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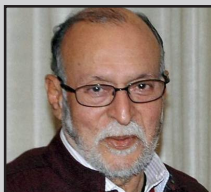
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Electoral Reforms to curb money power in polls

The Election Commission of India, in consultation with political parties, experts, civil society members and NGOs must embark on reforming the electoral system of the country. It is generally believed and rightly so that one of the major causes of corruption in India is the nature of elections in the country. Political parties get donations from businessmen to conduct elections. In lieu, they make all possible concessions to these businessmen who later on indulge in profiteering without caring for customers. As a first step towards reforming the system, the Election Commission has delisted around 255 political parties that existed only on paper and has asked the Central Board of Direct Taxes (CBDT) to initiate appropriate action, if necessary. None of these parties have ever contested a local body, assembly or Lok Sabha election since 2005, the EC found out while reviewing the records of unrecognised parties registered with it. That Law and Justice Minister Ravi Shankar Prasad told media that the Government may amend the Act to derecognise the political parties delisted by the Election Commission (EC) who have not fought elections once EC sends a proposal in this regard is a welcome stance.

ECI has also recommended a ban on anonymous donations above Rs 2000 to political parties. The poll panel wants parties to maintain accounts for all donations, get their accounts audited and submit the audited books to it on an annual basis. This single step, though essential and effective, but in itself is not sufficient to make the election system clean. Several other steps are required to be taken subsequently. It is a beginning, and it should be supported by one and all.

The Election Commission wants to plug this loophole and weed out black money from the political system.

— Amit Sinha, Jabalpur

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Quote-Unquote



Do swim with appearances, but take care not to be taken in by them.

Sri Sri Ravi Shankar



The most severe effect of corruption & black money is on the aspirations of the poor. A corruption free India is the best gift for our poor.

Narendra Modi

Prime Minister of India



Doing my best to disregard the many inflammatory President Obama statements and roadblocks. Thought it was going to be a smooth transition.

Donald Trump

US president elect



The talks of social change, which we espoused, are fading and politics and money are becoming important. The sense of humility is also fading.

Anna Hazare

Activist

NITI Aayog: Time for a comprehensive Appraisal

*"The beauty is that through disappointment you can gain clarity,
and with clarity comes conviction and true originality."*

— (Conan O'Brien)

The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet in January 2015, replacing the Planning Commission of India an organization constituted in 1950. NITI Aayog, we are told, is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog is also supposed to provide relevant technical advice to both, the Centre and States. Substituting an established institution with a new and altered body was surely necessitated by various reasons. The most noteworthy rationale provided by the Government for constitution of NITI Aayog was to "better serve the needs and aspirations of the people of India". Another significant *raison d'être* provided terms the substitution as an evolutionary change from the past to provide a perfect platform to bring government of India and the States "to act together in national interest, and thereby fosters Cooperative Federalism". There are other additional aspects of NITI Aayog sufficiently justifying its creation, we admit. These are conception of Hubs like 'Team India Hub' and the 'Knowledge and Innovation Hub' respectively for engagement of states with the Central government and building think-tank capabilities. NITI Aayog is also supposed to develop itself as a "State of the Art Resource Centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues". Understanding these justifiable reasons for replacing an old and out dated Planning Commission, the people of India welcomed the modification almost wholeheartedly. Some people tried to link the conversion of planning commission into NITI Aayog with the policy of demolition of the legacy of Jawaharlal Nehru, the first Prime Minister of India, but countrymen trusted Prime Minister Narendra Modi and rejected the conspiracy theory. People's Trust is sacred and needs to be respected. Taking faith of the people for granted is worst type of disrespect to them. Indians in particular may be patient and may like to wait for more than expected period hoping their confidence and devotion will be appreciated. But once they realise that they have been taken for a ride these very devoted followers will unhesitatingly dump the defector into the dustbin of the history. Indian people have established that quality time and again.

NITI Aayog is in place for two years now. Two years may not be a long period, but it is not small either. It is sufficient to evaluate the working of NITI Aayog and analyse its utility, performance and future relevance in the context of milieu it was formed. There may be some force in the argument that by the very design, NITI Aayog is a weaker body compared with the planning commission as it doesn't have the power to allocate funds and can only make recommendations. But for that very reason it should have proven its relevance by providing innovative, practical and beneficial counsel to the governments both at centre and in the states which would have been found impossible to be rejected. We are constrained to underline the failure of the NITI Aayog to perform to the expectations. NITI Aayog has been unable to show even a single act in any of the fields within its ambit that could justify its existence. On the contrary it has given an impression of acting on behalf of Trans- national corporate sector. Almost all of its recommendations that include opposition to public spending on health care sector and favour conclusively proven-hazardous GM food crops like GM Mustard. Engaging in promotion of digitisation by a sort of lottery system exhibits its incompetence and inability to come up with solutions to the problems facing this country. Prime Minister may have his reasons to be unhappy with the NITI Aayog as is reported but the people of India are disappointed with its performance so far.



Black Money fight and Cashless economy



India is still a country of poor people and major portion of its labour force is in rural areas. Lot more is required to make Indians prepare for cashless economy, explains Anil Javalekar

Black Money is still in news and India saw disruption of Indian parliament by opposition over demonetisation of certain currency notes. The talk of cashless Indian economy is another impacting news. As of now, Indian government has demonetised Rs 500 and Rs 1000 currency notes with the intention to curb black money and promoting cashless economy. Fighting black money and promoting cashless economy are not easy tasks and all actions need to be judged from its long-term perspective.

Black Money Fight

None denied the existence of black money in Indian economy though most fail to define it and suggest measures to control it. Lots of discussion took place regarding the Indian black money. After independence, Indian governments tried to control black money by way of demonetisation, voluntary income disclosure schemes and tightening of laws without much success. BJP Government seems to be serious about it. It has Introduced the Benami Transactions (Prohibition) Amendment Bill, 2015 to enable confiscation of Benami property and provide for prosecution and initiated steps to engage foreign governments to facilitate and enhance the exchange of information so to combat tax evasion/black mon-

ey. Additional voluntary income disclosure scheme that was brought was also reasonably successful. Then, there is demonetisation of Rs 500 and Rs 1000 currency notes. These efforts were more to catch the black money holder and try to unearth the black money, wherever it is, and bring it to main stream. Demonetisation was to unearth black money held in currency notes and additionally, clean the currency system from fake currency. However, the issue of black money generation and its illegitimate usage has remained to be addressed with long-term policy measures.

Black money is in the system

Black Money is in existence right from the age of kings and kingdoms and started with their revenue collection system and will continue to be there till the time government, in whatever form, exists and exercise its right to control socio-economic affairs of citizens or interfere in their socio-economic freedoms. Lastly, it is the human nature to minimise payment to government and gain maximum from governance. Each government can, at best, minimise the sources of its generation and control its illegal usage. **First**, money is black only because the source and usage of such money is not known to government though this money is openly accounted for in every of socio-economic transactions-legal or illegal and is used for all purposes. **Second**, black money is not necessarily in cash or legal paper currencies. It can be in gold and silver or other valuables, real estates, commodities including illegal commodities like drugs, foreign currencies, loans and credits



Black money is not necessarily in cash or legal paper currencies.

given to people and many more such ways and is used even for activities that are not healthy for society including sponsoring of terrorism. **Third**, black money is controlled and used not only by Indians but by foreign nationals as well who use antinational elements of Indian society to destabilise the country and its economy. **Fourth**, Weak and corrupt governance allow the generation and usage of black money for all illegal purposes including human trafficking and sponsoring of terrorism. **Fifth**, Fake currency is another dimension of black money that, sometimes, is beyond government control and need frequent cleaning of currency system.

Indian political governance leads everywhere

It is not a secret that Indian Political system is ahead of all and survives on black money. This is one possible reason why political leaders opposed demonetisation when Indian commons welcomed it. Indian systems of elections and manipulative governance are the active participants in generation of black money and its illegal usage. The difference between the British Raj and present Indian democratic rule is that there were only bureaucrats in British Raj. Today, there are

politicians and Bureaucrats with so many intervening discretionary powers to loot. Therefore, first action should be to tighten the system for politicians and bureaucrats. **First**, the laws should have special provisions to apply it strictly to political leadership and bureaucrats more than the commons. This class is already more equal than commons and the need is to allow full public scrutiny of politician's and bureaucrat's life so that they dare not enter in politics and governance for manipulative use of power for self-aggrandisement and welfare only of family and friends. Present system allows them a simple escape in the name of liberal democracy, freedom and equal treatment before law. This needs a Change. **Second**, Indian election system is the breeding ground for all corruption and generation and usage of black money. Election reforms are overdue and needs to be implemented on priority basis. No bad element in society should dare to contest election. Entire election system needs to be revisited so to make entry easy for righteous and difficult to corrupt and law breakers. **Third**, Minimum governance should be visibly practiced as that alone can minimise the sources of black money generation. Indian citizens should be freed maximum

from government intervention. Presently, Indian commons or elites, entrepreneurs and businessman, contractors etc. seek help from politicians and bureaucrats or even middlemen because the policies are changed frequently, procedures are made complicated and individualistic discretions are allowed. It is the 'milibhagat' of politicians and bureaucrats that has made life of citizens difficult. And this need a break. **Fourth**, Indian citizens seek help of middlemen to get cards, certificates and services from government departments and agencies because obtaining it is the citizen's responsibility.



Desirable that the issuing of certificates right from birth to death and providing defined facilities and services should be the responsibility of government. Aadhar cards, passport, PAN cards, Ration cards or such all government system generated cards should automatically reach to all citizens whether asked for it or not within a defined time frame. Similar treatment should be given for providing defined public services as also acceptance or rejection of tenders and contracts of public work.

Cashless Indian Economy

Cashless economy may not stop black money generation and

its usage for wrong purposes. The idea of cashless economy is expected mainly to reduce the pressure on banking system for cash. There is no denying that future economy demands diversified transaction modes and many will operate without cash.

Presently, cash transaction is the easiest mode and switching over to cashless modes is not easy. Much of the existing institutional structure, including government departments and agencies, its functioning style and all related regulations and procedures are convenient for cash transaction mode or modes available through

***Technology
is changing
& culprits
are always
ahead of
government.***

banking system. Changing technology is making many things possible. However, every cashless transaction involves third party and increases the dependency on outside party for payment and receipt. Apart from making all people, children, old, sick, disabled and illiterate, adopt new technology and rely on modern devices and machines controlled by others, the present set up of cashless transactions is costly and not reliable. The control on third parties and related legislations are also not in place. Therefore, Government need to be cautious while pressing for cashless economy.

Arguments for cashless economy

The important argument for cashless transactions is that currency is used by anonymous and its use is not known and so it generates black money and allow its usage for illegal purposes. Many times, the currency is used for criminal activity and or for illegal purposes and if all transactions are made through known channels, user and usage can be identified easily. The presumption is that government will have full control over every of transactions and every of users and bring every of tax avoiders under tax net. This presumption may not be true in the long run as technology is changing and culprits are always ahead of government.

Privacy of citizens is important

The argument in favour of cash economy is that cash is one important way by which citizens can preserve their privacy. All the modes of cashless transactions invade privacy of individual citizens and expose them and their assets apart from their lifestyles to outsiders. The privacy argument is important as many of companies involved in digital or otherwise cash management are private and many with foreign collaboration (including China). As against, only Reserve Bank of India manages present cash system. Cash as such is independent medium of exchange and need no other tag of introduction or identity. Only condition is that the currency should not be fake. As it is, hackers are on work overnight and instances are there for stolen bank accounts and hacking of money. Credit card

COVER STORY

frauds are well known. Even getting refund of double payment made through credit card is a problem. Therefore, exposing citizens to such eventualities without proper control system is dangerous.

Care for poor and rural Economy

India is still a country of poor people and major portion of its labour force is in rural areas. Most of Indian transactions are also in cash. There is lot more required to make Indians prepare for cashless economy and government may have to care Indian poor and old generation.

First, Indian income and expenditure at individual or family level are low and the mass consumption goods supply chain is also of small manufacturers and small traders and their turnover is also at subsistence level. Cash is

easiest way for them to meet their needs. Cash is free for them but all other modes of digital cash are at cost and requires devices and machines and cards etc. The cost incurred for operation and maintenance etc is also an extra burden. Indian poor cannot afford the purchase of devices and maintain it.

Second, the income is for all family members and cash is easiest mode of transaction. Even small children are asked to shop for family. For any digital mode, each family member is independent and must keep individual funds ready for spending. Preloading of amount is must for most transactions. This is practically not possible for rural India.

