



Held at ransom

The malware attack this weekend must hasten moves towards global rules on cyber threats

The menacing spread, starting last Friday, of the malicious software WannaCry, which has since infected thousands of computer systems in 150 countries, is a frightening reminder of the vulnerabilities of a connected world. The cyber-attackers who unleashed it, as yet unknown, have essentially used chinks in Microsoft's outdated software to remotely gain access to computers of unsuspecting users so as to lock them out of their files. These attacks have been in the nature of what are called 'ransomware,' wherein attackers demand a ransom (usually in Bitcoins, which are tougher to trace than regular currency) to decrypt the files they have force-encrypted. Cyber risk modelling firm Cyence estimates the economic damage to be \$4 billion, a figure that may not seem daunting for a global-scale disruption such as this one. But its spread has exposed the lack of preparedness among government and private institutions. The list of unsuspecting users who fell prey to the malware includes the U.K.'s National Health Service, German transport company Deutsche Bahn, courier delivery services company FedEx and carmaker Renault. Only some weeks earlier Microsoft had made available a patch to remove the chinks, something that raises doubts over whether even large institutions are complacent on cyber risks. That governments across the world went on alert after the outbreak of the global 'epidemic' is some consolation. So is the fact that Indian institutions have been largely unscathed by the malware until now. Things, however, could have been worse had a British researcher not registered a domain name hidden in the malware, thereby accidentally stopping its spread as also its momentum.

While the state of preparedness is a cause for worry, the likely origin of WannaCry forces stakeholders to revisit a long-standing and uneasy question regarding the actions of governments. WannaCry has its origins in a tool developed by the National Security Agency in the U.S. that was dumped online by a group called the Shadow Brokers. A few days after the malware started spreading, Brad Smith, President and Chief Legal Officer of Microsoft, wrote on his blog that governments should treat it as "a wake-up call" and "consider the damage to civilians that comes from hoarding these vulnerabilities." His point to governments is this: report vulnerabilities to vendors rather than exploit them. The U.S. assesses the balance between cybersecurity and national interest through what is called the Vulnerabilities Equities Process, wherein a review board makes a final decision on whether a 'vulnerability' needs to be reported or retained. President Donald Trump's views on this process are not clear. Cyberthreats are only likely to grow, and the world needs to push for global rules on such issues. It is more than obvious now that cyber vulnerabilities have massive global implications.

Gold shines

Increasing access to alternative assets will help reduce India's demand for gold imports

Prime Minister Narendra Modi's long-drawn-out effort to tackle the desire for gold does not seem to be bearing fruit. India's gold imports witnessed a huge jump in April, increasing threefold to \$3.85 billion from \$1.23 billion in April 2016. In March, the jump driven by jewellery demand was even higher as gold imports stood at \$4.17 billion, compared to \$974 million a year earlier. This suggests that Indian demand for gold is robust and that policymakers will have to continue worrying about its impact on the country's trade deficit for a long time to come. The trade deficit in April was \$13.2 billion, the highest since November 2014, compared to \$4.8 billion in the year-earlier period. The 20% increase in exports to \$25 billion was overcome by a 49% increase in imports, which stood at \$38 billion. The jump in gold demand is particularly significant given the many steps taken to reduce it in recent years. For instance, the demonetisation of high-value currency notes last November coincided with India's gold demand dropping to a seven-year low of 675 tonnes during 2016, according to the World Gold Council. Earlier, as part of his efforts to push Indians to decrease their gold purchases, Mr. Modi had introduced the gold monetisation scheme that aimed to reduce gold imports by using deposits to increase domestic supply. But, as of early 2017, the amount of gold that had been deposited under the scheme was less than 1% of overall gold demand in 2016.

It is no secret that Indians tend to favour gold over other income-generating financial assets. This has, for a long time, led to concerns about savings being wasted on a dormant metal instead of being invested in productive business activities. While such concerns may be valid, policymakers would do well by first tackling the issues that have explained the average Indian's preference for gold. The metal's predominant utility as a hedge against inflation, which protects the average investor lacking sophisticated financial acumen from a depreciating rupee, cannot be ignored. Ironically, the Centre's sudden demonetisation decision has possibly undermined confidence in the rupee as a store of value, adding to the yellow metal's attractiveness. Capital conservation is an important reason for investment in gold by Indian households. Gold's lure cannot be explained only as a reserve for illicit wealth or tax evasion. Access to better and more formal financial market instruments remains a pipe dream for the majority in a country where talk of financial inclusion remains at the level of opening a basic bank account. Any significant strides on this front will require structural reform of the financial sector that encourages more competition to spur financial innovation and access. Until such time, gold is likely to remain a favourite asset, with gold imports adversely impacting India's external trade balance.

