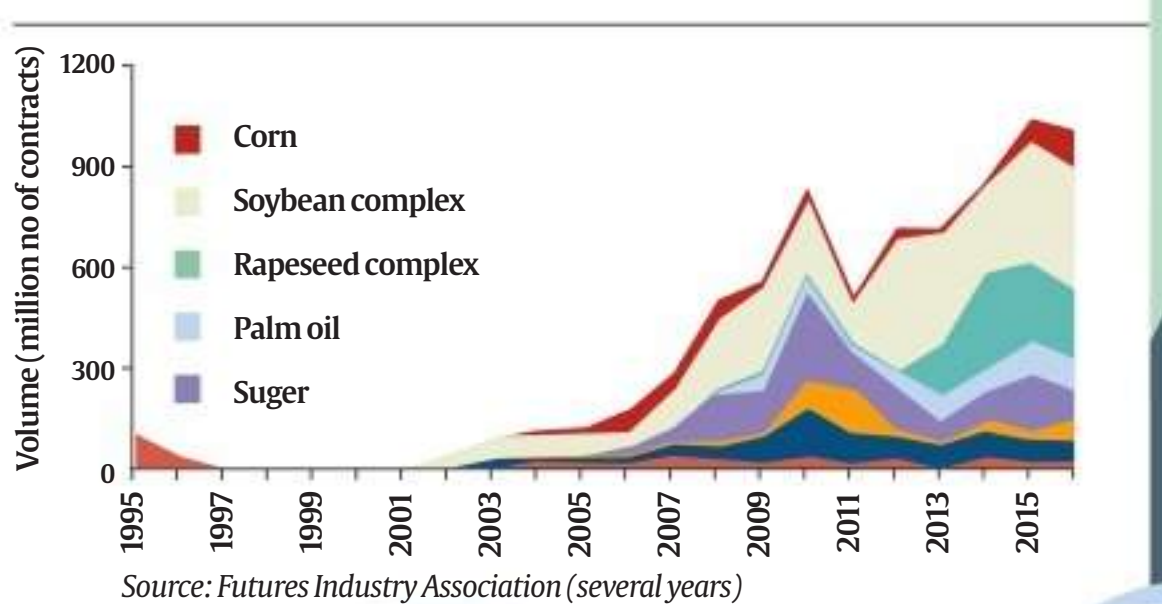
The agri-futures market is one way to ensure that farmers' planting and selling decisions are forward-looking, and not based on past prices. This can help smoothen the typical boom and bust problem in agri-prices. However, there are two key problems with Indian agri-futures: One, they are often disrupted by sudden bans or suspensions by the government as many policy-makers have a deep mistrust in the functioning of these markets; and two, very few farmers or farmer producer organisations (FPOs) trade on futures, which in turn reinforces the mistrust of policymakers. No wonder, the overall size of agri-futures in India remains trapped at low levels, and the most worrying part is that since 2012, it has been tumbling down (see Figure-1). Although the onus of reviving this trend largely lies with agri-commodity exchanges and the regulator, it may be worth looking at the Chinese experience in this context, and see if anything useful can be learnt.

Interestingly, India recorded the first trade in futures in 1875 in cotton in the Bombay Cotton Exchange, just 10 years after the first trade was consummated in USA. But India's agri-futures could not develop much due to a series of suspensions around the Second World War in view of the shortage of essential commodities. This mindset continued post-Independence, and only pepper and turmeric were allowed to trade in 1977. However, it was the bold vision of Prime Minister Atal Bihari Vajpayee that in 2003 three national exchanges were set up and all commodities were allowed to be traded in futures markets. But since 2003, 15 commodity futures were suspended, leading to uncertainty in the market. Despite there being sufficient evidence that spot prices broadly converge with future prices, there remains a mistrust in commodity futures among policymakers. No wonder, agri-futures remained at low levels, forming only 2 per cent of 1.6 billion global agri-futures contracts during the triennium aver-

VOLUME AND VALUE OF AGRICULTURAL FUTURES TRADE IN INDIA



AGRI-FUTURES TRADE IN CHINA



age ending (TE)-2016.

In comparison, look at China, which started in the early 1990s, and by TE 2016, it was the largest player in global agri-futures contracts with a whopping share of 69 per cent. (Figure 2). What is the secret of Chinese success? China also did a lot of experimentation in the early years, starting as many as 33 commodity exchanges in 1993, but many of them had to be shut down by 1998, and several commodities suspended. One of the key lessons that China learnt from CBOT experts of the US was that a spot or wholesale market of sufficient size and efficiency has to be developed before establishing a vibrant futures market.

