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Changing gear

The Index of Industrial Production (IIP) numbers for September 2005 were released last Friday. With this release we have the picture for the first six months of the current financial year. The data for September suggest no great change in the momentum that has been seen over the last few months. However, if a change in direction had to be discerned, it would have to point in the negative direction. In the manufacturing sector, growth was 8.9 per cent, respectable in and of itself, but a bit slower than the rate achieved in the last couple of months, not to mention a year ago, when it touched 10.5 per cent. On the strength of manufacturing performance, the overall index grew at 7.3 per cent, compared with a more robust 9.8 per cent last year.

From the half-year perspective, however, the current year shows somewhat better endurance than the previous year. Manufacturing growth for April-September 2005 was 9.9 per cent as compared with a lower 8.8 per cent in the corresponding period of last year. The overall index grew by 8.8 per cent in the first half of the current year, compared with 8.3 per cent during the previous year. This sets the stage for a pretty impressive performance for the year as a whole, reinforcing mid-year expectations of both the Reserve Bank of India and the ministry of finance that GDP growth will be above 7 per cent.

However, aggregate trends can often mask details that may justifiably raise concerns about sustainability. The most striking feature of the September 2005 numbers was the negative growth in both the mining and electricity components of the index. Mining declined by 1.1 per cent, compared to an increase of 5.1 per cent last year, while electricity declined by 0.7 per cent, compared to the impressive 7.7 per cent growth last year. For the first half of 2005-06, mining grew by 1.3 per cent, compared to 5.1 per cent last year, while electricity grew by 4.8 per cent compared to 7.8 per cent last year. Given the significance of coal-based thermal capacity in electricity generation, the two indicators are understandably correlated. But, beyond this specific linkage, two issues need to be highlighted. One, the metals sectors, strongly dependent on mining, have been important drivers of the overall industrial momentum in the last several months. Two, a volatile electricity sector will act as a constraint to accelerating growth in manufacturing.

The patterns visible across individual industries provide some understanding of the slowdown in September. Textile products showed massive growth in the first few months of the year, reflecting the response of this sector to the end of the quota regime. This has moderated somewhat, though it remains respectable at slightly over 20 per cent. Chemicals, another significant driver in the first few months of this year, have also moderated. Recent drivers, such as metals and transport equipment, remain in the double digits, but appear to have settled into a new, slower equilibrium compared with last year.

All in all, while one has to be cautious in reading too much into monthly movements of the index, a modest slowdown is consistent with early trends being seen in corporate performance. Beyond this, there are signs of a shift in the responsibility for driving growth from some sectors to others. The macro picture remains relatively robust, but the micro picture will bear watching in the months to come.

More trade, not aid

The move by developed countries to offer a $500-million aid package to the least developed countries (LDCs) in the on-going bargaining in the Doha round talks is not as simple as it seems. Nor is it just aimed at providing technical assistance for capacity building. India has viewed the "aid for trade" package as a bid to buy out support of the LDCs, especially the large block of African countries. In fact, it could also be viewed as an attempt to create a wedge between the LDCs and the other developing countries. As such, it can potentially isolate the relatively faster growing developing economies like India, China, Brazil and others which have been spearheading the fight for safeguarding the developing countries' interests, drawing strength from the solid support they enjoy from these poor countries. What is all the more worrisome is the possible impact this bait can have on the LDCs. Such spoon-feeding can perpetuate these countries' dependence on foreign assistance to meet their domestic needs, rather than help them to acquire capacity to trade in the global market. India has learnt similar lessons from externally assisted programmes like the US PL 480 project, which supplied free or cheap foodgrains to feed our millions. These supplies kept the domestic prices down, serving as a disincentive for farmers to raise production. The Green Revolution could take place only when the domestic farm sector was freed from such external pressures.

Unfortunately, the first reaction from the LDCs to the aid-for-trade proposal does not indicate this realisation on their part. These countries have, of course, criticised and, in a way, turned down this package but for different and misplaced reasons. They have dubbed the package as inadequate, indirectly hinting at the need to step up the proposed assistance amount.

However, the silver lining in this case is that voices have already begun to be raised at the WTO and other global platforms against the desirability of such sinister offers. The most forthright among these voices is of Australia, which has minced no words to assert that trade is more valuable to the poor countries than aid. The logic is simple and starkly clear. Trade spurs business investment, generates employment, and opens up other economic opportunities. All these are essentially routes to poverty alleviation. There is no dearth of instances that bear out the hypothesis that greater participation in foreign trade and investment leads to accelerated economic growth. Thus, the global community needs to wake up to this reality and concentrate on measures aimed at associating the poorer countries in the active global business rather than doling out such aid packages.