Third, there is a huge generation gap in Indian society. When new generation is familiar with new devices and new technologies and are making use of the same, old

generation have just learnt to operate TV remotes and take or make telephone calls from mobiles. Asking them to go digital is unjustifiable.

Fourth, it is not practically possible to control cheating and fraudulent treatment by third party operators who are strong and well organised. It is well known how companies including Digital cash companies ask consumers to agree for so many terms and conditions and give no choice regarding the price and service charges etc. Indian consumer is still a looser even with all the consumer-friendly regulations.

Fifth, allowing digital cash companies whose many of owners are foreign giants to know more about Indian citizens, Indian lifestyles and Indian assets and control transactions can pose a great risk in emergencies. □□

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Demonetization

Restoring Probity in Public Life



Domestic black money is primarily dependent on the cash economy and tries to avoid formal transactions through banks due to fear of being captured by electronic systems and the tax authorities, elucidates Prof. R. Vaidyanathan

The dramatic announcement by the Prime Minister on the 08-11-2016 regarding De-monetising Rs 500 and Rs 1000 notes from the midnight of the same day has electrified the national mood and has altered the paradigm of public life. All black money is not due to corruption even though all corruption results in black money. If a Government servant gets bribe for a favour done then he generates black money since that amount will not be shown for tax. But if you go to a doctor and pay him say Rs 500 in cash without receipt or buy petrol without bill then you are generating black money since they may not show all amount for tax purposes. But neither act involves corruption.

In the case of income declaration scheme 2016 –64275 declarations were filed up to the midnight of 30th September, 2016 with an aggregate of Rs.65250 Crore worth of hitherto undeclared incomes in the form of cash and other assets being declared. On an estimate 45% taxes centre will collect Rs 30000 Crore. **The declaration was much higher than expected even though compared to the estimated amount of black money it is relatively very small.**

There are also comparisons with the 1997 scheme of P. Chidambaram which netted Rs 33000 Crore. But the GDP has grown much during this period and that time tax rate was different. During 2014-15 total taxes [direct Plus indirect] constituted nearly 10% of our GDP at market prices and Direct taxes of Rs 7 Lakh

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Crore was 55% of total taxes. In 2012 the then Finance minister Mr. Pranab Mukherjee presented a White Paper in Parliament on Black Money.

[http://finmin.nic.in/reports/WhitePaper_BackMoney2012.pdf]

This white paper on black money produced by the ministry of Finance and presented to parliament has evoked a mixed response.

One of the major criticisms it has faced is that it has mixed up domestic lack money and illicit money kept in tax havens abroad by Indians. These two need to be dealt with in different ways. Some part of the domestic black money is used in productive activities like real estate, trade, construction, mining, transport, restaurants and other businesses. The illicit money kept in tax havens abroad is, by and large, not used for domestic purposes unless it is round-tripped through share markets or foreign direct investment (FDI) to domestic operations.

Domestic black money is a no-confidence motion on the government of India while illicit money kept abroad is a no-confidence

Table 1:

Notes and Coins in circulation (Rs. Crores)			
Notes/ coins	2005-06	2010-11	2015-16
Small coins	1358	1458	700
Re 1 (notes)	299	299	309
Re 1 (coins)	1894	2968	4178
Rs 2 (coins)	1365	3068	5926
Rs 5 (coins)	2735	4535	7045
Rs 10 (coins)	—	300	3703
Rs 2 (notes)	451	851	853
Rs 5 (notes)	1980	3430	3680
Rs 10 (notes)	6274	21288	32015
Rs 20 (notes)	4077	6040	9847
Rs 50 (notes)	27842	15980	19450
Rs 100 (notes)	134637	140243	157783
Rs 500 (notes)	182332	445311	785375
Rs 1000 (notes)	64346	302713	632568
Total	429590	948484	1663432

Source: www.rbi.org.in

vote on India itself – its stability and its people.

Domestic black money is primarily dependent on the cash economy and tries to avoid formal transactions through banks due to fear of being captured by electronic systems and the tax authorities. So the holding of black money is usually in the form of cash and transactions undertaken in cash.

This implies that substantial portions have to be kept in high denominational currency, since storing or carrying huge quantities of cash in small denominations is relatively difficult.

In India, if we take only currency notes (and coins), we have the lowest denomination at Re 1 (of course, the Rs 1 currency note has been replaced with coins) and the highest at Rs 1,000 – which implies that the differential is 1,000 times between lowest and highest pieces of currency. In the US, the most popular highest denomination is \$100 – and the differential is 100 only.

Not only that, we find from **Table 1** below that the Reserve Bank of India (RBI) seems to favour printing higher denominations currency even though the mass of poor people may transact only in lower denominations. We find that in 2005-06, around 57 percent of the total amount of



COVER STORY

Rs 4 lakh Crore of coins and notes introduced in circulation comprised Rs 500 and Rs 1,000 notes. But by 2010-11, the share of the higher notes had become 79 percent of the total value of Rs 10 lakh Crore and by 2015-16 it is 85% of the total value of Rs 17 lakh Crore.

This implies that more and more of the denominations in circulation are skewed to higher value notes when the mass of people may need lower value denominations. The

from the operational point of view for this conversion.

Also RBI is introducing new Rs.2000 and 500 notes with increased safety and features.

Most interesting point will be –how much of this Rs 14 Lakhs Crore will be coming back to the banks. That will reveal the nature of black economy. Kindly observe this does not include assets like land /gold etc. held using black money.

Another issue about holding

ticular threshold limit. This may include creating a limitation on cash holdings for private use, as well as provisions for confiscation of cash held beyond such prescribed limits. However, such laws need a broader political consensus to emerge for their acceptance in Parliament.”

We find that political parties do disburse cash to voters prior to elections and for which a huge amount of cash is held and transported from one location to an-



Political parties do disburse cash to voters prior to elections

very high denominations also facilitate transactions in black money.

Prime minister has already announced on 8th November 2016 such a step wherein the existing 500 and 1000 Rs. Notes are withdrawn and public given option till end of year to change it. Also for larger sums like more than Rs 2 lakhs IT plus penalty will be levied if not covered already.

For instance, nearly Rs 14 lakhs Crore would be converted from Rs 500-1,000 notes to new Rs 100s, etc. Of course, an adequate number of new Rs 50-100 notes should be made available

cash in our context is this. The black money report says: “As of now there are no legal restrictions to keeping very large amounts of cash with oneself or transporting it from one place to another. One is neither required to report it nor provide any explanation for it. There have been suggestions that the government may consider amending existing laws, including the Coinage Act, 2011, the Reserve Bank of India Act, 1934, FEMA, and the Indian Penal Code, or enacting an entirely new statute aimed at regulating the possession and transportation of cash above a par-

other. For instance, suggests that in the recent Andhra Pradesh by-elections cash valued at as high as Rs 32 Crore was seized prior to the polls. These were presumably meant for distribution to voters.

[<http://indiatoday.intoday.in/story/it-is-raining-cash-in-andhra-pradesh-by-polls/1/199369.html>]

An earlier news pertaining to recent elections in Tamil Nadu suggested that more than Rs 100 Crore in cash was seized by election.

[[officialshttp://www.thehindu.com/news/cities/chennai/tn-elections-cash-seizure-by-ec-crosses-rs-100-cr/article8592604.ece](http://www.thehindu.com/news/cities/chennai/tn-elections-cash-seizure-by-ec-crosses-rs-100-cr/article8592604.ece)]

There are many other reports which give us a clue that cash is held and transported in huge quantities

COVER STORY

not only for bribery at elections, but for other black money transactions. It is important that we bring in the necessary changes in the Coinage Act, 2011, and other relevant acts to make holding of cash above a threshold level, say Rs 10 lakh, punishable. This threshold can be arrived at by the Reserve Bank after taking into account the requirements for genuine cash transactions in the economy like marriage and religious ceremonies, wage disbursements in construction activities, etc. This limit should not be applicable to obviously banking institutions and corporates having construction/project activities where substantial amounts of cash disbursements take place.

In developed economies like the US, there are no restrictions per se in terms of holding or transporting cash domestically, unless it is suspected to be drug money. Even there, transactions beyond \$10,000 in cash are expected to be notified to the Internal Revenue Service (IRS) by shops and establishments. Of course, there are restrictions on the amount of dollars one can transport during immigration/emigration. But since the US is a well-developed economy, most of the transactions are conducted through plastic cards or banking channels.

The Fifth SIT report has been submitted before the Hon'ble Supreme Court by the SIT. An extract of the report has been uploaded on Department of Revenue website www.dor.gov.in.

[<http://pib.nic.in/newsite/PrintRelease.aspx?relid=147082>]

The SIT has made the following recommendations in the Fifth Report

Cash transactions: The SIT

has felt that large amount of unaccounted wealth is stored and used in form of cash. Having considered the provisions which exist in this regard in various countries and also having considered various reports and observations of courts regarding cash transactions the SIT felt that there is a need to put an upper limit to cash transactions. Thus, the SIT has recommended that there should be a total ban on cash transactions above Rs. 3, 00,000 and an Act be framed to declare such transactions as illegal and punishable under law.

Cash holding: The SIT has further felt that, given the fact of

article "We should abolish Rs 500 and Rs 1,000 notes completely".

[<https://rvaidya2000.com/2012/09/25/domestic-black-money-some-methods-to-reduce-it/>]

Hence these two mechanisms—further to be attempted—may not eliminate domestic black money but may reduce the generation and use of it. Even developed countries have not completely abolished black money but have taken steps to reduce its generation and usage.

The major impact is on the holding of black money by political leaders/party and corrupt Government officials both at centre and States. If this measure brings



*We are
witnessing
cleansing
times.*

unaccounted wealth being held in cash which are further confirmed by huge cash recoveries in numerous enforcement actions by law enforcement agencies from time to time, the above limit of cash transaction can only succeed if there is a limitation on cash holding, as suggested in its previous reports.

SIT has suggested an upper limit of Rs. 15 lakhs on cash holding. Further, stating that in case any person or industry requires holding more cash, it may obtain necessary permission from the Commissioner of Income tax of the area.

We have elaborated on these two issues as early as 2012 in an

in the concept of probity in public life then it will go a long way in cleansing our public life. Along with this we need to have swift and severe punishment for wrong doers. Our court cases get dragged for decades and we rarely send any one to jail for 80 or 100 years as in the case USA.

Next step to enhance probity in public life is to make holding of cash per se beyond say

Rs 10 L a crime and Of course ordinance to nationalise all money kept in Tax havens.

We are witnessing cleansing times which are interesting times and as in the case of all deliveries there will be some labour pain. □□

PM Narendra Modi's New Year address to the nation

Thanks countrymen for standing by demonetisation, rewards them with sops

Prime Minister Narendra addressed the nation on New Year's eve on Saturday December 31, 2016. In his televised address, the PM announced a slew of concessions for the poor, farmers and senior citizens.

His address caught the fancy of the people in throughout the country and kept the countrymen glued to their television sets and radios. The prime minister's speech comes 52 days after his announcement of demonetisation, made in a similar address to the nation on 8 November.

Modi thanked 1.25 billion Indians for the resilience they showed in bearing the problems that came with his demonetisation drive, and doing so with much dignity and patience.

Applauding Indians for supporting the demonetisation decision, calling it a "shuddhi yagna", Modi said that the evils of corruption and black money compelled even honest people to bend in despair, and made him feel "suffocated".

Accepting the pain that people have to face because of demonetisation, Modi said, "I know that to withdraw your own money, you had to bear pain. People shared their pain with me. But I realised that you considered me your own. You showed that you don't want to be left behind in this fight against corruption."

He added that the government's top priority will now be to normalise the functioning of the banking system. Modi said that there will be renewed focus on every aspect of the sector, and especially on making things normal in rural areas.

Stressing on the fact that tax evasion has now become all-pervasive in the country, Modi said that as per official records, only 24 lakh people claim to be earning more than Rs 10 lakh, which is unbelievable given the opulence that is on display in most of the cities.

Sending a clear message to the "corrupt and dishonest" citizens of the country, Modi said that is very obvious now as to what will happen to them. "The

law will take its own course. But government's priority will be to ensure how the honest can be helped and be supported," he said.

While lauding the efforts of the banking sector, who "worked really hard" in the last 52 days, he also made it amply clear that the people, including government officials, who have indulged in fraudulent practices, will not be spared.