The other takeaways from the Chinese success in agri-futures are: One, state participation in the futures markets through the State Trading Enterprises; two, no abrupt suspensions of commodities; and three, focus on choice of commodities, which are not very sensitive from the food security point of view. As one can see in Figure 2, the Chinese volume of contracts is much higher in soya, mustard, and corn complexes, which are basically for feed. Palm oil, sugar, cotton and rubber are other commodities that China imports in large volumes, and they are not part of the core food security basket.

So, what is the lesson for our regulator and commodity exchanges? The key lesson is: Pick the commodities carefully, and deepen their markets first. SEBI has tried to come up with some indicative criteria in the choice of commodities to be developed for futures markets, but the basic distinction between feed and food commodities is miss-

India recorded the first trade in futures in 1875 in cotton in the Bombay Cotton Exchange, just 10 years after the first trade was consummated in USA. But India's agri-futures could not develop much due to a series of suspensions around the Second World War in view of the shortage of essential commodities. This mindset continued post-Independence, and only pepper and turmeric were allowed to trade in 1977. It was the bold vision of Prime Minister Atal Bihari Vajpayee that in 2003 three national exchanges were set up and all commodities were allowed to be traded in futures markets.

ing. And it is here that the Chinese experience is relevant as they first tried to develop futures in commodities that are non-sensitive from the food security point of view.

In this context, in a larger paper with Siraj Hussain, former Secretary, Agriculture, we carried out a Principal Component Analysis taking several commodity parameters into account with a view to identifying the most promising commodities for futures markets. Our results show that commodities with the highest potential for futures trading are either feed material (soybean meal, rapeseed meal, maize) or fibre (cotton), followed by spices and edible oils. Basic staple food items like rice, wheat, and even pulses get a low ranking due to their food security concerns. India being now the largest importer of edible oils, especially palm and soya oils, these are promising candidates for agri-futures provided global players are allowed to trade in these.

It is thus obvious that a well thought-out strategy to pick the right commodities is a better way to develop agri-futures rather than a frequent stop-go policy. The trust in commodity futures will enhance once more FPOs start trading on agri-futures, and they start gaining directly or indirectly from agri-futures. SEBI can help incentivise the participation of FPOs on the futures trading platform, but the real onus lies with agri-commodity exchanges, and it is here that the progress has been extremely slow.

Gulati is Infosys Chair Professor for Agriculture and Chatterjee is Research Associate at ICRIER

WHAT THE OTHERS SAY

"Mr Jinnah's vision of a secular, constitutional democratic state focused on the welfare and material good of its people has itself fallen victim to hate and distortion."

—DAWN

Chinese dream, Indian slumber

Doklam points to the need for a larger response – that takes into account China's growing ambitions



DEEPENDER HOODA

THE STAND-OFF WITH China in Doklam is not about who blinks first, it is about a much broader game India has always been a part of. We need to understand what is motivating China in initiating these flare-ups and how we can protect Indian interest. The increasingly aggressive Chinese foreign policy is primarily driven by two factors: A build-up of nationalistic fervour in domestic politics and the Chinese economy's hunger for new markets. Soon after taking over as the General Secretary of the Central Committee of the Communist Party of China, in 2012, Xi Jinping spoke of the "Chinese dream," a term that, among other things, referred to national glory. Soon after he took over as the Chinese president in 2013, Xi undertook efforts to expand the Chinese footprint worldwide.

These "nationalistic" efforts have also resulted in sparking conflicts with inconvenient neighbours. Since 2014, we have seen a pattern: From the PRC's escalating tensions with the Philippines and Vietnam in the South China Sea to increasing conflict with Japan over Senkaku Islands in the East China Sea, from the downturn in relations with South Korea over Seoul's deployment of US THAAD (Terminal High Altitude Air Defence) to the tensions over Doklam. Interestingly, each time a conflict arises, the state-run Chinese media drums up patriotic war-rhetoric. A strong nationalist sentiment helps Xi consolidate and look beyond just the next term, which looks certain now. With five of the seven members of the Politburo Standing Committee set to retire at this year's Congress, President Xi is looking to consolidate his hold by getting loyalists like Wang Huning into the PB.

Economically and geo-strategically, Xi's "Chinese Dream" is manifesting itself in the "project of the century", the One Belt One Road (OBOR) initiative. The project, announced in 2013, is estimated to cost around \$900 billion. It aims to connect 60 per cent of the world's population from China to Europe in a web of roads, high-speed rail, power lines, ports, pipelines and fiber-optic lines with the goal of stimulating growth in the scores of developing countries that lie en route. Its total estimated cost is less than a third of the \$3 trillion foreign exchange reserves China holds and slightly less than the \$1 trillion held in the US treasury bills. Apart from politics, there are hard economic compulsions driving OBOR. Unlike India, which remains a consumption-led economy, the Chinese economy has been largely driven by capital investments and exports, which together constitute about two-thirds of its GDP while domestic consumption accounts for the remaining one-third.