Illustration: BINAY SINHA

The race for oil

Losing out to a Chinese state-owned oil company in the Kazakh deal is not an unmitigated disaster for India, says DEEPAK LAL

India and China seem to be in a race to acquire foreign oil and gas reserves through their state-owned oil companies. This was dramatically exhibited in their competition to acquire a Kazakh oil company. Though the Indian petroleum minister castigated the bidding procedure in which India's state-owned oil company lost to one from China, could this have been a blessing in disguise? This is the central question I want to explore in this column.

The first point to be made is that if a *private* Indian oil company was competing with one from China, there would be no need to discuss their respective commercial judgments. But instead, both India and China seem to be keen to use their burgeoning foreign exchange reserves to promote the acquisition of foreign oil assets by their state-owned oil companies in the name of energy security. Linking this to national security, as oil and natural gas remain the essential fuel for their burgeoning economies, suggests that merely economic considerations are unimportant in these strategic national decisions. Acquiring these foreign energy assets and the means of their transportation (through pipelines) will provide assured and stable supplies of energy in the future. But is this valid?

In the 19th century liberal international economic order, one could reasonably expect that, if a state or its citizens owned foreign assets, then through the web of treaties the British had negotiated during their imperium, backed by the threat of "gunboats and Gurkhas", these international property rights would be fairly secure. But that world has long gone. Starting with the Mexican and Russian revolutions and Attaturks' nationalist revolution in Turkey, most countries have abrogated international property rights to subserve the national weal. Nowhere is this more apparent than for foreign-owned oil and gas fields. Beginning with Mossadeq's nationalisation of Western oil companies in Iran, most of the oil-producing countries nationalised foreign oil companies, while the US opposition to the Anglo-French Suez expedition to protect their international property rights finally put an end to any military means of protecting international property. This implies that it is an illusion to believe that, if you own a foreign oil field, it belongs to you in the same way as one within your own territory. If, as is all too likely, a future Kazakh government was to nationalise the company owning oil in their territory in which foreign state-owned companies have a share, would the Indians and Chinese be willing to send in their troops to assert their property rights? This could involve not merely putting the "Gurkhas" on the oil field, but in essentially taking over the country. If even the sole remaining superpower is incapable of doing this, it is absurd to believe that the aspiring superpowers of India and China would be able to do so. In fact, acquiring these foreign oil fields with national public resources would be giving an immense hostage to fortune.

But, it may be argued, even given this uncertainty about property rights, would the acquisition of foreign oil reserves not enable the domestic price of oil to be stabilised, and be kept lower than the projected rising world price for oil? This mistakes what is the true opportunity cost of oil used in the Indian economy. Even if one owns a foreign oil field, the opportunity cost of using its oil is still given by the world price. For, if not used domestically, the oil could be sold elsewhere for the world price.

Perhaps, there is another advantage in our state-owned oil companies owning foreign oil fields, through the implicit profit (given by the difference between the rising oil price and the costs of production) accruing to the Indian state company rather than a foreign company? But this implies it is a commercial venture and not a strategic one, in which it may be worthwhile investing public funds if the foreign investment offers a higher rate of return than other alternatives. If this investment decision was being made by a *private* company, one would have more confidence in its judgment than the proposed acquisition by a state company, for well-known reasons concerning incentives and soft budget constraints of public enterprises. If these foreign investments are to be made on a commercial basis by an Indian oil company, it would be best to privatise the state-owned companies and let them then decide whether such investments are in their commercial interest.

The same argument applies to the proposed pipelines from Iran and Myannmar. Public investment in these international infrastructure projects would be justified if they yielded a higher social rate of return than alternative uses of public funds, like investing in domestic infrastructure. Given the well-known limitations of the latter, such foreign investment is also of dubious economic value. Of course, it may be a viable private investment project and the Indian government could justifiably use its diplomatic clout to help it fructify.