Apart from stressing on demonetisation warning wrong doers, and applauding the honest, Modi also announced a slew of reforms and schemes to benefit the rural poor. Some of them were:

1. In 2017, 4 per cent rebate on interest on Rs 9 lakh loan, 3 per cent rebate on interest rate on Rs 12 lakh loan taken for construction of homes.
2. In 2017, if poor people want to expand their homes, they will be given Rs 2 lakh at an interest rate of 3 per cent less than normal.
3. Small scale and medium enterprises play important role in increasing job opportunities. Credit guarantees by government increased to Rs 2 crore.
4. Scheme for senior citizens: For 10 years up to Rs 7.5 lakh senior citizens will be capped at 8 per cent. So that lower deposit rates don't hurt: PM Modi.
5. Politicians should abandon their holier-than-thou attitude and work for country's development together.

Invoking leaders like Jayaprakash Narayan, Lal Bahadur Shastri, Ram Manohar Lohia, Kamaraj and Mahatma Gandhi, He proclaimed that the "path towards truth that Gandhi showed us, is still most appropriate." Asking people to recall the Mahatma and resolve to follow his message of truth and goodness.

"We cannot allow this fight against black money and corruption to stop or slow down. Firmness in truth is a guarantee for success. A country of 125 crore, with 65 per cent below the age of 35, having the means, the resources, and the capability, has no reason to stay behind" PM remarked. □□

Note ban was an inevitable step: *Gurumurthy*

Sri Swaminathan Gurumurthy is a distinguished Chartered Accountant, Economics Thinker, Philosopher, political commentator and above all a swadeshi ideologue. He has been most sought after person to decode Demonetisation move of the union government. In an interview to the New Indian Express Gurumrthy ji has commented on different aspects of Demonetisation and future challenges. We are reproducing it here for the benefit of Swadeshi activists and readers of Swadeshi Patrika. - Editor



Expect the upcoming budget to reflect huge allocations to the farm sector and the poor and sops to the middle class by way of Income Tax or other measures. At least, this is what well-known commentator on economic affairs S Gurumurthy, reckoned as one who is privy to the thinking in the government, believes is likely to happen, as a natural consequence of the demonetisation announced by the government last month.

In a wide-ranging interview with TNIE on demonetisation and its after-effects, Gurumurthy, a staunch supporter of the policy, laid down three challenges before the government if the country has to get the intended benefit from a move which has been seen as revolutionary by its supporters and regressive by its opponents.

According to him, the first challenge is to ensure that the non-formal sector gets requisite financial support from the banking system through non-banking and micro financing agencies, unlike the case

thus far when lending has been largely limited to corporates and other organised classes. This paradigm shift in lending, which could make money available to the informal sector at 16 per cent or lower interest vis-a-vis the 60 per cent rate at which they currently borrow, would lead to a sharp spike in employment.

The second is to plug the areas which generate black money. Towards this end, his solution is to provide scope for non-ornament gold to be deposited in banks at zero or nominal interest for a long term period with complete tax immunity, the only way to handle the existing stock of black gold. This could result in gold deposits to the tune of 2,000 to 3,000 tonnes, which could be sold by the banks to the RBI, thereby creating liquidity to fund infrastructure development.

The third step, Gurumurthy feels, is to put a check on benami land purchases, which has pushed up property values even in villages. "Unless these three challenges are met effectively, sooner than later, cash economy is going to come back to haunt us again in a few years," he cautions. Is the government thinking on these lines? "I can only make as intelligent a guess as you can. But, the Prime Minister has already indicated that more reforms are in the offing so I guess they are on the job," he said.

Here is the full interview:

Now that it is close to 50 days since demonetisation, how do you assess the impact – positive and negative?

Demonetisation was a deliberate contraction

forced on the economy. We need to understand why it had to happen. Otherwise, we will not be able to arrive at the balance-sheet, in the short-term, medium-term and long-term. The economy from 2004 onwards has been showing a fake growth in terms of asset appreciation — land, gold and stocks — without growth in jobs. This was largely driven by cash economy outside the system and not by official cash expansion. If the high denomination notes constituted 34% of the total economy in 2004, it went up to 79% in the next six years and touched 86% in 2014. This is what has propelled the spike in asset prices. Once unofficial cash drove this spiral, the official money too started going into these sectors leaving little monies for the production sectors.

The point I am trying to make is that what we have seen thus far is not real growth. One can argue that we could have continued with this — essentially do a holding operation. What has grown from Rs 1.4 lakh crore (HDNs) in 2000 to Rs 14.6 lakh crore now would have increased to Rs 30 lakh crore in the next five years, by which time no government could have intervened unless it is willing to pull down the economy. Even otherwise, the economy would have collapsed on its own eventually. So demonetisation is a hedge against a crisis which might collapse the economy eventually.

My argument is that we have reached a stage where demonetisation was no longer an option, it was an inevitable step. Unfortunately, it has not become a part of the national discourse, in the government or the media. Once you understand this, the obvious next question is how to go about it. It had to be a big political risk which this government and the Prime Minister, in particular, took. His idea was perhaps not adequately appreciated by the previous Governor of Reserve Bank of India, though the latter did report to the government that two-thirds of Rs 1,000 note and one-third of the Rs 500 note which went out of the bank never came back to the system. This means that over Rs 5 lakh crore was in operation outside the banking system. So, the government felt this was approximately the quantum of black money that existed in the system and it has to be caught. That is what led to this decision.

But was it well-planned?

Obviously, not. But I must say that by the very nature of this decision, it could not have been very

well-planned, and there was no precedent for this anywhere in the world. Normally, demonetisation is done when there is high inflation and the local currency loses its value. But, in our case, it is a peculiar situation of explosion of high denomination notes which was shifting the distribution of capital and the direction of growth. It should have been stopped at some point. If in 2004 or 2005, or even in 2006 the government had decided that it would not print any more HDN, maybe this situation would not have arisen.

This is exactly what I was about to ask. It is now two-and-half years since this government came to power. What stopped it from printing more volume of smaller denomination notes and slowly phasing out the HDNs coming into the banking system?

There are two issues here. One, the purpose of this move is to burst the black wealth built up with black money. People are already talking of land and gold prices going down and affordable housing growing at the rate of 20%. Mere phasing out of HDNs would not have helped achieve either of the two. Second, a move of this nature requires the Government and the RBI to be on the same page. I don't think this was the case until there was a change of guard at the RBI.

Am I to interpret then that there was a complete lack of trust between the Government and the previous RBI governor?

I would not say complete lack of trust. Without full trust, you cannot even open such a sensitive subject. Because once you open a discussion, this would never have been a secret, as it is a once in a lifetime step. Also, the Prime Minister discussed this with only a small group in the government before finally bringing it before the Cabinet. It does not mean that he does not have faith in the Cabinet. It had to be done in such a confidential manner. This is my assessment.

Now that close to 90% of the HDNs have come back to the banking system, can you still claim that the fundamental objective – purging black money – has been achieved?

Yes. As long as it was out of the system, it was unmonitored cash. Except by this measure, this would have never returned to the banking system and there-

by get recorded. Once it is back, the system can chase it. May be out of the 5-6 lakh crore, the system may be able to catch 2 lakh crore. Based on how much comes back, we cannot say demonetisation has not worked. It was required to be done to change the pattern of growth. In the process, the economy will surely go through stress but for a short-term.

This is precisely why a large section of the country's population has been going through the pain. Some 30- 35 crore people stood in the queues to withdraw money but did not grudge it, though the opposition was inciting the people, media too was expounding the opposition view more and even SC talked of riots. This kind of popular appreciation of a policy I don't think has ever been seen in this country, except when bank nationalisation was announced by Indira Gandhi. But bank nationalisation did not cause any pain to the people. Demonetisation caused pain and still crores and crores of people appreciated it.

Do you mean to say there was no inconvenience of any sort?

I am not saying there have been no problems, and there could have been a miscalculation on the nature and extent of problems that could arise. It is more than possible that the RBI may have thought printing 6-7 lakh crore currency would have been enough because it was expected that only Rs 10 lakh crore would come back to the system. This kind of misjudgement may have happened. But, the fact is that this measure definitely will help change the course of economy from speculation to real growth and from asset appreciation to productive growth.

From what we have seen, the Prime Minister's move has won popular appreciation initially on two counts: one, it is going to flush out black money and two, the implicit trust people have in Narendra Modi. Do you think this is thinning?

I am of the view that when people were excited about this move and supported it wholeheartedly initially, they did understand the pain they would have had to undergo. It was more of an euphoria. Over the next couple of weeks, I expect this pain to go. But, even while going through this pain, people have felt and continue to feel that this is something that is needed for this country. Irrespective of the HDNs which do not come back, it is a success.

But, I would say that Rs 13.5 or Rs 14 lakh crore getting back into the system as recorded cash is the real success. The government can later figure out how much of it was black, what kind of tax has to be imposed and so on. Measuring it by the amount of money that has not returned is not the right way of judging this policy.

You have been a strong votary of financial help from the banking system to small and marginal business. Reports, however, suggest that they are the ones taking the maximum hit. How do you respond?

This is precisely the benefit from this move. Imagine 5-6 lakh crore remaining within the system. This will multiply by fractional banking model to seven to eight times that sum, which means more money with banks to lend. Hitherto, banks have been lending only to big corporates, because a large part of the money was operating outside. The MUDRA scheme was brought in to address the issue of financial assistance to small and medium enterprises but the RBI put a brake saying banks have no money to lend. Now that money is there, MUDRA will also work. This will be the extended benefit. Informal sector, as we all know, contributes 50 per cent to the GDP and 90 per cent to the total employment.

I am going back to my question. This move seems to have hit precisely the small and medium businesses?

Demonetisation has hit the sector and that is the only way to improve it. Because they are being funded in black cash at 60 per cent or even higher rate of interest. Now that money is coming back into the banking system, the challenge for the government is precisely how to finance the MUDRA sector. May be the government will come out with a couple of lakh crore guarantee to the banks, which enables the latter to finance the small and marginal businesses. Now if these businesses which have been running with money borrowed at 60 per cent get the same at 16 per cent or less, there will be lot less burden on them because much of their energy is now spent on repaying the high cost borrowing, leaving them with little margins. This is crucial considering that we have 58 million non-farming units employing 128 million people. The organised sector employs just 12.8 million. Only four per cent of

them are funded by banks, and the balance is funded by the unorganised money.

How confident are you of this happening post-demonetisation, given that the policy has evoked equal support from big corporates who may still take the benefit of excess money in banks?

The corporates have supported the measure because cash generation to pay for wrong purposes has become biggest problem for them. Now that will be far less or nil. The banks need more money on hand than the needs of the corporates. Then only they will lend to the non-corporate sector.

Again unless there is a pressure on the system, it doesn't work. This is my view. Without pressure, even those who can transact digitally won't do it. Even I do not do it because cash is available easily. It is not as if the unorganized sector does not want to be a part of the banking system. They have not been because banks have not lent money to them. Once those who are a part of the unorganized open accounts and transact officially, the banks will also lend money. It is a dual process. Even without demonetization, it may have happened incrementally but what this does is to have that quantum jump.

How do you see this playing out on the GDP?

Sound economics suggest that the cash to GDP ratio should be around eight per cent. It is now 12 per cent with 17 lakh crore currency for a GDP valued at 150 lakh crore. Back in 1999, it was only 9.4 per cent. Since then, many have shifted to banking system but still the cash ratio went up because of HDNs. We, at best, require 12 lakh crore in currency and in lower denominations, so that cash remains a flow and does not become stock. Unless some amount of coercive persuasion is put in place, the shift to a formal economy will not happen, either from the supply side or demand side. This is my view. □□

(By GS Vasu, Published: 24th December 2016 02:19 AM)
(Courtesy: The New Indian Express)

Cash crunch pushed Indian factory activity into contraction

Indian factory activity plunged into contraction in the month of December as a cash crunch following Prime Minister Narendra Modi's currency crackdown severely hurt output and demand, a survey found. The Nikkei/Markit Manufacturing Purchasing Managers' Index fell to 49.6 in December from November's 52.3, its first reading below the 50 mark that separates growth from contraction since December 2015. It was also the biggest month-on-month decline since November 2008, just after the collapse of Lehman Brothers triggered a financial crisis and brought on a global recession.

"Having held its ground in November following the unexpected withdrawal of 500 and 1,000 bank notes from circulation, India's manufacturing industry slid into contraction at the end of 2016," said Pollyanna De Lima, economist at survey compiler IHS Markit.

"Shortages of money in the economy steered output and new orders in the wrong direction, thereby interrupting a continuous sequence of growth that had been seen throughout 2016."

