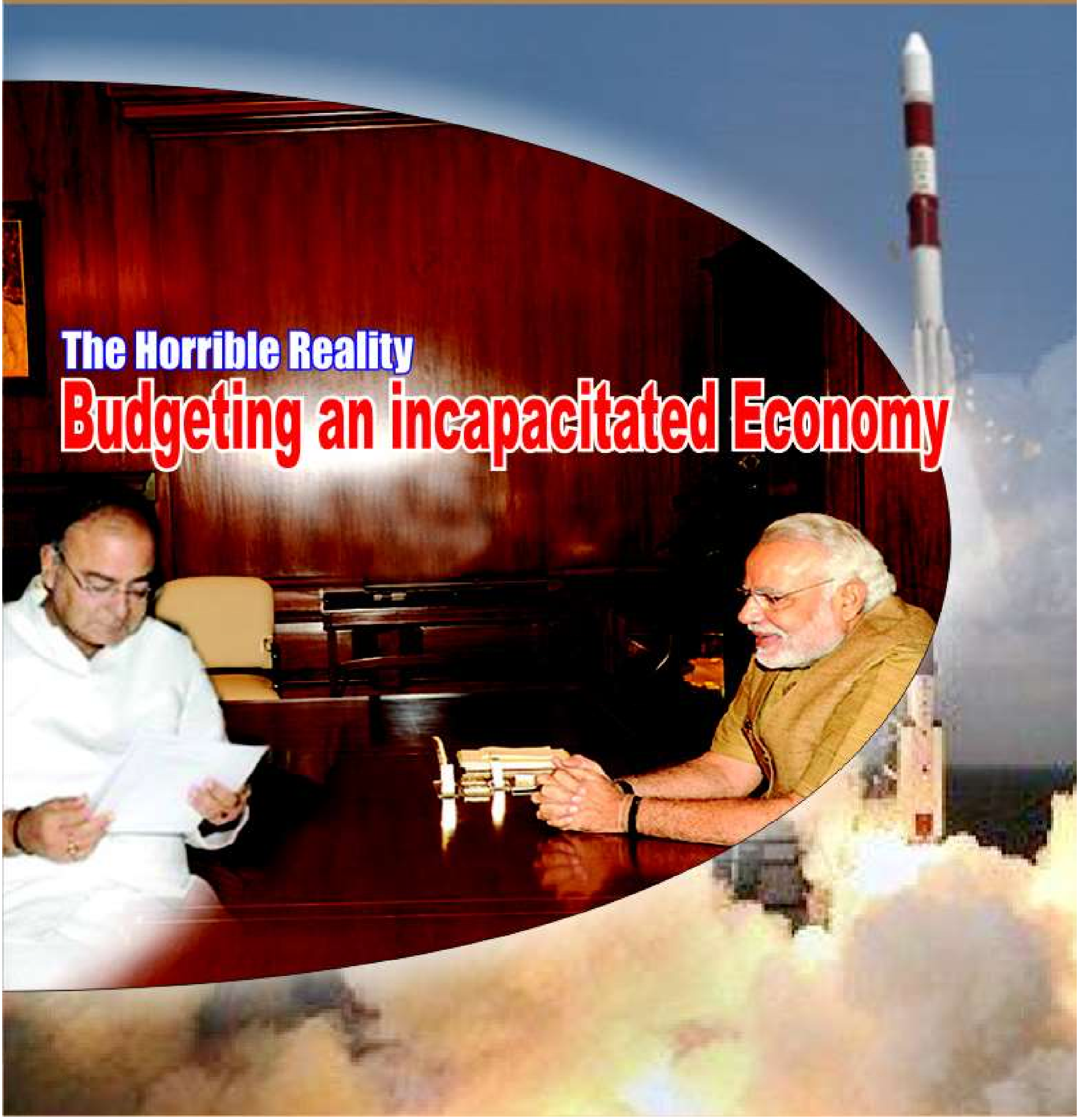
View Point · Spot Light · Analysis

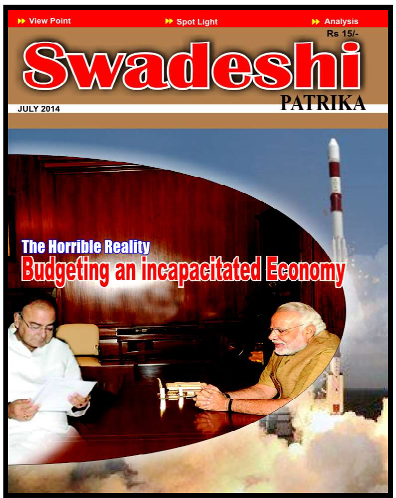
Rs 15/-

Swadeshi PATRIKA

JULY 2014



The Horrible Reality
Budgeting an incapacitated Economy



Vol-19, No. 7
Aashad - Shravan 2071 July 2014

EDITOR
Ajay Bharti

PRINTED AND PUBLISHED BY:
Ishwardas Mahajan on behalf of **Swadeshi Jagaran Samiti,** 'Dharmakshetra', Sector-8, R.K. Puram, New Delhi-22,

COVER & PAGE DESIGNING
Sudama Bhardwaj

EDITORIAL OFFICE
'Dharmakshetra' Sector-8, Babu Genu Marg. R.K. Puram, N. D.-22
E-MAIL : swadeshipatrika@rediffmail.com
WEBSITE : www.swadeshionline.in

CONTENTS

Improving relations with China

Voices are being raised by important and influential people in favour of India remaining neutral with respect to US China relations. This will be unfair to India as this policy will benefit China. India's interest will be best served if it strategically collaborates with every victim of Chinese expansionism - Vietnam, Philippines, Malaysia and Japan. We must not overlook the fact that 1962 was a national humiliation heaped upon India by China. This cannot be forgotten. Besides, reports which inform that China has settled its border disputes with 12 of its 14 neighbours, is a typical Chinese bluff. China is also an economic threat to India particularly its manufacturing sector. The Narendra Modi led government must ensure that it is not enamored by Chinese hospitality and sweet Hindi Chini Bhai Bhai type of duplicity. It is wise not to fight anyone else's war but the government must be sensitive to peoples expectations and not do anything that leads to an apprehension whether the NDA regime will protect India's interest vis-à-vis China.

– Suresh Panda, *Bhubaneswar*

Looming Danger

I would like to draw the attention of all concerned to the alarming situation that has currently enveloped the Islamic world in West and South Asia. It is worsening with every passing day and more and more areas are becoming uncontrollable by any rule of law. To further complicate the tragedy most of the Muslim intellectuals seem to treat