



Money, money, money

The Centre may not own up to the fiasco of demonetisation, but it could sort out wrinkles

The Reserve Bank of India’s annual report for 2017-18 reveals that 99.3% of currency notes that were demonetised at midnight on November 8, 2016 have returned to the banking system. This is only marginally higher than its provisional estimate last year that over 99% – or ₹15.28 lakh crore worth of the old ₹500 and ₹1,000 notes – out of the ₹15.44 lakh crore that were in circulation at the time had been deposited by June 30, 2017. This makes a couple of things crystal clear. First, the hope that a large chunk of unaccounted money would not return to the system – arguably, the principal reason for the exercise – was almost wholly belied. As a result, the plan to transfer the arising surplus from the RBI to the Centre, which was not formally declared but strongly rumoured, was a non-starter. Second, given the sheer logistical difficulty in penalising all those who converted unaccounted money into legal tender, demonetisation worked as an unintended amnesty scheme. Despite the significant cost to the economy, demonetisation, to the disappointment of the Prime Minister’s critics, had no political fallout. Narendra Modi succeeded in portraying the move as one that would knock out the corrupt rich – a harsh but necessary shock therapy. This was perhaps why the massive disruption caused by the overnight removal of 86% of the currency in value terms did not cause agitations.

Nevertheless, the RBI report, which points to a spurt in counterfeiting of the new ₹500 and ₹2,000 notes, raises the old question all over again. Was it worth the slowdown in growth, the damage to informal sector supply chains, and job losses in sectors such as construction that were the bulwark of employment creation for the unskilled? True, there have been some benefits. For instance, the number of income tax returns filed has surged a little over the trend growth rate. But surely this could have been achieved by other policy measures. Cashless modes of payment have become more common, but financial savings in the form of currency have also risen, suggesting that people still value cash. Not all policy choices work out and accepting mistakes or planning flaws helps strengthen governance processes. For example, learning from the UPA’s mistakes, a cleaner auction process for natural resources has been worked out. The government must not disown its biggest reform attempt or try to sidestep parliamentary scrutiny of the outcomes of demonetisation. Instead, it could focus on fixing the problems that people still face – transactions with ₹2,000 notes in the absence of ₹1,000 notes are difficult as it is a departure from the currency denomination principle (every note should be twice or two and a half times its preceding denomination). Even as these issues are sorted out, the larger lesson must be heeded: sudden shocks to the economy don’t always yield intended policy objectives.

Shocking negligence

A faulty prosthetics issue shows the need for a materio-vigilance programme to track devices

An expert committee report on faulty hip prosthetics sold by a subsidiary of the U.S. firm Johnson & Johnson has revealed incriminating details about its negligence in dealing with Indian patients. The report, commissioned by the Union Health Ministry in 2017, was published this week. Though it restricts its criticism to J&J, the report makes it clear that the Central Drugs Standard Control Organisation also failed in its job of protecting Indian patients. It began in 2006, when DePuy International Ltd., a subsidiary of J&J, registered three types of articular surface replacement implants with the CDSCO. Made of cobalt, chromium and molybdenum, these were meant to replace ball-and-socket joints in patients with degenerative diseases. In 2007, the first indication that something was wrong came from the Australian Orthopaedic Association National Joint Replacement Registry. Its data showed that an extraordinarily high number of implant recipients had to undergo repeat surgeries. It emerged that the device was leaking cobalt and chromium, causing side-effects. Australia recalled the product in 2009.

Yet, the report says, J&J did not inform the Indian regulator and Indians kept using the implants until the firm began a voluntary global recall in 2010. In the following years, J&J’s actions in India differed widely from those in other countries. While it began corrective surgeries almost immediately in the U.S., the first Indian surgery happened in 2014. The company claims it had trouble tracking patients in India; of 4,700 implants done, only 1,032 recipients had been contacted till March 2017. J&J paid \$2.47 billion in claims to about 8,000 patients in the U.S., but no Indian patient received compensation. If these facts are troubling, so is the CDSCO’s ineptitude in ensuring patient safety. Though the global recall occurred in 2010, the drug regulator did not issue an alert until 2013. Another learning is the importance of a materio-vigilance programme to track adverse events of medical devices. India established one in 2015. But if a programme along the lines of Australia’s NJRR had existed in 2006, perhaps Indian patients would have received help sooner. Even today, eight years after the recall, the Indian government seems to be in no hurry to take things forward. After the expert committee report was published, Health Minister J.P. Nadda said the government was still “deliberating” on the issue. With an unknown number of implant recipients still unaware that they could have received a faulty device (J&J hasn’t disclosed the number of recipients), time for deliberation is past. The authorities must show that when private corporations fail to protect patient interests, they will be held accountable.