The output sub-index at 49.0 was its lowest this year, though the rate of contraction was only slight. The new orders sub-index which measures both foreign and domestic demand was also knocked to its weakest in 2016. Contractions in momentum were reported across all major sub-indexes in the survey, such as purchasing activity and employment, highlighting the blow to the economy after the government's demonetization drive.

Modi's decision to scrap high-value banknotes as part of a crackdown on tax dodgers and counterfeiters removed 86 percent of the currency in circulation virtually overnight, denting consumption in a country where the vast majority of people still rely on cash for day-to-day activities. Economists have begun slashing GDP forecasts and some of the more pessimistic views are that growth will halve from the 7.3 percent year-over-year rate clocked in July-September, especially as consumer spending accounts for over half of India's output. The survey also showed output prices rose at a subdued pace last month, while input prices climbed sharply, suggesting manufacturers had little power to pass on rising costs. With consumer inflation at a two-year low in November, that could fuel hopes of an interest rate cut by the Reserve Bank of India at its next policy review.

The RBI said the impact of the cash squeeze may be short-lived and it needed more time to see if the move would cause more lasting damage to economic activity. □□

Goodbye 2016 A Year of Living Dangerously on the Farm

As the year 2016 passes into history, I am sure it will be remembered by farmers and farm workers as a particularly bad year for agriculture. It was only in the mid of the year when monsoon showered its blessings bringing respite to the drought-affected regions. But no sooner had the monsoon rains withdrawn and it was time to sow the winter *rabi* crops, the unnatural hazard of *Notebandi* (*Demonetisation*) struck. For farmers and farm workers, 2016 was a year of living dangerously.

It came as a heavy blow. In many ways the blow is so severe for farming communities across the country that even after withstanding the fury of the two years of back-to-back drought, the pain left behind by this shock therapy will take at least a year or two to lessen. The bitter harvest has resulted in farm incomes falling by as much as 50 to 70 per cent within a span of 50 days, and the disastrous implications it will leave behind on the livelihood security of millions of small farmers, agricultural workers and the poor will be too difficult even to be spelled out.

I wonder if the government will announce relief to farmers, farm workers and the unorganized labour force in the coming budget. After all, if there can be a flood relief, and a drought relief to mitigate the impact, how about providing a *Notebandi* relief when the impact has not been any less severe than the natural calamities.

Take a look. Just as the year comes to an end, the first plucking of *tur dal* is in the market. This early crop has arrived in Gulbarga in Karnataka, Kurnool in Andhra Pradesh, and Indore in Madhya Pradesh. Prices have crashed, much be-



Notebandi has certainly added to farmer's woes. And the agricultural markets have still not been able to recover, says Dr. Devinder Sharma



low the minimum support price (MSP). Against the MSP of Rs 5050 per quintal, wholesale prices are ruling between Rs 3,666 per quintal in Andhra Pradesh and Rs 4,570 per quintal in Karnataka. Prices are expected to further slump when the harvest from Maharashtra, Gujarat and Madhya Pradesh starts to pour in.

It was essentially the high retail prices that prevailed during the past two years, reaching a peak of Rs 200 per Kg earlier this year, coupled with the jump in MSP, from Rs 4,625 per quintal to Rs 5,050 per quintal that farmers shifted to *tur* or *Arhar* expecting a higher income. A record 4.3 million tonnes of *tur* harvest was expected this year, quite a significant increase from 2.46 million tonnes produced last year.

The story of *tur* is the same as that of *moong*. Against the MSP of Rs 5,225 per quintal, an increase over Rs 4,850 per quintal that was given last year, reports showed prices crashing after the crop started hitting the *mandis* since September. Across the country, farmers have been forced to sell the crop at prices much lower than the MSP announced.

Notebandi has certainly added to farmer's woes. And the agricultural markets have still not been able to recover.

Take the case of the APMC market in Navi Mumbai. A CNBC TV report shows the situation to be continuously distressing. 50 days after the Nov 8 withdrawal of the Rs 500 and Rs 1000 currency notes, prices for farmers have dipped by 50 to 60 per cent. Considering that roughly eight to ten tonnes of vegetables are getting wasted in the Navi Mumbai *mandi*, it becomes

obvious that many farmers are returning empty handed. Wholesale traders are blaming the retail trade for not being able to buy their normal requirements due to the cash crunch. Whatever be the reason, it is the farmer who is left to bear the brunt.

Navi Mumbai is no exception. Even in the APMC market in Azadpur, New Delhi, farmers are being forced to sell at a distress price. Not only for vegetables, even prices of flowers have crashed in far away Indore, in Madhya Pradesh. An *India Spend* report quoted a farmer saying: "Four days before and even after *Notebandi*, I was selling *sevanti* (chrysanthemum) flowers at between Rs 30 and Rs 40 a kg; now sell between Rs 4 and Rs 6 a kg." Farmers cultivating flowers had lost roughly 50 to 80 per cent of their income post *Notebandi*.

The story is no different for cotton, soybean, *basmati* rice and for all winter vegetables like *tomato*, *potato*, *cabbage*, *cauliflower*, *matar*, *palak* and *gajar*. However, that *Notebandi* has struck a deadly blow to farmers is still being refuted by the spokespersons of the ruling party. In fact, I have been saying for quite some time that the impact of *Notebandi* on farmers has been much more severe than the cumulative impact of two consecutive years of drought. A spokesperson had the timidity to ask me on a TV show the other day for empirical evidence. I wonder if any of the spokespersons can provide an empirical study for any of the claims they have been making after *Notebandi* was unleashed in the country.

Nevertheless, New Delhi-based author Ashim Choudhury was able to bring out the grave

tragedy that had befallen farmers. I call it a tragedy for the simple reason that it is for no fault of theirs that they are left to bear the consequences of a man-made crisis. Many mainline economists and fund managers see this as a 'short-term' crisis. It may be 'short term' for them since they see their businesses returning back to normalcy soon but imagine how the families of small farmers, petty traders and landless workers must be coping when the little cash they manage every day to somehow manage their livelihood security too is drained away.

In an emotive but realistic piece expressing the plight and agony the farmers must be undergoing after being at the receiving end of the shock therapy, Ashim Choudhury sums it up brilliantly in what he wrote a month after *Notebandi*:

"I bumped into a wayside vegetable market in New Delhi .. and guess what. A ten rupee note could buy me a kilo of potatoes, a kilo of beans, a kilo of cabbage and 3 stacks of palak."

"I should have been happy buying such dirt cheap veggies .. but I was weeping for the farmer."

"What price would he have got? Rs 2 a kilo for potatoes ... after months of watering and labour?"

"So he needs to grow 7 kilos of potatoes to buy a packet of beedis or a single stick of a Gold Flake cigarette?"

"Small farmers have always got a raw deal but demonetization has kicked them even harder, Mr Narendra Modi."

"I love cheap vegetables but I don't want to see the farmer selling himself so cheap."

"Jai Javan ... Mar Kisan !"

It's time to say goodbye to 2016. Let's hope the New Year brings in much joy & happiness. □□

Beware! Recession coming

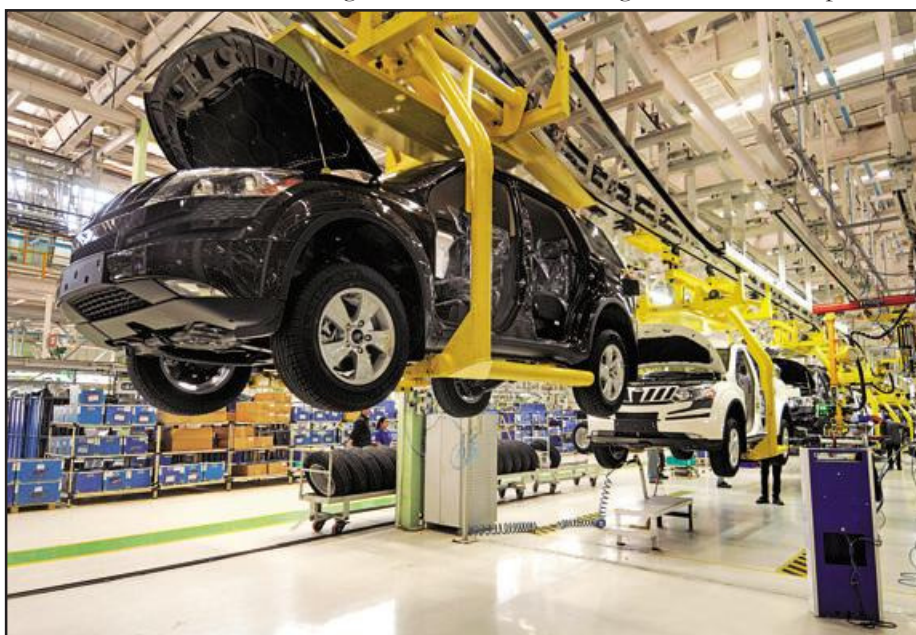
Four factors indicate the possibility of a recession. The United States' central bank, known as the Federal Reserve Board or the "Fed" has increased interest rates by 0.25 percent. This is small but it has made clear its intention to increase the rates three times in 2017. The United States is considered to be a safe haven. An increase in interest rates will encourage foreign investors to pull money out of the emerging markets like India that are considered more risk prone and invest in bonds issued by the US Government. Foreign Institutional Investors have already pulled out about US Dollar 2 billion recently. The share markets are down and value of the rupee has declined because of this repatriation. This flight on foreign investment from India is likely to continue due to the expected increase in interest rates in the United States in the coming year.

The second reason is the increase in oil prices. About a third of the global oil supply is produced by members of the Organization of Petroleum Exporting Countries, OPEC for short, which includes oil majors like Saudi Arabia. These countries have recently decided to reduce the production so that the prices may rise. Consequently, the prices have inched up from about US Dollars 45 per barrel to about US Dollars 55 per barrel. India is a major importer of oil. An increase in the price of oil means that more money will go out of the country for these imports. People will have less money left in their pockets to buy other goods from the Indian markets.

The third reason is the increasing lack of confidence in the financial system. Large numbers believe that the Government will again demonetise the new notes of Rs 2000. Some fear that notes of Rs 100 too may be demonetised. There is talk of the Government seizing bank lockers and asking the owners to explain the



Four factors have come simultaneously and are likely to pull the country into a recession. The Government must act fast to prevent such an eventuality, suggests
Dr. Bharat Jhunjunwala



source of gold and jewellery stored therein. Prime Minister Modi has declared that the Government will start scrutiny of benami property held in the names of employees or non-existing persons. There is a sense of fear all around. Attention of the people has turned to protecting the income earned by them till now rather than earning more in the future. Businesses make decisions to invest in new factories based on their expectations of future demand. These expectations are like oil on water today.

The fourth reason is the lack of demand in the economy. The Finance Minister has made it known that the money deposited in the banks in the present drive of demonetisation will be used to reduce the debt of the Government. That is a laudable objective. However, this means that there will be no increase in demand from the Government. On the other side, there will remain less money in the hands of the people. Thus there will be contraction of demand from the people and stagnation of demand from the Government. The total demand in the market will be less. These four factors have come simultaneously and are likely to pull the country into a recession.

The Government must act fast to prevent such an eventuality. The first cause of a possible recession was increase in interest rates in the United States. It will not be possible to attract large amounts of foreign investments in this situation. However, we can take steps to keep our capital within the country. The Prime Minister has expressed concern that Indian businessmen were investing overseas rather than in India. Reason is that they are welcomed with respect in

foreign countries while they are being hounded as scoundrels in India. My assessment is that Indian businessmen do not want to indulge in tax evasion. They are forced to do so. A few unscrupulous businessmen start evading taxes in collusion with tax officials. They sell their goods at cheaper rates in the market because they do not pay taxes. The honest businessman who pays taxes cannot compete with them. As a result everyone starts evading taxes. The problem starts with the tax officials colluding with businessmen. It is the job of tax officials to collect taxes, not help evade them. There is no alibi for the collusion of tax officials. The Government must take steps

Tax receipts should be used for increasing investment.

to check corruption among these officials instead of hounding businessmen. A more positive attitude towards businessmen will encourage them to invest their monies in India rather than overseas. That will help counteract the negative impact of outflow of foreign capital due to the increases in interest rates in the United States.

The second cause of a possible recession was increase in the international price of oil. The way out is to reduce the consumption of energy in the country. The Government is focussed on increasing manufacturing in the country. Manufacturing requires large amounts of energy in the form of electric-

ity, coal or oil. We need to step back from this and promote the services sector instead. One rupee of GDP created in manufacturing consumes ten times the energy in comparison with the same one rupee of GDP created in services. Secondly, we must introduce steep progressive pricing of energy. Those consuming, say, more than 100 units of electricity per person per month should be charged at Rs 15 per unit. Those running cars giving an average of less than, say, 15 kilometres per litre of diesel or petrol should be charged at double the rate in comparison with fuel-efficient consumers. Every car owner must be required to produce an "Aadhar card" of the car specifying his fuel consumption. Reduced oil consumption will prevent higher outflows due to the imports of oil.