these violent, sectarian and internecine happenings not as clear fault-lines in the interpretation of their faith but as some sort of conspiracy engineered by others. However, the end-result is a grave threat this dangerous, bloody conflict poses to not only Muslims but to non-Muslim nations like India. If the jihadi mindset finally succeeds in Iraq, it would be terrible. India houses a substantial chunk of Muslims. They are in much better position to differentiate between inner conflict and sponsored conspiracy. I think they have a historic responsibility to lead the reform movement within their faith and restore dignified order in the region.

– Rattan Kaushik, *Seelampur, New Delhi*

EDITORIAL OFFICE

SWADESHI PATRIKA

***'Dharmakshetra'*, Sector-8, Rama Krishna Puram, New Delhi-22**

■Tel. : 26184595, *E-Mail*: swadeshipatrika@rediffmail.com

For subscription please send payment by A/c payee Cheque/Demand Draft/ Money Order in favour of 'Swadeshi Patrika' at New Delhi, or Deposit the subscription amount in Bank of India A/C No. 602510110002740, IFSC: BKID 0006025 (Ramakrishnapuram)

Annual Subscription :	**150/-**
Life Membership :	**1500/-**

Kindly write your full name and address in capital letters.

If you do not receive any issue of Swadeshi Patrika, kindly e-mail us immediately.

Quote-Unquote

Technology has a critical role in realizing the vision of a Digital India – the power of 125 crore connected Indians.

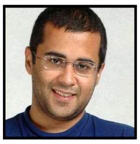
Narendra Modi
Prime Minister of India

Communist/Marxist people have a double standard, when they show something outside and have another face inside.

Supriya Pathak Kapoor
Vetern Actress

I would want to remove the thought of fear about China. China is a great opportunity.

Nirmala Sitharaman
Union Minister of state for commerce & Industry



Any government has its limitations in terms of what it can do for a society at large. What makes a society thrive is, well, society itself.

Chetan Bhagat
Author

E D I T O R I A L

FDI in Defence and self reliance

"If you want a thing done well, do it yourself."