Since the global financial crisis of 2009, the Chinese economy is confronting the twin problems of falling global demand for its ex-

ports and an internal bubble of having invested into over-capacity. China realised that it could not continue to invest more domestically without this bubble bursting and that it couldn't only rely on traditional world markets like the US/Eurozone with global demand failing to pick up. It needed new markets for its exports and for making investments, hence OBOR. It is not OBOR's grandeur but rather the speed with which it is engulfing the entire Eurasia that is catching everyone by surprise.

Bangladesh signed up for OBOR in October 2016, Nepal in May 2017 and Sri Lanka, already a signatory to OBOR, signed the Hambantota port deal with China last month. The deal gives the Chinese 70 per cent stake in the port at an expected cost of \$1.2 billion, but China does not have to pay anything as they have converted part of their \$6 billion loan to Sri Lanka into equity. The Hambantota port is crucial to the Maritime Silk Road because it will connect China to Europe, via Mombasa in Kenya, and the Suez Canal to Europe and beyond. Pakistan, one of China's close allies, is busy changing its Constitution by recognising the illegally occupied Indian territory of Gilgit Baltistan as its fifth province to facilitate OBOR projects. The China Pakistan Economic Corridor (CPEC), being expanded at a cost of \$1.62 billion, is also part of OBOR, aiming to open up development possibilities in the landlocked western parts of China.

To our government's credit, we have not played along with China on OBOR. This, as well as our growing strategic engagements with the US, has irked China which was looking for an easy "Ahmedabad jhoola" ride to further its strategic interest – sugarcoating it with some OBOR economic deals.

Even an angry China would not want a full-scale war with India because of the possible collateral consequences. However, it is also clear that it wants to keep India suitably engaged for at least three reasons: First, to provide steady fuel to domestic patriotic rhetoric; second, to put pressure on India to play ball on OBOR; and finally, to ensure we are not able to use our geo-strategic advantages to build a strong international alliance against global Chinese dominance, especially in view of our increasing strategic engagements with the US and Japan.

Not joining OBOR is not enough. Time has come to clearly spell out a broader strategy on China. Nothing in Sushma Swaraj's statement in the Rajya Sabha in the first week of August indicated that the Narendra Modi government sees the big picture on China. In stark contrast to the BJP's fierce political rhetoric on China during the 2014 election campaign, Sushma laid down the timeless virtues of "bhasha sayyam" in the Rajya Sabha. Is unilateral "bhasha sayyam" on Doklam standoff in the face of war-rhetoric by PRC an adequate response?

With the US distracted by domestic issues, Japan still reeling from stagflation, Russia hit by low oil prices and Eurozone engaged internally post-downturn with questions on Greece turmoil, immigrants and Brexit, the key question that remains unanswered is: Can the world afford to ignore a China looking to dominate a unipolar world? And can we?

The writer is a Congress MP



NEXT DOOR NEPAL
BY YUBARAJ GHIMIRE

Delhi's course correction

Hints of a retracing of steps on India's patronage to radical agendas

NEPAL AND INDIA need to enhance connectivity and bring the two sides closer, including the minds of people, Prime Minister Sher Bahadur Deuba told Sushma Swaraj, India's external affairs minister, during their 20-minute group meeting on Wednesday, which was followed by a one-on-one that lasted 10 minutes.

That one sentence reflects the current state of bilateral relations, a legacy of civilisation, culture, history and geography both sides have actively undermined in the past decade. Swaraj, who was in Kathmandu to attend the BIMSTEC ministerial-level meeting, spent a substantial part of her two-day visit with Nepali actors including Deuba. The message she tried to convey was India wanted a constructive engagement with Nepal and erase the image of an "external micro-manager".

Swaraj told Deuba that Prime Minister Modi was eager to welcome him in India. Her advice to the Madhesi leaders, all of them from the Rastriya Janata Party, which is now unhappy with both Delhi and Kathmandu, was to participate in the local bodies poll that is to be followed by elections to the provinces and the federal parliament between mid-September and late January next year.

Deuba said these elections will be crucial milestones – proof of the execution of the

constitution that India officially has only "taken note of" and not welcomed. The participation of the RJP in the election at India's behest marks a reversal of its earlier policy of poll boycott, which too was backed by Delhi. Delhi's change of course on the Madhesi stance could be a tactical decision and not a complete rejection of its previous stand. It may have been influenced by the stand-off with China and the realisation in Delhi that the unprecedented level of anti-India feeling in Nepal could become counter productive.

The Indian stance on the constitution and the economic blockade that followed the Madhesi protests after September 2015 are the two issues that created the anti-India feeling in Nepal. The crisis also allowed key Nepali actors to push through the hastily prepared constitution without following due process.