The final reason often given for this race to acquire foreign energy resources is to ensure security of supplies of a vital resource input. But this fails to recognise that since the second oil shock of the late 1970s, oil has become just another commodity, being traded on NYMEX just like gold or iron ore (see D Yergin, *The Prize*, for an excellent history of the oil industry). Buying futures in this "deep" market will ensure security of supply. With the diversification of world sources of supply, most recently from the Caspian Sea, and prospectively from the Canadian oil shales, there is no longer the geographic concentration of future supplies in the Middle East, which gave strategic planners such headaches. This commodification of oil has also reduced the power of OPEC, and the likelihood of a future oil cartel holding consumers to ransom.

Nor does India have to worry about being alone in keeping the worldwide channels of transport for this vital resource open. For, its new "strategic partner"—the US—has an even greater interest, and above all the military means to ensure that these channels are not blocked for political reasons. There is no economic or strategic reason, therefore, for India to be in this race to acquire foreign energy resources by using its foreign exchange reserves, representing its people's savings, merely to allow megalomaniac politicians and bureaucrats to imitate the Sheikhs of the Arab world.

Ethics in research

MOOT POINT

PADMA PRAKASH

In 1932, some 400 poor American men, all black, were diagnosed with syphilis. They were not told of the diagnosis or given treatment. They were merely kept under "observation"—well into the 1960s—so that the medical establishment could "understand" the course of the disease. The Tuskagee Study began as a clinical trial for testing a particular course of treatment. With the Depression, funding ran out and a stepped-down version of the trial began in a small area in Alabama. The "subjects" were not only strenuously denied new drugs when they became available but were also kept away from any chance contact with providers of new drugs. Only in the mid-1960s, when a former employee of the health department turned whistle blower did the survivors know all this. In a court case they were awarded compensation and the government was directed to provide lifelong care to survivors and some of their families. But the government agency maintained that these men had given their full consent to the experiment. In May 1997, President Clinton gave a public apology to the survivors. This experiment has raised many issues in ethical conduct. It is easy enough to dismiss this as an aberration in history. Unfortunately, there are many such cases despite the many codes of conduct in place today.

In the last couple of years, the Indian Council of Medical Research, India's nodal institution for medical research, has been taking steps to ensure that all its research projects are bound by its ethical code. Unfortunately, not all clinical research is necessarily scrutinised by the ICMR, because it is not mandatory for, say, drug companies to seek its approval. The ICMR has no authority to ensure the application of its elaborate code of ethics. In recent years, under pressure from foreign funding and collaborating institutions, the ICMR has begun to make its presence felt in some directions. It is now mandatory for all institutions undertaking research to set up institutional ethics committees. But since the idea and practice of ethics are so new in India, this has often led to piquant situations. For instance, institutional ethics committees are often put together at short notice although they are meant to be bodies in place permanently, with well-established norms of constitution and practice. In 2000, somewhat predating the publication of the research guidelines of the ICMR on the subject, a National Committee for Ethics in Social Science Research in Health (NCESSRH) was constituted, and it evolved, for the first time, comprehensive ethical guidelines for social science research in health. It has today had a major impact in furthering the study of ethics and its application.

Significantly, the guideline points out: "Sincere commitment to research in general and to the relevant subject in particular and readiness to acquire adequate knowledge, ability and skill for undertaking particular research are essential prerequisites for good and ethical research." How many research students pursuing MAs, M Phils and MDs are interested in research? And yet it is often mandatory for these students to undertake research dissertations. Or they take up jobs in research while waiting for something else to turn up. Disinterested research is likely to be poor science. A most important consideration in ensuring ethical research is that it must "pass" quality criteria. But how many institutions have such quality markers? It is hardly surprising that plagiarism, "restructuring", "recycling", or old dissertations are not uncommon.

Publication ethics has received scant attention in India. Medical journals published abroad are now, by and large, asking for statements on funding and an assurance that there have been no conflicts of interest. A survey by Madhukar Pai and Colford (quoted in a volume edited by Amar Jesani and Tejal Barai Jetly on ethics of social science research in health) found that eight of 15 journals required disclosure on funding support and only three about personal or financial conflict of interest. The last three years have, however, seen a better appreciation of these issues. Few Indian social science journals know how to detect or deal with plagiarism. In the course of teaching academic writing skills to research students and teachers, we have found that few know what plagiarism is, how to avoid it, or how to detect it in student assignments. Undoubtedly, a better appreciation of the need to inculcate research values may go some way in dealing with the problem. But perhaps journals that disseminate research findings ought to develop collectively comprehensive guidelines on plagiarism.