The third cause of a possible recession was lack of confidence in the financial system in the wake of demonetisation. The Government must assure the business community that it will not hound them. The talk of seizing bank lockers and benami property must cease. The Government has enough powers under the existing laws to take action against those indulging in these activities. The Government must act quietly against them instead of making loud noises.

The fourth cause of a possible recession was a reduction in demand due to the Government using the tax receipts for repaying debt. This measure is necessary but should be deferred until the economy is firmly established on the growth path. For the present, the tax receipts should be used for increasing investment. One does not ask a sick man to engage in exercises. Similarly, repaying of debt must wait. □□

Is oil party over?

Thanks to constantly declining prices of crude oil internationally, for the last more than 2 years, net oil importing countries have benefitted immensely. It is notable that India imports nearly 70 percent of its oil requirements. Due to declining crude prices, oil import bill of India has come down from \$164 billion in 2012-13 to merely \$83 billion in 2015-16. As a result India's trade deficit has nosedived to only \$118 billion in 2015-16 from \$190 billion in 2012-13. It is clear that this would not have been possible, had crude prices not fallen. In the event of high crude prices, our rupee would have depreciated significantly; balance of payment worsened and inflation could have gone out of control.

Low fiscal deficit

Declining oil prices also benefitted the exchequer. As crude prices had been falling, government did, but only partially transferred the benefit of the same to the consumers and instead raised tax on petroleum products. This led to increase in Government's revenue and government could reduce fiscal deficit and therefore enforce fiscal discipline. By 2015-16, our fiscal deficit could be brought down to only 3.9 percent of GDP. Therefore we can say that declining crude prices helped us in not only reducing our trade deficit but also our fiscal deficit. Prices could also be brought under control and overall performance of the economy also improved in terms of GDP growth.



Although oil exporting countries are passing through huge financial crisis, however, due to erosion in their monopoly power, they may not be able to push up prices in any near future, believes
Dr. Ashwani Mahajan

Is oil party over?

Crude oil prices have now once again started increasing in international mar-



kets, recently. Crude price, which had come down to as low as \$30 per barrel; now moving around \$55 per barrel. This has happened after OPEC (Organisation of Petroleum Exporting Countries) countries decided to reduce their daily output by 1.7 million barrels. It is notable that OPEC countries provide nearly 42 percent of world oil supplies. In November 2016, non-OPEC oil producing countries also joined hands with OPEC countries and agreed to reduce production of oil. Therefore, obviously for the time being oil prices have started taking an upwards trend and oil prices are keeping around \$55 per barrel. Now there is a dilemma that whether low price regime is over and in future oil prices may start increasing fast.

Though on the outset, it seems that oil prices may start looking upward because OPEC decided about reducing oil production and non-OPEC producing countries also have joined the chorus. However, there is another contrary view coming from Energy International Administration (EIA) of USA. According to EIA, crude prices may remain well under \$50 per barrel even next year. Though EIA agrees that OPEC countries will honour their commitment to cut their production, their oil production may actually fall; however, it would be more or less compensated by increase in production by USA. According to EIA, US companies are likely to increase production next year and some non-OPEC countries may also increase production. There has been an unprecedented increase in the production activities of US companies and they have registered significant

profits as well. Therefore, it is very likely that they will continue to increase production. News agency 'Reuters' also shares the opinion of EIA and its research reveals that this effort of OPEC to prop up oil prices is not likely to be a success, as non-OPEC production is likely to increase fast. However, there is a slight difference between EIA and 'Reuters' assessment of future oil prices. According to 'Reuters' oil prices are likely to be between \$55 and \$57 per barrel, but not more than \$60 per barrel; however, according to EIA, it will be around \$50 per barrel.

***OPEC has
decided to
reduce their
production by
1.7 million
barrels***

On the other hand experts also differ about possibility of reduction in output by OPEC. Though, OPEC has decided to reduce their production by 1.7 million barrels, it is conditional to non-OPEC countries reducing their production by 0.6 million barrels. So far only Russia has committed to the reduction in production by 0.3 million barrels. Some OPEC countries even say that, they will reduce their production, irrespective of non-OPEC countries, falling in line.

Situation has changed now, as OPEC accounts for only 42 per-

cent of oil supply globally, which used to be 52 percent earlier. Today non-OPEC countries are playing an important role in global oil supplies. Tension between OPEC major Saudi Arab and non-OPEC major supplier Russia is a known fact. On the other hand, USA has been increasing its crude oil production constantly. USA's total crude production which was nearly 5 million barrels in the past has increased to nearly 9 million barrels now.

This has played a major role in dampening oil prices internationally. Although, OPEC countries have decided to prop up prices by contracting productions and non-OPEC countries are also joining hands with them, there is always a doubt about whether individual countries in OPEC and non-OPEC will actually honour their commitments honestly. Constantly increasing production by USA indicates to the point that it is interested to keep oil prices low. There are two reasons behind this thinking of USA. One, USA does not want that Saudi Arab is left with big surplus from export of crude oil, as it has been financing terror world over (including USA). Secondly, increase in oil prices may shake efforts to take USA economy out of recession.

We must also keep in mind that OPEC countries do not command monopoly power, which they did previously. In 1973 they used to supply 52 percent of world supply, and now they supply merely 42 percent. Although oil exporting countries are passing through huge financial crisis, however, due to erosion in their monopoly power, they may not be able to push up prices in any near future. □□

US rate hike a double whammy for Indian economy

The US Federal Reserve rate hike of 0.25 percent is likely to have impact on Indian economy with increased outflow of foreign portfolio and institutional investors. It may also force in the course of time to raise rates in India. The RBI kept it stagnant in its monetary policy some days back as it wanted to observe the US Fed move.

Outflow of foreign portfolio investment has already topped Rs 10,700 crore in November in anticipation of US rate hike. This is worst ever data available since 2002 showed. This has triggered a selloff in stocks of companies with high FII holdings. It reflects a strengthening US economy that is likely to make the emerging markets vulnerable to volatile capital outflows, international rating agency Moody's says. The US economy, Moody's says, should continue to expand through 2018 and emerging markets exporters will benefit if US growth translates into higher import demand.

In other words India may see a rise in outflows but as the US economy improves it can expect some rise in exports provided the Donald Trump regime allows such imports. However, a signal from the US Fed will ultimately lead to subsequent rate hikes. A series of hikes in interest rates in the US over a period of time will raise the borrowing cost for carry trade (borrow from US and invest in India), and thereby reduce their risk-adjusted return in India.

On the other hand, the Reserve Bank of India has embarked on cutting interest rates, and has cut repo rates twice by 25 bps each. A cut in India and a hike in US further reduce their risk-adjusted return. Experts also say that this may



The US rate hike and industrial production data for October 2016, the last point before demonetization, released on Dec 9 showed that overall industrial output contracted by 1.9 percent, illustrating how weak industrial activity was even without demonetization, explains Shivaji Sarkar



make US bonds more lucrative.

So would it give another shock after demonetization? It is not necessary but there are apprehensions that if the US economy improves and announces two more rate hikes in the next 12 months it can impact investments in India. Some of the promised foreign investments may either be delayed or not come. Some may be revised downwards.

It is too early to predict its impact on the overall growth projections. It has led rupee prone to more shocks. Rupee weakened by 43 paise against dollar as gained against global currencies. It may slip further as demonetization has made the economy shaky. Besides, foreign fund outflows also kept pressure on the rupee.

This makes imports particularly petroleum crude expensive. It may have inflationary pressure on the economy as hike in petroleum prices would lead to higher transportation costs. It may have minor impact also on forex reserves particularly as there is thaw in exports amid global uncertainties.

Exports were also hit, owing to cash crunch, says commerce secretary Rita Teatia. But despite the problem, exports are expected to reach \$ 280 billion by March, 2017, as against \$ 261.13 billion in 2015-16, some fall in target is likely.

The US rate hike and industrial production data for October 2016, the last point before demonetisation, released on Dec 9 showed that overall industrial output contracted by 1.9 percent. The fall over September was steeper at -6.3 percent. The index (IIP) has grown by -0.3 percent this year so far (April-October), compared to a corresponding 4.8 percent

growth last year. This shows how weak industrial activity was even without demonetization.

Growth in consumer goods, although positive at 1.2 percent in the year so far, was weaker than the last year. And capital goods output growth was -22 percent in the period (-26 percent in October) relative to a decent 9 percent growth in April-October 2015.

Production actually dropped in April-October across mining (-0.2 percent against 2.2 percent last year) and manufacturing (-1.0 percent against 5 percent growth in April-October 2015) with only electricity segment showing positive, 4.6% growth.

Demonetisation may hurt demand with consumer goods being the worst affected. Cement sale volumes halved in November. Developers are pruning overall costs, including staff, to economize on cash and sustain bottom lines. Ripple effects will be felt in steel and other inputs as well. Automobile sales in November were 5.48 percent lower—the slide is expected to accelerate in coming months as sagging retail sales feed back to manufacturers who may even cut output in next round. Consumer goods' firms whose sales volumes either fell or grew feebly in September quarter will also get impacted.

The credit growth fall by over Rs 65,000 crore (Nov 11 to 25) indicates weak demand and production. The total fall may exceed Rs 1 lakh crore. The impact of demonetisation on industry may be indicated from December data, which will arrive only in February, 2017.

The government is treading on difficult path. The daily wagers including MNREGA labourers are either facing job losses or severe

cash crunch.

The migrants are going back home. Cash crunch is hitting industry, farm sector, mandis, vegetable, onion and potato prices. It has also caused sharp rise in wheat prices as the market sees production fall.

The fall in retail inflation indicates that consumer is unable to make purchases. Even the credit-card servers are collapsing owing to excessive load. Steps are needed to check rise in prices as the market comes out of shock may be by mid-January in the wake of interest rates hike by US Fed Reserve and oil price hike.

The government has to carve out the budget carefully to maintain its popular support, create demand and jobs. It should resist the temptation of increasing rail fares or reduce so-called Rs 21,391 crore "subsidies". Another white paper on rail accounting processes, of two decades, should also be considered.

Many have given up LPG subsidy but it has caused resentment as well, more so as deposit interest rate falls. The announcement for linking Aadhar to senior citizen rail tickets may lead to harassment by rail staff and consequent ire against the government.

People are expecting cut in income tax rates, doing away with TDS on bank deposits, decision on floor deposit rate of 9 percent and other necessary real reforms for ease of business and job growth. The tax reforms are needed to win popular support as five states, including UP, Punjab and Goa go to polls. The government is faced with challenges. It has to come up with innovative popular ideas to maintain its support base witnessed during the 2014 polls. □□

China cozying up to Bangladesh should worry India



The Indian Ocean is a considered India's sphere of influence and China is looking for increasing its presence in the region. China is keen to have a defence partnership with Bangladesh that might have serious ramifications for India as this might give China access to the Bay of Bengal, fears
G. Sreedathan

The litmus test to find out whether a decision taken by the Narendra Modi government is good for the country or not is to look at what Leftists have say about it. If they have opposed it, rest assured it will work well for the country. On the eve of Defence Minister Manohar Parrikar's Bangladesh visit, MK Bhadrakumar, former Ambassador, wrote in the Left-leaning news-views portal Scroll.in: "The Indian analysts have concluded that the sale of the submarines is part of a Chinese strategy to encircle India. It is a bizarre explanation, to say the least." According to him, Parrikar's visit was a "China-centric" one because some Bangladesh media reports characterized it so — "citing Indian analysts". This is nothing more than an exercise in kite-flying in which the Leftists are adept at. A former IFS officer who has served as India's Ambassador should have based his argument on some credible information rather than "some media reports". According to Kumar, Chinese decision to sell submarines to Bangladesh was driven by its pure business interests and is in no way associated with any mala fide intentions. He cites reasons also: "Bangladesh is the buyer here — not a recipient — and, equally, China is the vendor — not donor. Beyond doubt, \$406 million is a lot of money for Bangladesh's economy, while for China this is a lucrative business deal," he states.