Less than 20 months after the statute was promulgated, the CPN (Maoist Centre), the second largest party in the ruling coalition and the third largest group in parliament, fears that the Nepali Congress headed by Deuba and the main Opposition, the CPN-Unified Marxist Leninist, may gang up to restore the monarchy and Nepal's Hindu nation status. "If they get a chance, they will bring monarchy back. But they will first declare Nepal a Hindu country again," CPN (Maoist Centre) head and for-

mer PM, Pushpa Kamal Dahal said recently.

The development indicates the growing distrust among the ruling coalition partners, the Nepali Congress and the Maoists. Dahal's apprehensions may also have to do with Deuba's India visit next week and Delhi's visible rollback of its support to the radical agenda of forces like the Maoists. During their visits to Delhi prior to the promulgation of the constitution, both Dahal and Deuba were advised by senior BJP leaders and authorities in the government to at least avoid mentioning Nepal as a "secular country" if restoring the "Hindu status" was not immediately possible. The CPN (Maoist Centre) had vetoed such a move. But with radical political parties and their agenda losing public support, and India reluctant to patronise them, Nepal's politics and constitution may be in for big changes.

The Nepali people were denied a role in "deciding" crucial issues, including whether the country should stay with the monarchy or opt for republicanism, adopt federalism or a decentralised unitary system of governance, turn secular or continue as a Hindu state. This is the singular reason for the people's lack of ownership in the current constitution. Much of the radical agenda originally belonged to the Maoists, but was adopted by the leadership of the Nepali Congress and the Madhesi

groups when all three outfits got to share power after 2006. The period after the adoption of the radical agenda saw Nepali political actors and Indian abas micro-managing Nepal's politics. This phase destabilised Nepal and cost India the goodwill it used to command.

Swaraj also met Madhav Nepal, former PM and leader of UML, a party perceived to have pushed Nepal into China's lap when its chief K.P. Oli was the PM. Both leaders agreed that there was a great need to dispel the "mis-understandings" that cloud the bilateral relations. For that to happen, India will have to persuade the top Nepali political actors – the Nepali Congress, Maoists, UML and Madhesi groups – to review the radical agenda they adopted under India's mediation in November 2005, and involve people directly in settling the issues once and for all. If India asks for a larger role for Nepali people in shaping the political course and the constitution, not only will the political process and the statute gain in credibility but a fair amount of the negative feelings towards India will also be dispelled.

If Swaraj's outreach is the sign of a new beginning, Nepal-India relations can hope to be on the right track in the near future.

yubaraj.ghimire@expressindia.com

LETTER TO THE EDITOR

CORRECT SCIENCE

THIS REFERS TO the editorial, 'Scientific distemper' (IE, August 8). The demand for greater scientific temper and funding are correct. Second, though the sincere pursuit of any body of knowledge is surely, as the article claims, a long process requiring a certain optimal distance from societal, political, financial concerns and even "immediate developmental goals". These concerns cannot be severed from the pursuit of knowledge as knowledge bodies are integrated systems where activity in one affects the rest, often imperceptibly but indelibly. Third, for a country low on human development indices witnessing new socio-economic dynamics post liberalisation, a neglect of its "immediate development needs" can be apocalyptic. Therefore, the institution most responsible to deliver these immediate goals – the state – seeking to enlist the energies of the scientific academy towards this aim is not unwarranted. Fourth, it is also necessary that we do not stifle fundamental research by becoming subservient to either industry or immediate development needs.

Charu Vaid, Lucknow

DEBATING AN ARTICLE

THIS REFERS TO the editorial "Do not touch" (IE, August 11). This is most inappropriate time to think of abrogation of Article 35A and article 370. If these two articles are removed, the sepa-

LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian Express offers the Letter of the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to editpage@expressindia.com or sent to The Indian Express, B-1/B, Sector 10, Noida-UP 201301. Letter writers should mention their postal address and phone number.

THE WINNER RECEIVES SELECT EXPRESS PUBLICATIONS

ratists and mainstream Kashmiri political parties, National Conference and the PDP will be on same page.

AS. Dandekar, Mumbai

ARTICLE 35A WAS supposed to be a temporary provision at the time of accession of Jammu and Kashmir to the Union of India. The Article is also a reason for the state's backwardness.

Amal B. Krishna, Kochi

14 EXPLAINED



SOCIAL INTELLIGENCE

To all the generals surrounding our idiot-in-chief...the longer U wait to remove him, the longer UR name will appear negatively in history.

CHELSEA HANDLER, comedian (7.59 million followers), was criticised for what appeared to be a call for a coup. Among Donald Trump's key advisers are Defence Secretary Gen James Mattis, National Security Adviser Lt Gen H R McMaster and Chief of Staff of the National Security Council Lt Gen Keith Kellogg.