Different candidates, different roads

The results of Friday's presidential poll will decide what shape the democratic aspirations of Iranians take



RAMIN JAHANBEGLOO

On May 19, Iranians will go to the polls to participate in the twelfth presidential election. Four years after his victory, in 2013, Hassan Rouhani is still considered to be the most serious contender to win this time.

According to a survey by the Iranian Students Polling Agency (ISPA) in early May, Mr. Rouhani maintains his lead in the run-up to the election with 42% of the votes. The ultra-conservative cleric, Ebrahim Raisi, is in second place with 27% of the votes, while the Mayor of Tehran, Mohammad Bagher Ghalibaf, is in third place with 25%. The others are First Vice President Eshaq Jahangiri at 3%, former Culture Minister Mostafa Mirsalim at 3%, and former Mines and Industries Minister Mostafa Hashemi-Taba at 2%. The survey was conducted after the first two presidential debates, held in April and May. Mr. Ghalibaf has now stepped aside ahead of Friday's vote "to ensure unity in the pro-revolution front" and thrown his weight behind Mr. Raisi.

This election will be the first since the landmark 2015 nuclear deal between Iran, the United States and five other world powers. If Mr. Rouhani were to win a second term, Iran is likely to continue its course of open dialogue with Asia and Europe while signing new economic agreements with new partners who have been on standby since the rollback of sanctions following the nuclear deal. However, should the conservative candidate Mr. Raisi win, the Islamic



Republic of Iran would take a more closed-door diplomacy pathway.

Raps on Rouhani's knuckles

For the past several months the ultra-conservative camp has been vocal in its criticism of Mr. Rouhani's agenda, dismissing his economic and political outreach to the West as being naive and dangerous for the ideological future of the Iranian system. Even during the presidential campaign and the televised debates which followed, the Rouhani government was vehemently criticised for its lack of success in tackling high unemployment and growing inequality, together with the reintegration of Iran into global financial platforms. Unsurprisingly, during the presidential campaigns, Iran's anti-Rouhani camp has taken to populism to work its way into the hearts and minds of the Iranian electorate, dismissing Mr. Rouhani's technocratic administration, led by the U.S.-educated Foreign Minister Mohammad Javad Zarif, as being pro-western and anti-revolutionary. Such strong statements and attitudes against the President have led many Iranians

to wonder whether the strong arms of the Supreme Leader Ayatollah Ali Khamenei and the Iranian Revolutionary Guards will stop Mr. Rouhani from getting re-elected.

Consequently, Mr. Rouhani's centrist position may ultimately be the best viable option for the future of the Islamic regime, but he needs more than just a consensus among the competing factions to survive another four years. Mr. Rouhani's popularity has gone down, with 74% of Iranians feeling their living standards have not improved following the nuclear deal two years ago.

Moreover, in the eyes of many young Iranians, Mr. Rouhani's focus on the long-term economic development of Iran, promises to boost the purchasing power of the Iranian middle class and the reduction of the wealth gap are no longer enough. Though Mr. Rouhani's Iran has arguably been more open economically and politically, business has been slow and unemployment remains a significant factor. As a result, his success in his political game on the nuclear deal is not necessarily considered the same for the majority of Iranians.

New base, new basket

The revised IIP shows India may have been overstating the industrial slowdown in its economy



PUJA MEHRA

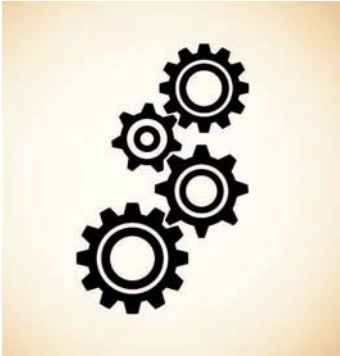
The Index of Industrial Production (IIP), a critical economic indicator, has of late become a source of concern – sometimes unmerited – over the credibility of India's statistics. The bellwether high-frequency indicator is a key input into making and assessing policies, particularly those pertaining to the manufacturing sector, inflation, interest rates and the flow of credit in the economy. But, in the past few years, the month-on-month IIP has shown excessively low, and even negative growth, which subsequently turned out to be out of sync with the actual manufacturing output growth measured through the Annual Survey of Industries (ASI). The survey for a financial year comes with a lag of about 24 months.