HAPPY MON JACOB

The Central government’s decision to decline offers of humanitarian aid from the United Arab Emirates and other concerned countries for Kerala, in the aftermath of the worst flood in the State in close to a century, is unfortunate. Whichever way one plays it, New Delhi’s unwillingness to accept foreign aid reflects poor judgment, is bad optics, and goes against the spirit of cooperative federalism. Moreover, this decision, when read with the National Democratic Alliance government’s adversarial attitude towards foreign-funded NGO activism in the country, suggests a sense of insecurity and paranoia that hardly befits a rising power.

While the government itself has been very cryptic in its response to the recent foreign aid offers, those in support of the government’s informal decision have essentially made five sets of arguments to justify the government’s decision. Let’s examine their merit.

Policy precedent

The strongest argument by far for refusing foreign aid flows from past policy and practice. It is argued that there is a policy in place since 2004, enunciated by the then Prime Minister, Manmohan Singh, to not accept foreign aid in times of natural disasters. Dr. Singh had stated in the wake of the tsunami in December that year, “We feel that we can cope with the situation on our own and we will take their help if needed.” The practice thereafter has been to shun foreign aid during natural calamities because the government

has been confident of “coping with the situation” using internal sources.

However, it is important to note that the 2004 statement by Dr. Singh was a political articulation, not a legal directive or policy document. In any case, his statement did not close the door to external aid (“we will take their help if needed”). Does Kerala need help? Yes, it desperately does. Former National Security Adviser Shivshankar Menon, in a recent tweet, explained the 2004 decision in the following words: “If memory serves, the 2004 decision was to not accept foreign participation in relief but accept it for long term rehabilitation case by case.”

In any case, since 2004, various policy documents have explicitly and implicitly suggested that the government may accept foreign aid during emergencies. The 2016 National Disaster Management Plan states: “...if the national government of another country voluntarily offers assistance as a goodwill gesture in solidarity with the disaster victims, the Central Government may accept the offer.” Similarly, the National Policy on Disaster Management of 2009 and the Disaster Management Act of 2005 are both positively inclined to coordinating with external agencies and institutions for disaster relief. The 2009 document even argues – thoughtfully so – that “disasters do not recognise geographical boundaries.”

In short, while the 2004 policy says that foreign aid can be accepted if need be, the 2016 policy document states that the government “may” accept foreign aid. The question is whether the situation in Kerala can persuade the Centre to operationalise the word “may” in a generous manner.

National pride

The second argument against ac-



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cepting foreign aid seems to flow from a sense of national pride: that India is a not a poor country any longer and hence it doesn’t need anyone’s charity. There was a time we were forced to go abroad with a begging bowl, but those days are over and we can look after ourselves, goes the argument. Despite its powerful emotional appeal, this argument is misplaced at several levels. For one, it is misleading to say that only poor states accept foreign aid in times of natural disasters. For instance, India’s offer of aid was accepted by the U.S. in the wake of Hurricane Katrina in 2005, and by China after the 2008 Sichuan earthquake. The reality is that countries reeling under natural calamities routinely accept emergency aid from other countries irrespective of how rich or poor they are.

Self-sufficiency

The third argument is that India is self-sufficient and hence does not need relief material to deal with natural disasters. Here, it is important to make a distinction between foreign aid during normal periods and emergency humanitarian and reconstruction assistance. Besides, in the case of Kerala, by providing only a fraction of the emergency and reconstruction assistance requested by the State government despite repeated appeals, the Central government

seems to have implicitly indicated that there aren’t sufficient funds available. Although New Delhi has taken the line that “in line with the existing policy, the government is committed to meeting the requirements for relief and rehabilitation through domestic efforts,” its actions so far fly in the face of this tall claim. So, if New Delhi is unable to heed Thiruvananthapuram’s urgent requests, shouldn’t it let Kerala take help from outside?

Aid with strings

Then there is the argument that foreign aid comes with strings attached. Yes, it has in the past, especially developmental assistance from Western nations or the World Bank. Aid and loans often came with demands of economic restructuring or resetting governance priorities, and an occasional sermon on human rights. But there is again a fundamental difference between such funding and humanitarian assistance. Hence the argument that UAE’s disaster relief to Kerala would come with strings attached is ludicrous. Abu Dhabi’s rationale for offering aid to Kerala is straightforward: the Malayali population in UAE has been crucial in its development, and the aid offer is a recognition of that bond.