— *(Napoleon)*

The DIPP (Dept. of Industrial Policy and Promotion) has reportedly requested the cabinet to allow 100% FDI in the defence sector, up from the current 26%. It is believed to have sought up to 49% without technology transfer and 74% with technology transfer. 100% FDI would be reserved for "state of the art" technology. Defence Minister Arun Jaitley also indicated after taking charge of the ministry that he would consider the issue of FDI in the sector. This report, as expected, has evoked strong reactions. Defence minister in previous UPA regime A K Antony was firmly opposed to the move by a section in the government to hike FDI in defence sector. His argument was that encouraging foreign companies to set up manufacturing base in India would be a retrograde step. FDI in defence sector will help in increasing defence preparedness of the country and at the same time reduce dependence on imports, is the view of Commerce and Industry Minister Nirmala Sitharaman. She also said that relaxation in policy for FDI in defence would help in saving foreign exchange and in enhancing the country's capacity to produce defence equipment locally. This is a clear indication that important people in the government are favourably disposed towards enhancing the FDI limits in Defence sector. The broader argument in the favour of allowing foreign investment in defence is, as it used to be in other cases including FDI in retail sector, that it will bridge the savings investment gap and the technology gap. 26 per cent FDI in defence sector was allowed in 2001 as decided by then NDA government of shri Atal Bihari Vajpayee and followed by the UPA government. It limited the foreign partners' stakes in the production started in India as it was thought that it can help build the indigenous industry. DIPP issued a discussion paper in May 2010 and invited Views and suggestions on the observations made in the discussion paper, as also on the whole gamut of issues related to the defence sector, by July 31, 2010. According to estimates put forth by the DIPP in its discussion paper, nearly 70% of our defence requirements are met through imports, with only 30% being met through domestic production. Government's stated aim, we were told, was to reverse this trend and manufacture 70% or more of its defence needs indigenously. The paper expressed its view that manufacturing within the country, through foreign capital, with full transfer of state-of-the-art technology will be a better option than importing the equipment from abroad. It is worth noting that since liberalisation of FDI in the defence sector in 2001 only $4.8 billion (Rs.28,800 crore) of FDI has come in to the defence sector of the overall $322 billion inflow. This shows that foreign OEMs do not perceive any particular advantage in bringing in investment and setting up manufacturing facilities in India, just one of many contradictions in the entire policy frame. This aspect was highlighted in majority of the responses to the discussion paper including that from industry chambers like FICCI & CII. FICCI in its response to the discussion paper had pointed out and argued that "FDI & transfer of technology are not always directly proportional, so raising FDI is no guarantee for true transfer of technology. The fact is that leveraging latest technologies from overseas suppliers would be difficult even if the FDI ceiling were raised as the OEMs exercise no control over the release of technology which is exclusively under their government's control". Serious Observers have been deliberating on the Role of Foreign Capital in National Development for last 20 years. They point out that even after 1991 capital used for national development is predominantly local ranging from 90 to 98%. Again the listed the companies are owned around 32% by FII and if equity by foreign promoters is added the situation becomes alarming. FDI also generates huge outflow of the capital by way of unearned profits on shares (many times by manipulation), royalties, tricky transfer prices, many times undeserved HO expenses etc. Country has witnessed the disastrous effects of allowing unrestricted capital inflow in telecom sector that has resulted not only in devastation of indigenous industry but also skyrocketing imports bill of electronic items that looks set to surpass the oil import bill. FDI in defence sector also involves other major issues like the export of products produced by foreign OEMs in India, the IPR of technical know-how generated here and also the employment structure of these companies. In view of complexities involved and the experience of last 22 years that SJM has been suggesting reviewing effect of foreign capital by way of permanent burden on the country and shutting out of Bharatiya entrepreneurs and traders and Publishing a comprehensive note for public debate. Such issues of immense national importance and log term implications should not be taken in hurry.

Will Budget Look Beyond Corporate Sector?

Only half of India's GDP and 10% of India's employment are in the formal sector Therefore ,the intuitive habit of drawing macroeconomic conclusions (about India) from the corporate feedback (and vice versa) is fraught with risks warns
S Gurumurthy

Of all governments since Independence, the Narendra Modi government has perhaps aroused the highest expectations of people the kind of aspiration not easy for any government to satisfy. Modi regime's first major test is the Budget for 2014-15. Budgets have long ceased to be just printing and presenting annual financial data. Over time they have become policy setting or resetting instruments. Like in 1991, given the global and national economic conditions, there is now a compelling need for reassessing and resetting the direction of the economy in the Budget. This Budget has necessarily to be very different one from the Budgets of the last two decades. Why?