The theoretical aim of the IIP is to capture the direction and the trend of industrial production in the country, not the absolute value of industrial production. Its chief utility is as an early indicator of turning points in the economy. The IIP has been failing in serving this purpose. The reason being that it was measuring industrial output using baskets of production items

and producing entities that had remained unchanged since 2004-05. The standard procedure followed was that a list of items was constructed in the base year and for each item the producing entities were identified. This structure was frozen. The index was constructed with the output figures received month over month from the baskets of items and entities fixed in the base year. If an entity shut down, its output fell to zero. But since the basket was frozen no new entity could be taken in place of the zero-output one. Over time, an item, say calculators, may fall out of use and more smartphones may be consumed. The IIP was not equipped to capture such changes in the economy.

A more dynamic index

Naturally, the IIP growth acquired a certain directional bias, which impaired its usefulness. To overcome the weaknesses, the IIP is being made more dynamic. First, the Central Statistics Office has updated its base year to 2011-12. The revision, the ninth such exercise since the original base year choice of 1937, is aimed at capturing the changes that have taken place in the industrial sector since 2004-05. New products have been included in the items basket, and those that have lost their relevance deleted. Renewable energy, for example, has been included in the electricity index. The expanded coverage – 809 items against 620 earlier, and a larger number of



factories – is expected to make the IIP more representative.

Second, instead of the periodic baskets revisions, a permanent standing arrangement is being put in place to make sure that the IIP remains representative. An ongoing process is to be instituted for monitoring and mapping into the index the changes taking place in the economy under which a technical committee will continuously review the item basket, the reporting entities and the method of coverage.

The improvements in the statistical apparatus have been carried out on the recommendations of a committee that the United Progressive Alliance (UPA) government had constituted in 2012 under the chairmanship of late Saumitra Chaudhuri, a member of the Economic Advisory Council of Prime Minister Manmohan Singh. Several measuring difficulties remain, though. The process of physically collecting data from entities

to establish the collection system, where no statutorily-mandated system of regularly reporting production is in place, is still an institutional challenge.

Righting the numbers

The updated IIP offers new insights, the most important being that India may have been overstating the industrial slowdown in its economy. Whereas the average industrial output growth of the last five years (2011-12 to 2016-17) in the old IIP is 1.38%, in the updated series it is 3.8%. On the manufacturing front, the news gets even better. The average five-year growth has improved to 4.04% against 0.94% in the old IIP. Although the average growth in two of the five years in which UPA-2 was in office outpaced that in the three years of the incumbent National Democratic Alliance (NDA) government's tenure. The performance – 4.2% versus 3.9% – challenges the narrative of the 'policy paralysis' characterising the dying years of Dr. Singh's stint. It also tests the efficacy so far of Prime Minister Narendra Modi's 'Make in India' initiative.

The bad news is that the output growth of the infrastructure and construction sector has slowed down from 5.7% in 2013-14 to 3.8% in 2016-17 despite the NDA government's sustained push to the infrastructure sector, including through substantial increases in targeted public spending, in the last three years. The updated IIP also shows a

modest recovery in the capital goods sector, a barometer of the investment sentiment. From -3.6% in 2013-14, output growth in the sector improved to 1.9% in 2016-17.

The main driver of growth in the economy remains consumption. Consumer durables grew 6.2% and non-durables 9% in 2016-17. The Seventh Pay Commission award to Central government employees and pensioners last year seems to have spurred consumption. The monthly figures have not been released, but the spurt could also have been triggered by hectic use of demonetised cash for acquiring consumer durables and non-durables.

Demonetisation's debilitating impact on manufacturing is visible in the updated monthly IIP for 2016-17. The average output growth for the seven months from April to October was 6.8%, and for the five months from November to March 2.28%. The IIP's coverage by design is limited to the organised sector. The disruption in the unorganised sector is expected to get measured in the ASI.

The base years of all the major macroeconomic indicators, the Gross Domestic Product (GDP) and the Wholesale Price Index, are now aligned – 2011-12. The revised IIP will be plugged into the GDP series. The revised GDP estimates are scheduled to be released on May 31.

Puja Mehra is a Delhi-based journalist

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.