A related issue is the paranoia displayed by successive governments in New Delhi about the ‘foreign hand/s’ constantly trying to undermine the Indian state. This has increased over the years, particularly under the current regime: consider the manner in which it cancelled the Foreign Contribution (Regulation) Act (FCRA) licenses of thousands of NGOs, including Greenpeace and Amnesty, depriving them of foreign funding.

Ironically, even as New Delhi vows to continue the policy of not allowing foreign humanitarian aid,

and of restricting the activities of foreign-funded NGOs, it recently amended the FCRA to allow foreign funding of Indian political parties.

Money won’t bring relief

The fifth argument is that airdropping monetary aid doesn’t help in the absence of pre-existing administrative capacity for proper distribution, reconstruction and governance. In fact, some would argue that monetary aid without a focus on governance capacity building is useless or could even make the situation worse. While there is some merit in such an argument, this holds little relevance to the case of Kerala which happens to be one of India’s best governed States. What Kerala requires at the moment is monetary assistance, not lessons in governance.

New Delhi’s unilateral decision to not let humanitarian assistance reach a needy State also does not befit the federal character of the country as the spirit of federalism demands that such crucial decisions be taken after consultations with the stakeholders. The Union government should consult the affected federating units, which have large populations to care for, before crucial decisions of this nature are taken.

The argument here is not that India should seek/ receive regular foreign aid, but that it should accept foreign aid in times of humanitarian emergency, as do several countries, including the U.S., China and Japan. Moreover, there is an urgent need to evolve sensible, practical and empathetic guidelines on receiving emergency aid for the federal units in times of dire need.

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The shale gas challenge

We need a sector-specific environment impact assessment manual on exploration and production



M.P. RAM MOHAN & SHASHIKANT YADAV

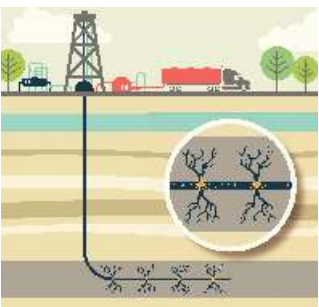
On August 1, 2018, the Central government approved a far-reaching policy that allows private and government players to explore and exploit unconventional hydrocarbons (including shale gas) in contract areas that were primarily allocated for extracting conventional hydrocarbons. Unlike conventional hydrocarbons that can be sponged out of permeable rocks easily, shale gas is trapped under low permeable rocks. Therefore, a mixture of ‘pressurised water, chemicals, and sand’ (shale fluid) is required to break low permeable rocks in order to unlock the shale gas reserves. The process requires around 5 to 9 million litres of water per extraction activity, posing a daunting challenge to India’s fresh water resources.

Acknowledging this challenge, the Directorate General of Hydrocarbons (DGH) issued a guideline on environment management during shale gas extraction, stating that “overall volume of fracture

fluid is 5 to 10 times that of conventional hydraulic fracturing” and “the (fracturing) activities are likely to deplete water sources and cause pollution due to the disposal of flowback (produced) water.” However, the guideline falters and states that these challenges will be dealt while granting environmental clearances as per the Environment Impact Assessment (EIA) process. The EIA process, however, does not differentiate between conventional and unconventional hydrocarbons, and the DGH acknowledges this issue: “No differentiation has been made in the EIA notification between conventional and unconventional oil and gas exploration in this sector.”

Water-specific issues

Sensing this regulatory gap, the DGH in its guideline proposes five new reference points (term of references) relating to water issues in the fracking process that a project proponent must explain while applying for the environmental clearance. However, these five reference points are not succinct to resolve the water-specific issues posed by the fracking activities. The Ministry of Environment, Forest and Climate Change (MoEFCC), which generally releases sector-specific manual for environment clearance, is yet to come out with a manual specific to fracking



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activities.

Despite acknowledging the enormity of water requirement for fracking activities, the DGH guideline fails to give a general estimate of water requirement per unit of shale gas over the lifetime of a shale well. A recent study from Duke University observes that from 2011 through 2016, the water use per well in the U.S. increased up to 770% resulting in some shale wells consuming up to 42 million litres of water per well. The study further conveys that over a period of time, the usage of water dramatically increases for extracting the same amount of shale gas from a well. The importance of clarity in water usage and the place of shale gas extraction in India is linked directly with water requirements of priority sectors like agriculture.

Shale rocks are usually adjacent to rocks containing useable/ drinking water known as ‘aquifers’. As

noted by U.S. Environmental Protection Agency in 2017, while fracking, the shale fluid could possibly penetrate aquifers leading to methane poisoning of groundwater used for drinking and irrigation purposes. Several researchers conclude that such contamination can be controlled, if not avoided, provided a project proponent maintains a distance of 600 m between the aquifers and shale gas fracture zones. Acknowledging this complexity and the myriad structures of aquifers in India, the DGH guideline states that a project proponent must “design and construct wells with proper barriers to isolate and protect groundwater”, but misses out on broadly describing the nature or properties of a barrier that can be considered ‘proper’ to isolate and protect the groundwater.