Surprisingly, none of the professional associations of social sciences seems to have evolved a comprehensive code of ethics. Nor has the Indian Council of Social Science Research (ICSSR) done much work on the issue. Ethical content and ethical perception are necessary components of good research. The maturing of social sciences in India must mean greater attention to the subject of ethics. There are many unresolved debates here. For instance, should research in economics using large databases and without a primary survey be subject to ethical review? The ICSSR needs to take up the challenge of developing ethics in social sciences seriously.

(The first National Bioethics Conference is being held in Mumbai on November 25-27, 2005.)

The Sign of Three

SPEAKING VOLUMES

Nilanjana S Roy

When William Dalrymple wrote an article recently in which he argued that Indian writing in English had sputtered out in the home country, I found myself wishing he would just read a little more often.

Dalrymple's arguments have been made over the years within India. There are no contemporary writers of the stature of Rushdie, Seth, Ghosh and Mistry; there have been no great literary successes after Arundhati Roy's *God of Small Things*. (We're not counting Allan Sealy, Ruchir Joshi and company—only commercial successes count in this arithmetic.) The best writing now comes from the diaspora—Jhumpa Lahiri, Hari Kunzru—and the great "Indian" successes, such as Pankaj Mishra or Suketu Mehta or Siddhartha Deb, or even Amitav Ghosh, increasingly live abroad for at least part of the year. The best future writing, he predicted, would continue to emerge from the diaspora; inside India, the boom had gone bust.

Dalrymple made some valid points. I agree that some of the best writing will come from the Indian diaspora in the future, as it should—it would be cause for deep concern if crossing the black water robbed Indians of their talent. But the reason why Indian writers need to be in New York or London is simple: that's where the market is, and until local publishing booms, as it might, it's going to be necessary to go to the market. And Dalrymple's argument that Indian writers travel widely or live elsewhere demonstrates a sad lack of historical perspective. From Tagore to Mulk Raj Anand to Nirmal Verma, there are as many great Indian writers who've explored the world outside India as the ones who stayed rooted in one place. Some, like Saratchandra, were just as curious about Burma, for instance, as they were about Bilayat.

But still, I needed a sign. Could Dalrymple be right, or was his piece merely premature provocation?

Just a few weeks later, we heard about Vikram Chandra's big-bucks deal for a thousand-page novel set in Bombay, featuring Inspector Sartaj. I'd claim Chandra as an Indian success, even though he is, using the Dalrymple yardstick, exposed to Foreign Influences, having taught on American college campuses—and enjoyed the experience. Tch.

More omens would be propitious, I thought, so I looked for another sign. And found three.

Kalpana Swaminathan first gave notice that she was a writer to watch when she came out with *Ambrosia for Afters*, an ambitious but uneven novel. Some of us knew her writings already, as half of the Kalpish Ratna combine, a byline she shares with Ishrat Syed. Then she wrote *Bougainvillea House*, a darkly atmospheric novel set in Goa. Clarice Aranxa, her protagonist, is a woman of the old school, in the last stages of motor neuron disease, watching as sudden death visits some of the key people in her life. It's a brilliant study of obsession and betrayal, an utterly absorbing tale. And Swaminathan wrote it without the cushion of a large advance or the comfort of a thriving community of writers around her.

Then there's **Nilita Vachani**, the documentary film-maker who's out with *HomeSpun*. She takes some of the biggest myths we've spun around the freedom struggle, around war and around love stories, and refashions them from the inside out. This debut novel has a few flaws, but her portrait of a man whose idealism sorely tests his wife and her look at how a reluctant fighter pilot really died are not easily forgotten. Nor could I leave **Sharmistha Mohanty** off this list of new writers to watch: *New Life* has a predictable plot, with a heroine who discovers strength in unexpected places in love, writing and death, but Mohanty has an astonishing, utterly distinctive handwriting.

Three months, three writers to watch—and they're just the pick of what's been a quiet growth of talent from India, at a time when Indian writing in English is just beginning to stretch its wings.

The proper answer to Dalrymple's arguments, which I believe he made in good faith, isn't going to come from rebuttals written by people like me; they're going to come from the books. And I believe that these three writers are part of a quiet but sure gathering of talent in India that is making the counter-argument, slowly but steadily.

I'll stay on hand, anyway. Someone needs to watch the great Indian melting pot of literary talent as it comes to the boil—and when it's ready, add Dalrymple's article to the mix, so that he can eat his words in comfort.

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