Understanding RBI-govt surplus transfer: why, how, how much

The central bank has said it will transfer Rs 30,659 crore to the govt in 2016-17, half of the Rs 65,876 crore it gave in 2015-16. Who decides the amount? How is it important? SHAJI VIKRAMAN explains

ON THURSDAY, the Reserve Bank of India (RBI) said it would transfer Rs 30,659 crore to the government as surplus for 2016-17, less than half of what it had given the preceding year — leaving analysts and economists guessing the reasons for the lower payout. Unlike the banks it regulates, RBI isn't a company or an organisation that announces a dividend. So how is the transfer of its surplus worked out?

How does a central bank like the Reserve Bank of India (RBI) make profits?

The RBI is a "full service" central bank — not only is it mandated to keep inflation or prices in check, it is also supposed to manage the borrowings of the Government of India and of state governments; supervise or regulate banks and non-banking finance companies; and manage the currency and payment systems. While carrying out these functions or operations, it makes profits. Typically, the central bank's income comes from the returns it earns on its foreign currency assets — which could be in the form of bonds and treasury bills of other central banks or top-rated securities, and deposits with other central banks. It also earns interest on its holdings of local rupee-denominated government bonds or securities, and while lending to banks for very short tenures, such as overnight. It claims a management commission on handling the borrowings of state governments and the central government. Its expenditure is mainly on the printing of currency notes and on staff, besides the commission it gives to banks for undertaking transactions on behalf of the government across the country, and to primary dealers, including banks, for underwriting some of these borrowings.

What is the nature of the arrangement between the government and RBI on the transfer of surplus or profits?

The RBI isn't a commercial organisation like the banks or other companies that are owned or controlled by the government — it does not, as such, pay a "dividend" to the owner out of the profits it generates. Although RBI was promoted as a private shareholders' bank in 1935 with a paid up capital of Rs 5 crore, the government nationalised it in January 1949, making the sovereign its "owner". What the central bank does,

therefore, is transfer the "surplus" — that is, the excess of income over expenditure — to the government, in accordance with Section 47 (Allocation of Surplus Profits) of the Reserve Bank of India Act, 1934: "After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation fund [and for all other matters for which] provision is to be made by or under this Act or which are usually provided for by bankers, the balance, of the profits shall be paid to the Central Government." The Central Board of the RBI does this in early August, after the July-June accounting year is over.

Does the RBI pay tax on these earnings or profits?

No. Its statute provides exemption from paying income-tax or any other tax, including wealth tax. Section 48 (Exemption of Bank from income-tax and super-tax) of the RBI Act, 1934, says: "Notwithstanding anything contained in [the Income-Tax Act, 1961], or any other enactment for the time being in force relating to income-tax or super-tax, the Bank shall not be liable to pay income-tax or super-tax on any of its income, profits or gains."

Why is the transfer of surplus significant to the government?

The quantum of surplus transferred over the past few years has been large. In 2015-16, the RBI passed on Rs 65,876 crore, which formed a sizeable chunk of the revenue which the government earns under the head of 'non-tax', which is mainly dividends. This was much more than the surplus generated by banks and other companies owned by the government. The quantum of RBI transfers has in fact, been rising progressively, and has helped the government narrow its deficit or borrowings. That is why the halving of the 2015-16 surplus this year — from Rs 66,000 crore to Rs 31,000 crore — has raised concern in the markets over the possible impact on the government.

But why was the surplus lower this time?