The Hague route

Harish Salve, who represented India before the International Court of Justice in the Kulbhushan Jadhav case, pulled no punches in his scintillating arguments while dismissing the justification of the Pakistan government in sentencing Jadhav to death ("Jadhav's trial farcical", May 16). The arguments of the counsels for Pakistan were also of a high order. However, the issue is: even in the event of the ICJ issuing an order that is favourable to India, will Pakistan accept the jurisdiction of the ICJ and show deference to its order? As we know, the ICJ has no mechanism to execute its orders. Ultimately, it is the Security Council that has to give effect to the ICJ's orders. Members of the Security Council have themselves not accepted the jurisdiction of the ICJ when it did not suit them. The proper approach for India would be to take

the bilateral route and convince Pakistan of the importance and necessity of annulling the death sentence and repatriating him to India.

K.R. JAYAPRAKASH RAO,
Mysuru

Taking a cyber hit

The claims by the government on the safety of biometric data *vis-à-vis* Aadhaar sound unconvincing in the wake of the recent global malware attack ("India suffers no major damage from ransomware", May 16). Even countries that are advanced are struggling to contain the damage. A chunk of Centrally-sponsored schemes are implemented using the Aadhaar route and the government is keen to expand this list. The cyber threat has wide implications, especially for pensioners, the poor, the elderly, and the not-so-Internet savvy. If their meagre life savings are

siphoned off in a cyber scam or attack, will the government stand by them?

H.N. RAMAKRISHNA,
Novi, Michigan, U.S.

■ The disruptions should not stymie India's ambitious plans of going digital. We must be aware of the fact that every technology can be disrupted or hacked. We need to follow safe practices and be up to date with technology.

SUVAN SHARMA,
Jammu

Politics and Rajinikanth

The 'to be' or 'not to be' stance of actor Rajinikanth as far as entering politics is concerned only continues to leave his diehard fans on tenterhooks (Tamil Nadu, "Politics not for making money: Rajini to fans", May 16). While the 'anxiety' of his fans is understandable, to have the media providing wide coverage as if his decision will be the panacea for all ills affecting Tamil

Nadu is intriguing. It is advisable that he not venture anywhere near the crocodile-infested political pond. He can render his services to the people of Tamil Nadu through his fans in the form of charitable activities, raising his voice on public issues and pointing out transgressions in the administration of the State.

V. SUBRAMANIAN,
Thane, Maharashtra

Loanwords

I happened to read the quiz (*The Hindu* Magazine – "Easy like Sunday morning", April 29) which said that the word "Wikipedia" is a hybrid made of a Hawaiian word (Wiki) and a "Latin" word (pedia), the latter meaning learning. I do not know from where the quizmaster found that the ancient Greek term "Paedeia" is Latin, perhaps by extrapolation, i.e. all uncommon or unusual words have to be derived

from an awe-inspiring source such as Latin. Paedia (or its simplified modern version Pedia) meant education of the young (pais = young boy or girl). The term is still very much a part of modern Greek; the Ministry of Education in my country is always called Ministry of Paedeia. Suffice also to mention here that paediatrics or pedagogical are derivatives of pais. I

thought that setting the record straight concerning the etymology of this word would be of use to your readers or could even arouse an interest in the Greek origin of innumerable words spoken daily in all modern languages.

PANOS KALOGEROPOULOS,
AMBASSADOR OF GREECE,
New Delhi

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CORRECTIONS & CLARIFICATIONS:

The headline of a Business page report on Tube Investments of India's fourth-quarter results (May 16, 2017) erroneously referred to "net profit". It should have read: "TII Q4 profit before tax and exceptional items rises 16%".

In the article headlined "Bloody fool experts" (Sunday Magazine, May 14, 2017) the penultimate sentence of the paragraph beginning "After a few minutes, to avoid brain cancer..." read: "And then you charge ₹80 for consultation." It should have been ₹800.

In the review of "Much Ado Over Coffee: India Coffee House Then and Now" – (Non Fiction, May 7, 2017) Orient Blackswan was wrongly mentioned as the publisher. Actually, the book was published by the *Social Science Press*.

It is the policy of The Hindu to correct significant errors as soon as possible. Please specify the edition (place of publication), date and page. The Readers' Editor's office can be contacted by Telephone: +91-44-2848182/28576300 (11 a.m. to 5 p.m., Monday to Friday); Fax: +91-44-28552963; E-mail: readerseditor@thehindu.co.in; Mail: Readers' Editor, The Hindu, Kasturi Buildings, 859 & 860 Anna Salai, Chennai 600 002, India. All communication must carry the full postal address and telephone number. No personal visits. The Terms of Reference for the Readers' Editor are on www.thehindu.com