Kumar is one of those intellectuals in the Nehruvian mould who thinks whatever has to be said about Indian foreign policy priorities had already been said by Pt Jawaharlal Nehru five decades ago and any departure from the script is blasphemous. Nehru had never said about China's intentions to encircle India so Kumar also doesn't believe in it. Also, being a Leftist himself, his ideological servility to China and aversion for PM Narendra Modi is understandable. He doesn't leave



any chance to attack Modi even if it is unwarranted.

In an article in *The Hindu* (published in 2008), he states: "India's foreign policy since the early 1990s has begun careering in esoteric directions. Its external relations gave primacy to acquiring military technology, sustaining our neo-liberal economic policies and realising greater middle class consumerism. More and more, the nation got alienated from its foreign policy." In the same article, he states that the Indo-US defence agreement was responsible for complicating the South Asian security environment.

Kumar has never approved of India improving its ties with the US, Japan and Australia. In *The Hindu* article, he writes: "An honest stock-taking on why the climate of India-China relations has suffered since 2005 can do us only good. The plain truth is, the slide began following the aberrations in our strategic posturing in the Asia-Pacific region. It was a catastrophic folly on the part of New Delhi to take to the notion of a 'quadrupartite alliance' involving the U.S., Japan, and Australia. The hare-brained idea was doomed to collapse. And the damage was done as it took the nature of an amorphous anti-Chinese move despite its overt projection as an 'alliance of values'".

The former Ambassador tells us that "there is no need of paranoia whenever a Chinese arms transaction takes place in India's neighborhood". He has a point. But who says there is paranoia? On the contrary, there is a school of thought in the government which thinks that better ties between Bangladesh and China is good for India in many ways. They argue that if India takes a relook at the con-



tentious Indus River Treaty and restricts water flow to Pakistan, there won't be any punitive action from China, as Bangladesh is also dependent on the Brahmaputra river. So India is moving cautiously.

However, having said that, India cannot afford to lower its guard in its strategic backyard. Bangladesh is not only geographically linked to India but is also one of the friendliest countries in the region and a partner in the fight against terrorism. Bangladesh stood by India in making initiatives such as BBIN (Bangladesh, Bhutan, India and Nepal) and BIM-STEAC (Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation) a success. It wholeheartedly supported India's stance against Pakistan.

Although some ideologically-driven commentators might like to dismiss the Chinese policy of "encircling India" as a figment of imagination of the 'nationalists', evidence suggests otherwise. In a post (April 2009) in the website of a quasi-official Chinese think-tank, International Institute for Strategic Studies, it said: "To split India, China can bring into its fold countries like Pakistan, Nepal and Bhutan, support ULFA in attaining its goal in Assam's independence, back aspirations of Indian nationalities like Tamil and Nagas, encourage Bangladesh to give a push to the independence of West Bengal and

lastly recover the 90,000 sq km territory in southern Tibet."

Ever since Modi took charge, there has been marked improvement in the Indo-Bangladesh relations. Although India helped the country in its liberation from Pakistan, India's relations with Bangladesh have not been smooth. After the death of Mujibur Rahman, the leader of Bangladesh's liberation, in 1975, anti-India feeling took root in that country. The subsequent military dictators who ruled Bangladesh and terror outfits such as Jamat-i-Islami fuelled anti-India sentiments among the public. During this time, Sino-Bangladesh ties prospered.

Prime Minister Modi's dynamic policies helped improve ties with Bangladesh. Bangladeshi PM Sheikh Hasina too reciprocated to India's support by acting against terror groups inimical to India. Besides, India and Bangladesh are cooperating on a wide range of issues including security, trade and commerce, connectivity, energy, environment, education, science and technology.

However, China is keen to have a defence partnership with Bangladesh. A section of Bangladeshi foreign policy experts too want to scale up China's ties to defence partnership. A defence partnership might have serious ramifications for India as this might give China access to the Bay of Bengal, which has been India's backyard for

India's relations with Bangladesh have not been smooth.

long. According to experts, many of India's strategic assets are located on the east coast close to Bangladesh. The Indian Ocean is a considered India's sphere of influence and China is looking for increasing its presence in the region. Besides, China wants Bangladesh to join its One Belt One Road (OBOR) programme. If Bangladesh joins OBOR, it will get funds to improve its infrastructure from China. India has a problem here because the OBOR runs through areas in Pakistan on which India has a claim.

But the likes of Kumar want India to ignore all these issues. Kumar comes out with a bizarre conclusion: "Fundamentally, India's "muscular diplomacy" may be contributing to the heightened insecurities in the region, whether we are willing to acknowledge it or not...When Modi threatens to stop even a drop of water from Ravi, Beas or Sutlej flowing into Pakistan, he'd have thought such grandstanding over his government's "muscular diplomacy" made good political strategy at a campaign rally in the upcoming Punjab state election. But his words carry resonance... The plain truth is that his words laid bare a pitiless heart. It may not be India's 3,000-year old heart, but when India's prime minister says it is indeed a stony heart, the region and the world would have no reason to disbelieve."

One is glad that the Modi government is not taking advice from woolly-headed diplomats and experts like Kumar. India should aggressively engage with Bangladesh. It needs India's support to fight terrorism, which is posing a threat to its survival. The Modi government has a huge task ahead. □□

India, Bangladesh Talk Coast Guard Cooperation

To increase bilateral co-operation along the coastal border, Bangladesh Coast Guard's (BCG) chief discussed security issues with Indian Coast Guard officials in Kolkata. A Bangladeshi delegation led by rear admiral Aurangzeb Chowdhury, director general of Bangladesh Coast Guard, met Indian Coast Guard's north-east commander Inspector General K R Nautiyal. Matters regarding maritime safety and security of the Bay of Bengal were discussed in particular, officials said, adding that the delegation was given a brief on the operational role and responsibilities of the Indian Coast Guard (ICG).

During the meet, Nautiyal brought out that standard operating procedures for the establishment of collaborative relationship and development of regional cooperation was likely to be signed during the forthcoming high-level meeting between the two nations. Both the Coast Guards have been closely cooperating on a host of common issues since many years. During the visit of Indian Prime Minister to Bangladesh a MoU was signed between ICG and BCG in 2015 for establishment of a collaborative relationship to combat transnational illegal activities at sea and development of regional cooperation between the two Coast Guards.

As a part of capacity building, ICG has been imparting specialist training for BCG personnel on maritime subjects like maritime law, search and rescue, pollution response, boarding operation, helicopter operations and anti-piracy, at their training centre in Kochi since February 2014. The delegation's visit came on the heels of Indian Defense Minister Manohar Parrikar's two-day trip to Bangladesh, making him the first ever Indian defense minister to visit the country.

During his trip, Parrikar met with a range of senior officials, including Prime Minister Sheikh Hasina who also holds the defense portfolio in the government, the president, the security adviser to the prime minister, and chiefs of the army, navy, air force, and coast guard. Both sides discussed a whole spectrum of issues including terrorism, personnel training, joint exercises, humanitarian assistance and disaster relief, and the blue economy. The two countries were also said to be eyeing the conclusion of a new defense cooperation framework that would govern several key areas of cooperation.

It also comes as China continues to boost its influence in South Asia, including Bangladesh, prompting concerns in India about Beijing challenging India in its own neighborhood. In mid-October, Xi Jinping became the first Chinese president in three decades to visit Bangladesh, and the inking of 27 deals worth \$25 billion grabbed headlines.

Moreover, last month, Bangladesh took delivery of its first-ever submarines from China, which are expected to arrive in Bangladesh in early 2017. Though they were refurbished, diesel-electric submarines and the step represented just the latest move in an already established pattern of China-Bangladesh defense cooperation, the move was nonetheless scored as yet another worry for India. □

Kashmir: from Private Kingdom to Private Jagir



*Where has
“insaniyat”
evaporated in thin
air when we find
three generations
of the Pak
refugees denied
even the right to
identity leave all
other rights aside
and Is PoK also
enforcing State
Subject law with
as much severity
as our
Government is,
asks
Dr. K.N. Pandita?*

Four month-long paralyzing strike in Kashmir has hardly subsided when the saboteurs have racked up another issue which is likely to proliferate and revive the strike syndrome in the valley. The beginning of chila-e-kalan on Christmas Eve would be a propitious day to begin the seventy day long chila strike in Kashmir.

The centripetal point for the chila-strike will be the issue of domicile certificates to 1947 refugees of partition of India stranded in Jammu region.

Unnecessarily Infuriated by the rumour of issuing domicile certificates to 1947 tribal incursion refugees, the seditionists, traitors, separatist and pro-Pakistani activists in the Valley have joined hands and threatened to “shed the last drop of blood” if the Government was determined to give these refugees permanent residence certificates.

This opposition reflects two things. One is that the secessionists think that J&K is their ancestral fief on which they alone enjoy exclusive proprietorship. Second is that the State is for the Muslim community only

J&K is not only the Valley, which, however, is just 7 per cent of the total area of the State. Moreover, in the Valley there are religious, ethnic and linguistic minorities also. The State Constitution does not recognize any minority in the State on any count but the Indian Constitution does recognize Muslims of the Valley as part of national minority. The State Constitution does not debar them from enjoying the rights and privileges accruing to them thereof. This is clear dichotomy.

The population of Hindus in West Pakistan at the time of partition was



about 1.3 crore. Today, it is less than 0.7 per cent. The Muslim population of India at the time of partition was about 6 crore which has risen to 19 crores now, meaning more than three-fold rise.

The population of the Valley at the time of accession was about 25 lakhs, and today, after seventy years of independence, it is to the tune of 85 lakhs — more than three-fold increase.

In 1982, a member of J&K Legislative Assembly, who later on became the Finance Minister in NC regime, published a 26-page Urdu pamphlet under the tile “Kashmir main aksariyyat ko aqalliyat main badalne ki sazish” meaning the

PoK and adjoining areas of West Pakistan were forced to leave their homes and hearths owing to the genocide of Hindus in Pakistan in the aftermath of partition. Many of those families moved to East Pakistan or present Indian Punjab and Delhi and Rajasthan and settled down there. But about seven thousand families of them comprising nearly fifty thousand souls unwittingly headed towards Jammu either because they had relations here and expected some support from them or were unable to undertake the hazards of a long and arduous journey as they had aged and infirm family members and elders to take care of. They strayed into Jam-

and these refugees now numbering about 1.5 lakh are still on the roadside with neither a nationality, nor an identity, nor a country and nor a domicile. The Centre argues it is the business of the State Government and the State passes on the buck to the Centre. Neither of the two is prepared to accept any responsibility though there is no dearth of lip service. This mess is created by the State Government.

As non-State subject, they are not the right to vote in Assembly elections, they have not the right to buy land, they have not the right to apply for a state job, and they are not entitled to any civic facilities. Thus they are living as aliens in Jammu. The J&K Constitution has reserved 18 seats for PoK and GB. The refugees from PoK demand assembly seats in exile neither the State nor the Central Government is prepared to consider it.

Kashmiri youth crossed the border clandestinely, joined Pak-run terrorist camps in PoK and elsewhere in Pakistan, got indoctrinated in fundamentalist ideology, were trained and provided sophisticated weapons, and then they sneaked back into the Valley, attacked the police posts and security forces, killed, looted and raped and again ran away to PoK to avoid arrest at the hands of Kashmir police. After committing all conceivable heinous crimes and brutalities, the J&K Government has opened its arms to receive them along with their Pakistani wives and a dozen of kids in the trail, provided them domicile certificates at the point of entry (especially on Nepal border wherefrom they invariably came so much so that J&K Government opened a police post there on Indo-Nepal border to



Kashmiri youth crossed the border clandestinely, joined Pak-run terrorist camps.

“Conspiracy of converting the majority in Kashmir into a minority.” In this pamphlet he leveled a plethora of charges against the Indian State of trying to change the demographic complexion of the State. In his book “Insights into Contemporary Kashmir politics by Late Pandit Resh Dev, the author has appended the English version of this pamphlet. The rulers in Delhi and those interested in contemporary Kashmir politics must read it to understand the mindset of valley leadership.

In the background of Pakistan sponsored tribal attack on Kashmir in October 1947, several thousand Hindu families from present-day

mu in search of shelter.

The State Government demanded them to produce proof of their being the residents of J&K State under Maharaja. Obviously, when a man is running for his life he is not expected to look for his property or documents. These refugees could not produce a proof and the Government of J&K arbitrarily labelled them as “West Punjab Refugees/” Most of them are the victims of the tribal attack on the State sponsored by Pakistan Government and supported by the rebellious Muslim army columns of Maharaja’s force stationed in Poonch and Muzaffarabad etc.

Seventy years have gone by

facilitate their arrival) brought them under police escort to Srinagar, offered them Government jobs, bank loans and accommodation, admitted their kids in schools, exempted them from fees and thus rehabilitated them more than what their own parents could do for them.