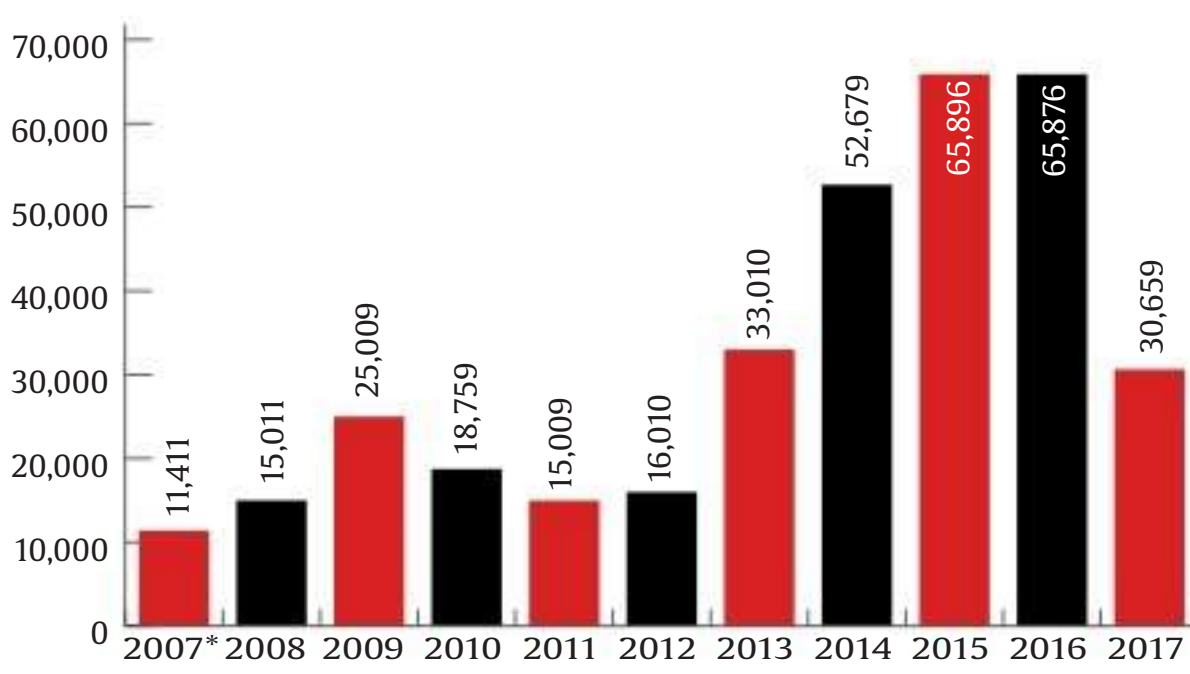
A clear picture will emerge later this month when the RBI releases its annual report. For now, the reasons that are being given are: the possibly lower returns on the

SHARING 'DIVIDEND' WITH 'OWNER'



RBI Governors (from left) D Subbarao, Y V Reddy, Bimal Jalan and C Rangarajan in Mumbai in September 2010. All Governors have faced demands for higher surplus payouts from governments. Pradeep Kocharekar/Express Archive

ANNUAL RBI TRANSFERS TO GOVT (In Rupees crore)



*In 2007, RBI sold its holding in SBI to the government. Including the profit from the sale of these shares, it transferred a total Rs 45,719.60 crore that year. Source: RBI Annual Reports

RBI's overseas investments due to low global interest rates (even though it was low at 1.29% in 2015-16, too); and increased costs on account of liquidity management (the interest it has to pay to banks when there is excess liquidity and it conducts 'reverse repo auctions'), especially after the demonetisation exercise of November 2016. The surplus available will also be lower if the RBI has made provisions to set aside some funds for specific purposes.

How does the government build this surplus into its Budget early in the year?

Well before the annual Budget is unveiled (the exercise was brought forward to February 1 this year), senior RBI and government officials discuss the likely amount which could be transferred. Typically, the government pitches for a higher share of the surplus while the central bank sometimes prefers to set aside funds for contingencies. Based on these talks, and calculations such as likely income and earnings, an indicative figure is given to the government, which it puts under the head 'non-tax revenue' in the receipts budget.

Is there an explicit policy on the distribution of surplus?

No. But a Technical Committee of the RBI Board headed by Y H Malegam, which reviewed the adequacy of reserves and a surplus distribution policy, recommended, in 2013, a higher transfer to the government. Earlier, the RBI transferred part of the surplus to the Contingency Fund, to meet un-

expected and unforeseen contingencies, and to the Asset Development Fund, to meet internal capital expenditure and investments in its subsidiaries in keeping with the recommendation of a committee to build contingency reserves of 12% of its balance sheet. But after the Malegam committee made its recommendation, in 2013-14, the RBI's transfer of surplus to the government as a percentage of gross income (less expenditure) shot up to 99.99% from 53.40% in 2012-13.

Do the RBI and the government agree on this?

The government has held the view that going by global benchmarks, the RBI's reserves are far in excess of prudential requirements. Chief Economic Advisor Arvind Subramanian has suggested that these funds be utilised to provide capital to government-owned banks. The central bank, on its part, prefers to be more cautious and build its reserves — keeping in mind potential threats from financial shocks, and the need to ensure financial stability and provide confidence to the markets. From the central bank's perspective, bigger reserves on its balance sheet is crucial to maintaining its autonomy.

How do other central banks manage the transfer of surplus?

Like in India, central banks in both the UK and US decide after consultations with the government. But in Japan, it is the government that decides. By and large, with a few exceptions, the quantum of surplus transfer averages around 0.5% of the GDP.