Water cycle in a typical fracking process is different than other conventional hydrocarbon production activities. When shale fluid is injected underground at high pressure to fracture the rock, 5-50% (depending on the local geology) of the fluid returns to the surface, known as ‘flowback water’. Return flows continue as oil and gas is pumped from the well. The flowback water is usually methane-contaminated, and therefore it poses different recycling and leakage issues than usual wastewater.

The Duke University study says, in the U.S., the flowback and produced water volumes generated within the first year of shale production increased up to 1,440% from 2011 through 2016. The DGH guideline again touches upon the exclusive nature of the flowback water but neither proposes any substantive treatment method nor recognises the increase in flowback water during repeated extraction of shale gas from a well over a period of time.

Implementation gaps

Indian households and irrigation thrive on groundwater. Implementation of the fracking processes without a consultative thought through process, especially on ‘water usage policy’, may result in larger issues including water stress, contamination of groundwater, and related health hazards. But as the process stands today, we are missing an opportunity to comprehensively regulate the fracking process for a sustainable shale gas exploration in India. As a first step, a sector-specific EIA manual on exploration and production of unconventional hydrocarbon resources may be a good idea.

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LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

A big mistake

Demonetisation has clearly not succeeded in eradicating black money, curbing terror funding, or combating counterfeit currency (“Over 99% of demonetised notes were returned: RBI”, August 30). People stood outside banks in queues for hours, some even reportedly lost their lives in the process, and the exercise greatly impacted the informal economy. Worse, the government has ended up losing precious money by printing new currency notes. Demonetisation is perhaps the biggest mistake of this government.

J. ANANTHA PADMANABHAN,
Tiruchi

The failure of demonetisation shows that major policy decisions

should not be made in haste by a few in power. The Prime Minister owes an explanation to the nation for an idea that neither gave a fillip to the economy nor curbed black money.

K.R. SRINIVASAN,
Secunderabad

Arrest of activists

The arrested activists have been labelled as “urban Naxals” and “Maoists”, but it is still not clear what the charges are against them (“SC allows rights activists to remain under house arrest”, August 30). This seems like a move to turn our attention away from other issues. An assassination plot against the Prime Minister is an extremely serious matter that should be painstakingly investigated, not bandied about on

television in order to score political points.

M.U. QASMI,
Mumbai

It has become fashionable to condemn the arrests of activists and compare the situation now to the Emergency. No government would take steps like this unless there are reasons for doing so. The government must be conscious of the fact that if no grounds for arrest are ultimately proved, it will cut a very sorry figure. Intellectualism is no virtue if it is used to incite violence.

V. LAKSHMANAN,
Tirupur

Our faith in the judiciary has only increased with Justice D.Y. Chandrachud saying, “Dissent is the safety valve for democracy.

If dissent is not allowed, democracy will burst under pressure.” It is hoped that the apex court will continue to protect individual freedoms and liberty.

M.F.U. TANDVI,
Delhi

The purpose of levelling terrorism charges against prominent anti-establishment voices, including lawyers, is to intimidate actual or potential critics and ensure that they remain silent. As the 2019 elections draw near, a new narrative is being fostered – of an enemy within who is not just against the government, but against the nation itself. This tactic has been used effectively in the past by dictatorial regimes, which equate criticism of the government

with treason, and use fear and anxiety to overwhelm the electorate. That is what the present establishment is attempting to do. As a liberal, constitutional democracy which allows all manner of opinions to bloom, India cannot afford its founding principles to be undermined in this manner.

M.A. RASHEEDI,
Jalau

Wear your seat belt

It is unfortunate that Nandamuri Harikrishna passed away in this tragic way (“NTR’s son Harikrishna dies in accident”, August 30). It is sad that he was not wearing a seat belt. Despite advertisements advocating the use of seat belts, in reality few follow this rule. The onus is on us to not

only protect our own lives but ensure that the way we drive doesn’t affect the lives of others on the road.

V. NAMITA,
Hyderabad

Making India proud

Victories of these athletes at the Asian Games in Jakarta prove that there is no dearth of talent in this country (“Arpinder ends 48-year wait, Swapna makes history”, August 30). It is heartwarming to see how much the Sports Minister is invested in the Games. Hats off to Prime Minister Narendra Modi too, for he has always urged people to give priority to sports and fitness-related activities.

KAVITHA SRIKANTH,
Chennai

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