We are not against all this munificence and largesse offered to the seditionists by the J&K Government. The point I want to make is that whatever the J&K Government did for the “renegades” all falls under “insaniyat”. But where has that “insaniyat” evaporated in thin air when we find three generations of the Pak refugees denied even the right to identity leave all other rights aside.

Is PoK also enforcing State Subject law with as much severity as our Government is? What about drastic change in the demographic complexion of Gilgit and Baltistan where the Shia majority of population now stands numerically surpassed by Sunnis from Chital, Hunza, and Sawat brought there by Musharraf when he was the Corps Commander of NA.

How have the valley Muslims accepted and assimilated the Yarkandis, Turkistanis, Chitralis, Afghans, Gujjars and Paharis into their fold but are not prepared to accept the Pandits who are the indigenous people of the valley.

Has anybody asked the Divisional Commissioner of Kashmir to give the figures of Bangladeshis, Biharis, Uttar Pradeshis and Oriya Muslims who have come to the valley over the years as laborers, got mixed up, married in the Valley, brought up families and obtained shops, houses and even patches of land. What is their number? How many religious preachers have been

imported from Bihar and UP who receive monthly salary to conduct prayers in mosques of Kashmir including Friday congregations in which venom is poured out against India? How come that Valley society has absorbed all this but is rising in revolt against seventy-year old hapless, landless, country-less and identity-less people from Pakistan asking for the elementary right of statehood.

Those Muslims of the State, who migrated to PoK in the aftermath of tribal attack, had their properties secured by an exclusive department called Evacuee Property. Is there any such department or organization in POK that has maintained and protected the property of Hindu migrants? None. The Muslims who migrated from Kashmir to POK in 1947 were given royal treatment in Muzaffarabad and Maulavi Yusuf Shah became the President of PoK. What is the treatment given by the Government to the refugees from POK or Punjab? Make a comparison and one will find how much bigoted the State Governments have been. Be it NC or Congress or PDP or BJP. They are the chips of the same bloc.

Denial of domicile to these refugees is denial of their human rights. The fanatical people in the valley staged demonstrations when Late Mufti Sahib and PM Modi agreed to resettle the displaced community of Pandits in concentrated habitat. The Pandits have as much claim on Kashmir as others have. Their roots are in Kashmir and nobody on earth can deny them the right to live as and where they like in Kashmir.

Nearly 25 thousand Kashmiri Muslims have purchased land and built houses in and around Jam-

mu city. No Jammuite ever objected. More than twenty-five thousand Kashmiri Muslim boys and girls have been brought by their parents and admitted in schools in Jammu. No Jammuite objected to it. How come the valley people think Kashmir valley is their jagir and they will not allow anybody including the indigenous Pandits to come and resettle there as they like.

The people of the valley believe in one way traffic. That will not work. Hundreds of thousands of Kashmiris have business in different parts of the country; thousands of Kashmiris students are studying in professional and non professional institutes in the country; hundreds of thousands of

Is PoK also enforcing State Subject law.

them are receiving scholarships. There is no question of discriminating them. Even monitors have been appointed to ensure that Kashmiri students are not harassed in any way in any educational institute in the country. Kashmiris cannot be thankful to ignore all this and become fanatically frenzied in saying they will shed blood to stone-wall issuance of domicile certificates to the refugees from Pakistan. Those who are willing to shed the blood may do so. Gandhi said that Pakistan will be made on my dead body. Both things happened. The march of history cannot be and has not been stopped by anybody. □□

The author Dr. K.N. Pandita is a well known scholar and expert on central Asia.

Noted Gandhian Anupam Mishra is No more



Noted Gandhian, journalist, environmentalist, and water conservationist Anupam Mishra passed away at the age of 68 at the All India Institute for Medical Sciences (AIIMS) in New Delhi on December 19, 2016. He was battling prostate cancer

for the last one year. A recipient of Jamnalal Bajaj Award, Amar Shaheed Chandrashekhar Azad National Award and many others, Mishra was the editor of the bi-monthly 'Gandhi Marg,' published by the Gandhi Peace Foundation. He was always advocating conservation of traditional water structures in India as well as abroad. He believed that "You don't need money to protect environment; but you need to tell people about their tradition and they have to live up to it".

He had been awarded the 1996 Indira Gandhi Paryavaran Puraskar (IGPP) award instituted by the Ministry of Environment and Forests, Government of India. He travelled to villages across India describing the value of time-tested systems of water harvesting. He wrote books, like, *Aaj Bhi Khare Hain Talaab* (Lakes are still Standing, 1993) and *Rajasthan Ki Rajat Boondein* (Radiant Raindrops of Rajasthan, 1995), — landmark works in the field of water conservation. His book titled *Talab* (Pond) has been translated in many languages including French. His friends and associates remember him as a person, who never had any ego and believed in simple living based on Gandhian principles. Mishra was a staunch supporter of the anti-emergency movement.

Mishra was highly influenced by his father Bhavani Prasad Mishra, a Gandhian poet and litterateur. "After his education from Delhi University, he got into Lohiya movement. He was close to Jaiprakash ji (Jaiprakash Narayan) and got to work with him in early 1970s during the surrender of dacoits. He wrote *Chambal Mein Atmasamarpan* (Surrender in Chambal), and through this work, people came to know about the historical contribution of JP." Mishra also played an instrumental role in scripting India's first State of Environment report in 1980. □□

Dr Cheeran Abraham Varghese dies at 85



Dr. Abraham Vergheese

passed away in Bangalore on 23th November 2016. He was 85 and is survived by his wife and son. Dr. Abraham Varghese's journey from the position of the Chief Executive of a Multinational M/s.Brooke Bond

India Ltd to National co-convenor of a mass mobilisation movement like Swadeshi Jagaran Manch was, exciting, inspiring and a great transition. Inspired by late Dattopant Thengadiji he was attracted to SJM and became one of the tallest activists. With his hands on experience of the machinations of MNC, he propagated the ideas of Swadeshi all over the country. With his wide national and international exposure he gave new dimensions to swadeshi. He was a voracious reader and a writer. He has written many pieces on topics of contemporary economics with the idea of Swadeshi as core. He was the Director of the Centre for Bharathiya Management Development and was instrumental in organising swadeshi melas all over the country and his contribution to the success of Mumbai Mela in which the then Prime Minister Shri.Vajpayeeji participated was memorable. He shaped many karyakarthas of CBMD who are now occupying pivotal positions in various central government organisations and ministries. His speeches combined with and humour became instant hits with the participant and many of them even cherish them even today. His simple life style and child like behaviour endeared him to one and all. He took up the cause of FDI in retail trade and fought for the rights of indigenous traders with Murasoli Maran the then commerce minister vehemently. Personally he was one of my very good friends and whenever he happened to see me he used to call me as Mr.Handsome and the words reverberate in my ears even to-day. The SJM has lost one of its great pillar and praying for his atma to rest in peace. Though a christian by religion his respect and interest in Hindu Philosophy was immense.

R.Sundaram (National Co-convenor, SJM)

Demonetisation Transforms India

Despite some short-term disruptions and "public hardship" demonetisation has the potential to transform the economy going forward even as RBI flagged elevated risks due to continuous deterioration in banks' asset quality. "The measures such as transition to the nationwide GST and the withdrawal of legal tender status of specified bank notes (old Rs 500/1000) could potentially transform the domestic economy, notwithstanding some inconvenience to public and the momentary adverse impact on growth," said RBI Governor Urjit Patel.

Central bank also observed that while the financial performance of the corporate sector has improved in 2016-17, the risk of lower turnover remains adding large borrowers registered significant deterioration in their asset quality. These observations were made in the Report on Trend and Progress of Banking in India 2015-16 (RTP) and the 14th issue of the Financial Stability Report (FSR). In his foreword to FSR, Patel said the withdrawal of Rs 500/1000 notes "will impart far reaching changes going forward". The Governor also cautioned that there is "little room" for complacency and it is important to guard against sporadic volatility in financial markets.

RBI further said that the banking stability indicator shows that the risks to the banking sector remained elevated due to continuous deterioration in asset quality, low profitability and liquidity. The business growth of banks remained subdued with public sector banks (PSBs) continuing to lag their private sector peers. System level profit after tax (PAT) contracted on y-o-y basis in the first half of 2016-17.

Capital relief for MSMEs

In a relief to small and medium enterprises hit by demonetisation, Reserve Bank has asked banks to provide 'additional working capital limit' to MSME borrowers. "Banks are hereby advised that they may use the facility of providing... 'additional working capital limit' (approved by their boards) to their MSE borrowers, to overcome the difficulties arising out of such cash flow mismatches also," RBI said in a notification. This would be a one-time measure up to March 31, and should thereafter be normalised in fresh working capital assessment cycle, it said.

Consequent upon withdrawal of legal tender status of Rs 500/1000 and based on feedback that some

MSEs are facing temporary difficulties in carrying out their normal business due to cash flow mismatches, the decision was taken, the central bank said. Prime Minister Narendra Modi on November 8 announced scrapping of Rs 500/1,000 notes, which resulted in cash crunch in the market and slowdown in business.

The contribution of micro, small and medium enterprises (MSME) sector, including service segment, to the country's GDP is around 40 per cent, while the total employment in the sector is 805.24 lakh. On Wednesday, the RBI gave borrowers another 30 days over and above the 60 days for repayment of housing, car, farm and other loans worth up to Rs 1 crore before their accounts are classified as NPA. So, borrowers together get 90 days breather from getting the account classified under non-performing asset (NPA) category. The above dispensation will apply to dues payable between November 1 and December 31, 2016, it said.

Financial data body to manage

A committee set up under the Department of Economic Affairs has recommended the creation of a statutory body that will standardise data from all financial sector regulators in a single database and will provide analytical insights based on the data. The report of the committee to study the financial data management legal framework in India, made public on Thursday, suggests the passage of a Bill in Parliament—the Financial Data Management Centre Bill 2016—to create the statutory body, as recommended by Finance Minister Arun Jaitley.

The powers of the Financial Data Management Centre (FDMC) will include the establishment, operation and maintenance of the financial system database along with collecting financial regulatory data and providing access to it. The body will also provide analytical support to the Financial Stability and Development Council (FSDC) on issues relating to financial stability.

In 2015, when the FSDC first suggested the creation of such a body, the Reserve Bank had objected to sharing company-specific data with the body as it was not statutory in nature, and sharing such data would be a breach of confidentiality.

Anil Bajjal LT Governor of Delhi

Anil Bajjal has taken over as the Lt Governor of

Delhi. 70-year-old Baijal, said that he will work together with the AAP government for betterment of Delhi. Baijal was administered the oath of office and secrecy of Lt Governor by Chief Justice of Delhi High Court G Rohini. Chief Minister Arvind Kejriwal, National Security Adviser Ajit Doval, Deputy Chief Minister Manish Sisodia and New Delhi MP Meenakshi Lekhi attended the oath-taking ceremony.

Baijal, a 1969 batch IAS officer, had served as Union Home Secretary under the Atal Bihari Vajpayee government besides holding key positions in other ministries. Baijal had retired from service in 2006 as Secretary, Urban Development Ministry. He is a former vice chairman of Delhi Development Authority. He was actively associated with the designing and roll-out of Rs 60,000 crore Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched by the Manmohan Singh government.

The former bureaucrat was also on the executive council of the think-tank Vivekananda International Foundation, several of whose former members have been appointed to senior positions by the Modi government including National Security Adviser Ajit Doval.

High alert sounded for Viruses

Central security agencies have alerted defence and security personnel against the malicious activity of a virus, falsely bearing the name of elite organisations like NDA and NIA, that may breach and hack into their personal information and banking data. An advisory issued to the defence and security establishments in the country States that the two notorious virus file are circulating over instant messaging application Whatsapp and are capable to sneak into personal details of the user, especially the men in uniform. The two files, as per the advisory accessed by PTI, are — “NDA-ranked-8th-toughest-College-in-the-world-to-get-into.Xls” and “NIA-selection-order-Xls”.

Officials privy to the contents of the advisory said the NDA here is understood to be indicating to army’s National Defence Academy in Khadakwasla in Pune while NIA to the premier terrorist incidents’ probe organisation — the National Investigation Agency. It is understood that the malicious virus-laden file is formatted in the form of ‘MS Excel’ file majorly, but officials did not rule out it’s aliases in the ‘MS Word’ or ‘.PDF’ formats to attack a user’s phone and data. The advisory added that the corrupt virus files

are “programmed” to illegally extract personal information of the user, their login credentials and banking details like passwords and PIN numbers. The personnel have also been asked to report these incidents to their Information technology cells, they said.