EXPRESS ECONOMIC HISTORY SERIES

In tussle over size of surplus, differing views of prudence



IN FACT
BY SHAJI VIKRAMAN

EXPRESS EDITORS INTERPRET

TWO YEARS into the economic reforms programme begun in July 1991 by the P V Narasimha Rao government, the Governor of the Reserve Bank of India, Chakravarthi Rangarajan, and his deputy, S S Tarapore, began discussions with senior Finance Ministry officials led by Finance Secretary Montek Singh Ahluwalia and Chief Economic Advisor Shankar Acharya on an issue that was troubling the central bank.

The RBI was taking a hit on account of having provided foreign exchange guarantees for bank deposits from overseas Indians under the Foreign Currency Non-Resident Accounts or FCNR(A) scheme — which had been designed in the 70s to boost India's balance of payments situation. The Bank had built up some provisions, but it was still losing a large chunk of its income due to foreign exchange fluctuations.

A deal was struck — the government agreed to bear the exchange risk under the scheme; in return, RBI acceded to transfer to the government profit over and above what it transferred normally. It was important to compensate the sovereign, which would otherwise have been forced to make provisions in the Budget. Starting 1993-94, RBI began to make annual transfers other than the normal surplus to make good the Rs 12,850 crore loss on the scheme.

This was the beginning of a major shift in policy. As the reform process gained momentum and foreign exchange reserves started to rise, the size of the RBI's balance sheet also expanded. The RBI started to build up reserves — such as the Contingency Fund for unforeseen situations, and the Asset Development Reserve — based on advice from its auditors. During 1997-98, an informal group headed by an RBI official recommended an indicative target of 12% of the Bank's assets for the contingency reserve by 2005, which was approved by the Board, and achieved.

At this time, there was still no clarity or explicit mention of transfer of surplus to the government. But as the RBI's balance sheet expanded and its surpluses rose, the government, which is the "owner" of the Bank,

started to stake claim to a larger share of the surplus. For long, the RBI resisted, and its reserves kept rising. The government's view was that the buffer built by the central bank was more than adequate — and the sovereign would, in any case, be available to provide support in the event of a crisis.

Successive Governors after Rangarajan — Bimal Jalan, Y V Reddy, Duvvuri Subbarao, Raghuram Rajan — faced pressure to scale down allocations to reserves to ensure a higher surplus to the government. In his book *Who Moved My Interest Rate: Leading the Reserve Bank of India Through Five Turbulent Years*, Subbarao wrote of the pressure, and acknowledged he had been on both sides of the table — as Finance Secretary, demanding a higher transfer, and resisting it as RBI Governor.

In 2007-08, when the UPA government headed by Manmohan Singh proposed a farm loan waiver plan, Governor Reddy was not enthusiastic — and insisted that the government make a provision for the banks. But in negotiations that mirrored another from a decade ago, the RBI, after discussions with Finance Minister P Chidambaram, agreed to transfer a higher surplus to the government.

But by 2013, with increasing pressures on the fisc, the government sought a much bigger surplus transfer. Governor Rajan tried to reason that more funds needed to be set aside for the Deposit Insurance and Credit Guarantee Corporation, an arm of the central bank, for contingencies such as a potential big bank bust or other unforeseen events. But the Finance Ministry remained convinced that reserves were more than adequate, and that the government would step in, should the need arise.

That was when it was agreed that the RBI would transfer the entire surplus to the government for the next three years, after which a review would be carried out. Since 2013-14 then, the RBI has been transferring 99.99% of its surplus to the government, a huge jump from 37.20% in 2011-12 and 53.40% in 2012-13. The payout in 2015-16 was Rs 65,876 crore — but the halving of the surplus in the year ended June 2017 is a commentary on the fiscal situation of the economy, as also an indicator of the importance of the surplus.

In his memoir, *Advice and Dissent: My Life in Public Service*, Governor Reddy recalled that Prime Minister Manmohan Singh had once told him that "the excess profits of a central bank is a reflection of the profligacy of the government". No one would know this better than the man who was not just the Head of India's government but also a former Governor of its central bank.

shaji.vikraman@expressindia.com

Reversing memory loss



FLAGGING INTERESTING RESEARCH

GENETICS

FIGHTING ALZHEIMER'S

Published in *Cell Reports*, August 8, 2017

AUTHORS: Li-Huei Tsai, Hidekuni Yamakawa, Jemmie Cheng and Jay Penney



has now found a way to precisely target HDAC2, by blocking its interaction with a binding partner called Sp3.

"This is exciting because for the first time we have found a specific mechanism by which HDAC2 regulates synaptic gene expression," says Li-Huei Tsai, director of MIT's Picower Institute for Learning and Memory and the study's senior author. Human cells have about a dozen forms of HDAC, and Tsai later found that HDAC2 is responsible for the blockade of memory-linked genes. She also discovered that HDAC2 is elevated in human Alzheimer's patients and in several mouse models of the disease.