No "Fit -All' economic model

It will need going back to 1991. When India set out to liberalise then, it chose to follow the US way to frame policies, preferring not to look at the other successful German and Japanese ways. From then on, the national focus shifted to celebrating and promoting private corporate sector particularly big companies, multi-national and national in that order. But, now the US model has been heavily questioned in the US itself after the 2008 global meltdown. Till then the US claimed to have the theoretical lead for all countries.

After 2008, the truth un-admitted by the guild of economists in India is that the world is without a reliable, Fit-all economic theoretical frame work. At least one leading Indian economic thinker Dr Rathin Roy, who heads the National Institute of Public Finance and Policy, had the guts to say in a seminar in Chennai in March 2014 that any economist who denies that truth was either ignorant or dishonest.

Not many did notice that even before the global meltdown, in 2005 itself when the US model was seen to be doing very well, world financial bodies had washed off their hands saying that they have no Fit-all economic model and each country has to find its own way. Yet India continued to imitate the US way.

1991-2011 a look back

Now, with the economy nearly incapacitated, the economic establishment seems to have run out of ideas. The prescriptions of the US seem outdated. The US-led policies did produce high growth rates of over 9 per cent in the first edition of UPA rule and this persuaded our establishment to trust that that was the right way. But that growth has now proved deceptive. It has concealed the terrible truth that that was just phoney money growth which not only did not yield jobs but actually reduced jobs! The employment added in six years between 2004-5 and 2010 was just 2.7 million as compared to over 60 million jobs generated in the five years preceding. This truth has rudely shaken the economists. This alone is adequate to question the economic thoughts that have guided the government in the last 10 years. Also, two decades is a vantage point high enough to look back and assess what the post-1991 theories and policies – which have focussed almost exclusively on private corporates, particularly, the listed corporates as the escalator for growth – have yielded. Now look at how the private corporates have responded to government's benevolence. This exercise calls for data-based analysis and the reader has to bear with some numbers.

Rs 47.6 lakh cr yields 2.2 m jobs!

With most of the Indian economy opened for foreign investment, since 1991 and till 2011 the corporate economy had received close to $317 billion of foreign investment – $176 billion through stock market and $141 billion as direct investment. The non-government external debt – read borrowings of public sector and private sector corporates in dollars – jumped by over 10 times to $179 billion. The bank lending to corporates grew up by 43 times to almost '20 lakh crore. Corporate and personal tax rates had halved, making India rank among world's least taxed nations. What did all these monies do? The Sensex vaulted by 20 times from 1,000 to over 20,000 in 2011 with stock market-cap touching $1.6 trillion ('96 lakh crore). Result, Indian corporate promoters now constitute a fifth of world's billionaires with a tally of 70 – none in 1991 – and Mukesh Ambani leading the pack with $18 billion wealth and a billion dollar house. Despite the tsunami of billions of dollars and trillions of Rupee into the corporate sector, its share of GDP improved by just 3 per cent in 20 years to 15 per cent. Foreign investment was celebrated because it would generate jobs. And how much jobs the $317 billion foreign investment, $160 billion foreign borrowing, and '19 lakh crore bank credit – all adding to '47.6 lakh cr – that flowed into the corporates generate directly? Believe it. Just 2.2 million jobs in 20 years since 1991! A little over a lakh of jobs a year, according to the Economic Survey 2012-13. The private corporate sector added 3.7 million jobs over 76.7 million in 1991, but the public corporates dropped 1.5 million jobs reducing the net job addition to 2.2 million. Contrast this with socialist India's record in the pre-reform period. In the 30 years from 1961 to 1991, the private corporate sector added 2.7 million jobs and public corporate sector's 12 million – growth of 5 lakh a year. That was five times the annual rate of job growth in the corporate sector in the post-reform period. Question inevitably arises why FDI invited to generate growth and jobs and why private corporates pampered to generate jobs miserably failed.

Economic establishment seems to have run out of ideas.