Sushma helps get back body

External Affairs Minister Sushma Swaraj came to the rescue of a family from Haryana that was struggling to get the dead body of their son back from New Zealand. Hardeep Singh Deol, a 24-year-old man from Rania in Sirsa district, was stabbed to death by a drunk girl in a Christchurch park in New Zealand on Christmas evening. His family had contacted the Indian High Commission in New Zealand and tweeted to Swaraj pleading for help from the government to get his body back to India.

“Deol family - Rania (Sirsa): I hv (have) seen news report and given instructions to our High Commissioner in New Zealand. Please give me your number. I will spk (speak) to you on phone. You need not come to Delhi. My heartfelt condolences,” Swaraj tweeted while promising help. According to reports Deol was on work visa in Christchurch. He had earlier done a course in hotel management from New Zealand. Shortly after the news about Deol’s death was carried by Indian media, Swaraj had sought the phone number of the family members.

Law on rights of disable notified

The Government has notified the recently passed Rights of Persons with Disabilities Bill which provides for raising reservation in Government jobs for persons with benchmark disabilities from 3 to 4 per cent, and in higher education institutes from 3 to 5 per cent, Union Minister Thaawarchand Gehlot said. “The Bill was passed by Parliament in the winter session and then it was sent to the President for his assent. After the nod from the President, it was notified on Wednesday,” Union Social Justice and Empowerment Minister Thaawarchand Gehlot said on the foundation day of the National Trust. On the occasion, Gehlot launched the mobile app and Facebook Page of the National Trust.

“Through the app, information regarding the schemes and programmes will be disseminated. The Facebook page was launched with an aim to bring together all NGOs and organisation working in this field on the same platform,” Gehlot said. □□

US expels 35 Russian officials

In apparent retaliatory action against alleged Russian hacking during the US presidential election, President Barack Obama has slapped a series of sanctions against Russia and expelled 35 Russian officials. "All Americans should be alarmed by Russia's actions," Obama said in a statement as he ordered a number of actions in response to the Russian government's alleged aggressive harassment of US officials and cyber operations targeting the US election.

"These actions follow repeated private and public warnings that we have issued to the Russian government, and are a necessary and appropriate response to efforts to harm US interests in violation of established international norms of behaviour," he said.

The US has also ordered shutting of two of Russian compounds in the country. The executive order issued by Obama provided additional authority for responding to certain cyber activity that seeks to interfere with or undermine US election processes and institutions, or those of its allies or partners. Obama said these actions are not the sum total of US response to Russia's aggressive activities. "We will continue to take a variety of actions at a time and place of our choosing, some of which will not be publicised," he said.

US 'surprised' over British criticism

British Prime Minister Theresa May distanced the United Kingdom from the United States over John Kerry's condemnation of Israel. This move is being assessed as an attempt to build bridges with the incoming Trump administration. Outgoing U.S. Secretary of State John Kerry delivered a speech that criticised Israeli Prime Minister Benjamin Netanyahu's government as the "most rightwing coalition in Israeli history" and warned that the rapid expansion of settlements in the occupied territories meant that "the status quo is leading toward one state and perpetual occupation".

A spokesperson for the British Prime Minister said that May thought it was not appropriate to make such strongly worded attacks on the makeup of a government or to focus solely on the issue of Israeli settlements. Even as UK backed the UN resolution that condemned the continued expansion of Israeli settlements on Palestinian occupied territory, May's spokesman said she was concerned about the language

Kerry had used. Following the development, a U.S. State Department spokesperson said: "We are surprised by the UK Prime Minister's office statement."

China to expand bullettrain network

China will expand its bullet train network to 30,000 kms covering 80 per cent of its big cities as part of the country's efforts to establish a comprehensive transport system by 2020, according to a new official white paper. The white paper, titled Development of China's Transport, said China will increase the length of high-speed railways in service to 30,000 kms from the present 20,000 kms by 2020 linking more than 80 per cent of its big cities.

China had launched world's longest high speed train service. The Shanghai-Kunming line — 2,252 km in length — traverses five provinces of Zhejiang, Jiangxi, Hunan, Guizhou and Yunnan and cuts travel time from Shanghai to Kunming from 35 to 11 hours. Also yesterday, another high-speed rail line linking Kunming and Nanning, capital of southwest China's Guangxi Zhuang Autonomous Region, was launched.

China also plans to renovate 30,000 kms of expressways and provide tarmac and cement roads and shuttle bus services for administrative villages with the necessary conditions, while all villages will have access to mail service, the paper said.

China will build commuting circles of 1 to 2 hours between the central cities and between central and peripheral cities, and one-hour commuting circles between central cities and key peripheral towns.

Sikh leader killed in Afghanistan

A leader of the minority Sikh community, Lala Del Souza, was killed by an unknown gunman in northern Afghanistan's Kunduz city. The incident took place when Del Souza, a naturopath, was reportedly on his way to his shop. Tolo News quoted relatives of the deceased as saying that he had survived an assassination attempt on him five years ago. Confirming the incident, Kunduz Security Chief Masoum Stanikzai said three suspects have been arrested by the police for the attack. He said investigations will continue. The head of Kunduz regional hospital, Naeem Mangal, said Del Souza succumbed while being taken to hospital. Del Souza's uncle, Prem, said the deceased had been well liked and had no enemies.

The incident sparked uproar on social media as

many people condemned the attack and sent their condolences to his family. Del Souza's uncle, Prem, has asked government to thoroughly investigate the attack and make sure those responsible are brought to justice. He said the few remaining Sikhs will leave the province if those behind the incident are not brought to justice.

Del Souza was living with his uncle in their Daramsal (a Sikh's temple). Many Sikhs have left the province. Currently, there are only three families still there. Sikhs have lived in the region for over thirty years and at one time there were as many as 40 families in the area.

Amazon's drones for fast delivery

American e-commerce giant Amazon will fly a warehouse at an altitude of around 45,000 feet that would act as a launch pad for drones, with an aim to deliver consignments in a jiffy, media reports said. Amazon, after winning a patent for flying the warehouse in the US, announced plans for an 'airborne fulfilment centre' (AFC) such as an airship, CNBC reported. The airship will be stocked with lots of products and would float at an altitude of around 45,000 feet, it said. When a customer places an order, a drone or unmanned aerial vehicles (UAV) will fly down and deliver the parcels. Amazon said the process would require little power as the drone would be gliding down rather than having to take off and land.

The drones would be able to communicate with each other via a mesh network to give information such as weather and route. UAVs could also recharge on the airship, the report said. Amazon's filing explains that the blimp would remain in the air and be refueled and replenished using a shuttle. This could be a smaller aircraft capable of docking onto the AFC and unloading products as well as fuel.

'Politically motivated' bid to ban

Pakistan, in its continued effort to remain in denial mode, has said India's bid at the UN to ban Masood Azhar was "politically motivated" and "replete with frivolous information", two days after its close ally China blocked the proposal to get the JeM chief and Pathankot attack mastermind listed as a global terrorist. Responding to reports on India failing to put Azhar on the United Nations Security Council's 1267 Sanctions Committee, Foreign Office spokesperson Nafees Zakaria said, "The 1267 Sanctions

Committee related to ISIS/Al-Qaeda has rejected a politically motivated proposal by India. Replete with frivolous information and baseless allegations, the Indian proposal had no merit and was primarily aimed at advancing its narrow national agenda.

"The dismissal of this proposal is also a rejection of the Indian attempts to politicise and undermine the work of this important Committee of the Security Council," he said. "While claiming to denounce terrorism, India has in fact deployed terrorism as an instrument of state policy, and has itself been involved in perpetrating, sponsoring, supporting, and financing terrorism," Zakaria said in a statement. "The spokesperson said that in the coming days, Pakistan will share with the United Nations and members of the international community 'additional evidence of Indian involvement in terrorism in Pakistan'."

China had blocked India's proposal to get Pakistan-based Azhar listed as global terrorist by the UN, citing lack of "consensus" on the issue. In last nine months, China has twice put technical hold on listing Azhar as designated terrorist that would have forced imposition of asset freeze and travel ban on him by countries including Pakistan.

Islamic terrorists to be blamed

The Philippine Government also blamed Islamic militants for bomb attacks that left 52 people injured during the mainly Catholic nation's Christmas holidays. An explosion ripped through fight fans watching a boxing match in the central town of Hilogos late Wednesday, while six people were hurt in a roadside bomb attack on the southern island of Mindanao the same night. Police said 13 people were also injured in another blast outside a Catholic church during Christmas Eve mass on Mindanao on Saturday.

Madhesi Threaten fresh Stir

Nepal's agitating Madhesi have announced a fresh round of nationwide stir if the Government went ahead with local polls without amending the Constitution, further deepening the political crisis. The United Democratic Madhesi Front held meeting on Thursday and Friday during which the leaders said if elections were held without amending the Constitution, which was promulgated last year and has been a bone of contention for the community largely of Indian-origin, it would not be acceptable to them. □□

Japan drags India to WTO

Japan has dragged India to WTO against certain measures taken by New Delhi on imports of iron and steel products. “On December 20, Japan notified the WTO Secretariat that it had requested dispute consultations with India in the dispute ‘India-Certain Measures on Imports of Iron and Steel Products’,” the WTO has said.

India has imposed minimum import price (MIP) on imports of certain iron and steel products. In February, India imposed MIP of 173 products for six months, which was later extended twice for two months. Earlier this month, the government extended MIP on 19 products till February 4, 2017. According to the commerce ministry sources, WTO-compliant measures like anti-dumping duty should be used to overcome the issue of cheap imports of commodities like steel as MIP is not compliant with the global trade norms. India has imposed MIP as growing imports from steel surplus countries like China, Japan and Korea with predatory prices have been a major concern for the domestic industry since September 2014. India has also imposed anti-dumping duties on certain steel products to guard domestic players from cheap imports. As Japan has filed the case, it will do bilateral consultations with India on the issue.

‘H-1B visa row & trade retaliation’

Months after India dragged USA to WTO over imposing increased fees on H-1B and L-1 visas, a Congressional report has warned American lawmakers that if the dispute moves to formal settlement phase, it could possibly result in a WTO-authorized trade retaliation against the US. “If the dispute moves to the formal dispute settlement panel phase, one potential outcome could be a WTO determination that the disputed statutes are inconsistent with General Agreement on Trade in Services (GATS) obligations and a recommendation that the US should modify its laws to comply with the GATS,” said the Congressional Research Service (CRS) report.

CRS, an independent research wing of the US Congress, warned lawmakers that in such a scenario compliance procedures could subject the US to WTO-authorized trade retaliation if Congress does not amend the pertinent laws. The brief two-page report and analysis on India challenging H-1B and L-1 visa fee increase before the WTO was provided to American lawmakers on November 16.

US appeals at WTO

The United States is using WTO increasingly against its trading partners. It has filed a notice of appeal on 16 December 2016 in the case brought by the European Union in “United States — Conditional Tax Incentives for Large Civil Aircraft” (DS487). United States also notified the WTO Secretariat that it had requested dispute consultations with China in the dispute “China — Tariff-rate Quotas for Certain Agricultural Products”. The request for consultations formally initiates a dispute in the WTO.

Ruling in EU-Indonesia dispute

Before the WTO Panel, Indonesia challenged the fairness of the comparison made by the European Union between the export price of fatty alcohols when sold in the European market and its normal value when sold in Indonesia. After reviewing the facts on the record, the Panel considered that the European Union had a sufficient evidentiary basis to treat the price mark-up as a difference affecting price comparability between the export price and the normal value of fatty alcohols. The Panel also ruled that the European Union had not complied with the provisions of Article 6.7 of the Anti-Dumping Agreement, which establishes an obligation for investigating authorities to make the results of verification visits available to the companies concerned.

Chinese complaint against US, EU

On 12 December China notified the WTO Secretariat that it had requested dispute consultations with the United States and the European Union regarding special calculation methodologies used by the US and EU in anti-dumping proceedings.

WTO rules in favor of U.S.

WTO dispute settlement panel has found in favor of the United States’ challenge to Indonesia’s wide-ranging restrictions and prohibitions on horticultural products, animals, and animal products. The WTO panel agreed with the United States on 18 out of 18 claims that Indonesia is applying import restrictions and prohibitions that are inconsistent with WTO rules.

Since 2012, Indonesia has maintained unjustified and trade-restrictive licensing regimes for the importation of horticultural products and animals & animal products.□□