"We think that HDAC2 serves as a master regulator of memory gene expression, and during Alzheimer's disease it's elevated so it causes an epigenetic blockade of the expression of those memory genes," she says. "If we can remove the blockade by inhibiting HDAC2 activity or reducing HDAC2 levels, then we can remove the blockade and restore expression of all these genes necessary for learning and memory." MIT NEWS

IN THE brains of Alzheimer's patients, many of the genes required to form new memories are shut down by a genetic blockade, contributing to the cognitive decline seen in those patients.

MIT researchers have now shown that they can reverse that memory loss in mice by interfering with the enzyme that forms the blockade. The enzyme, known as HDAC2, turns genes off by condensing them so tightly that they can't be expressed.

For several years, scientists and pharmaceutical companies have been trying to develop drugs that block this enzyme, but most of these drugs also block other members of the HDAC family, which can lead to toxic side effects. The MIT team

5 reasons why Trump's threats of 'fire and fury' against N Korea are not as scary as they sound

MAX FISHER & AMANDA TAUB
THE INTERPRETER

AMERICAN ANXIETY spiked last week after President Donald Trump warned that if North Korea made any more threats against the United States, it "will be met with fire and fury like the world has never seen".

There were both nervous jokes and outright panic over whether Trump and North Korea's leader, Kim Jong-un, could bluster their way into unintended nuclear war.

The Trump administration seemed to cultivate this sense of alarm. Sebastian Gorka, a White House adviser, told Fox News that the standoff is "analogous to the Cuban missile crisis", which nearly brought the United States and Soviet Union to war.

While North Korea's nuclear programme is deadly serious, research on the nature of foreign threats and nuclear weapons, as well as that country's own track record, suggests that Americans — and the rest of the world — can relax, for now. Here are five reasons why:

US has been issuing vague threats against North Korea for more than 15 years: The George W Bush and Barack Obama administrations both threatened war, setting red lines that Pyongyang almost always went on to cross. Bush even declared North Korea to be one third of the "axis of evil", along with Iraq, which the US invaded the following year.

North Korea correctly assessed those threats as empty — and the threats didn't seem to affect American credibility. It's not clear that Trump, by upgrading the language in his own threats, changes much. While many Americans and others in the West



Despite speculation about Kim's mental fitness, scholars agree he has repeatedly proven himself rational and focused on his government's survival. Reuters/File

might see Trump as different from his predecessors, in Pyongyang, those distinctions are likely less front-of-mind.

In international relations, actions matter, words not so much: Current American action, or lack thereof, sends a message of calm and caution, rather than "fire and fury". Countries find it difficult to read one another's internal politics, so they look for clues on intentions in actions. And American action towards North Korea remains unchanged. US troops in nearby Guam and Japan are still in their barracks. Naval warships are holding a respectful distance. Signals such as these, not a leader's offhand comments, matter most in international relations: Washington is sending a clear, consistent message to Pyongyang

that the US still wants to avoid escalation.

No one has an incentive to escalate, and everyone understands this: Wars can happen when states conclude, rightly or wrongly, that the other side might see conflict in its interests. This can lead them to prepare for war, making it likelier that an accident or miscalculation could send them stumbling into one. But that is not the case now.

North Korea's interests are to avoid a conflict it would likely lose. US interests are to avoid a conflict that would risk a nuclear attack against America. That clarity is stabilising.

Despite long-standing speculation about Kim's mental fitness, scholars agree he has repeatedly proven himself rational and focused on his government's survival. His

country's weapons programs are designed to deter a war, not start one. And while Trump's comment hint at an appetite for war, the institutions that carry out US foreign policy — particularly the military — have behaved conservatively.

States tend to ignore unclear, isolated signals like Trump's: Studies on foreign policy messaging suggest that Pyongyang will hear Trump's threats as empty. States, according to research by Robert Jervis, a Columbia University political scientist, are biased toward assuming other states' behaviour will remain consistent. Overcoming that bias and forcing a state like North Korea to change its assessment of US intentions would require more than a few bellicose words. States also tend to disregard any signal they perceive as unclear or ambiguous.

It's easy to overstate the risk to 'American credibility': There is enough research that shows empty threats neither damage a state's global credibility nor create pressures that force it to follow through on those threats.

Nikita Khrushchev repeatedly threatened to seize West Berlin, but Soviet actions betrayed his threats as empty, allowing Washington and Moscow to quietly sidestep the risk of war in Germany. And few doubted Soviet credibility a few months later when Moscow tried to install nuclear weapons in Cuba — an action that spoke louder and more clearly than any of Khrushchev's words.

It will be worrying if Trump moves thousands of troops from Guam to South Korea. That would send a clear and destabilising signal of US intentions against North Korea. But an over-the-top quote is not worth very much.

THE NEW YORK TIMES