Rs 30 lakh cr tax foregone

This is not the end of the story. Look at more facts. Not just that the private corporates received foreign investment and loans and bank credit totaling '47.6 lakh crore. They also received bonanza of tax cuts of '30 lakh crore in seven years from 2006-7 to 2012-13. The cuts averaged annually '2.6 lakh crore till 2007-8. But when the global meltdown occurred, the UPA government almost doubled the tax cuts to '5 lakh crore a year to stimulate the economy. These huge cuts dented the Budget with a deficit of almost '22 lakh crore between 2008-9 and 2012-13. But the corporates swallowed the stimulus tax cuts without passing it on to the consumer. Consequently, far from falling with the decline of national economy, the corporate

What caused the Sensex to vault by over four times in 10 years?

profits rose by over '9 lakh crore in this period. But the corporates did not even invest their high profits to grow their business. Their investment actually slowed as their profits increased from 2007-8 to 2010-11.

Banks preferred over stocks

Now look at the stock market which spins capital for the corporate sector. The BSE Sensex, which closed at 5,740 in 2004-5 rose to 18,815 by 2013-14. Now it is over 25,000. What caused the Sensex to vault by over four times in 10 years – particularly when the national economy was in distress since 2009 and Indian families invested very little in stocks. The Indians are much like the Germans and Japanese who also do not risk their savings in stocks. In 1970s, Indian families invested 2% of their savings in stocks. In 1980s, 6%. In 1990s, 11%. Between 2000 and 2005, just 2%. Between 2005-2011, it was 4%. The Reserve Bank of India Working Group on Savings during the 12th Five-Year Plan (2012-17) has projected Indians to invest just 1.3% of their savings in stocks. Since 1991, the government had been cutting interest rates partly to dissuade the savers away from banks. Dr Manmohan Singh even asked the Indian families to buy stocks and not bank their money. But the Indian families did not pay heed to him and persisted with bank deposits.

As liberalisation deepened, the Indian families, instead of moving into stocks as the policies persuade them to, moved away. Rejecting the US model, which opts stocks over banks, Indians like Germans and Japanese prefer banks over stocks. The founding premise that liberalisation and globalisation would shift savers from banks to stocks has miserably failed in India. The result is bank-based – not market based – macro economic financial structure of the Indian economy – totally unlike the US. The bank deposit to GDP ratio in India actually doubled during the reform period – from 34% in 1991 to 68% 2012. It is clear that people's lifestyle and financial habits produce economic model and not government policies. What is the contribution of corporate sector – public and private together – to India's GDP? According to Credit Suisse Asia Pacific/India Equity Research Investment Strategy paper (July 2013), the share of corporates in GDP is just 15 per cent and that of listed corporates is trivial, 4 per cent. In terms of employment or value addition or exports or manufacture the corporate sector is not a significant player. The Budget needs to look beyond the corporate sector and look at what really sustains India if it has to lift the Indian economy. What is that which sustains India? .

The intuitive habit of drawing macroeconomic conclusions (about India) from the corporate feedback (and vice versa) is fraught with risk. After all, only half of India's GDP and 10% of India's employment are in the formal sector. Further, only a fraction of the formal sector is listed." This is not any Swadeshi ideologue speaking. This is what the Asia Pacific/India Equity Research paper of Credit Suisse titled "India's better half: The Informal Economy" says about the most unique aspect of Indian economy. The paper points out that corporate sector accounts for only one-fourth of the national capital formed - the share of listed corporates in it is even less, just 13%. Again corporate sector generates only 15% of the national consumption - the share of the listed corporates in it is just a fraction, just 4%. The Credit Suisse actually compares the corporate sector, which is the celebrity segment of the national economy since 1991, to the tail that "cannot wag the dog". The Credit Suisse's study bares the truth that the star corporate sector in India is just the tail - a fact others were too afraid to say, like in the popular Danish fairy tale of "Emperor's New Clothes" where every one saw the king without clothes but was afraid to tell the truth.

Informal is not illegal

When the Credit Suisse study dismisses the formal - read corporate - sector as marginal what does it find as the core of the Indian economy. The title of the study itself says it is the informal economy of India. In economic discourse informal economy is not a complimentary term. A World Bank study talks of two kinds of informal economy: one survival activities: casual jobs, temporary jobs, unpaid jobs, subsistence agriculture, multiple job holding and two unofficial earning strategies unregistered business for tax evasion, avoidance of government or institutional regulations. But the Indian informal sector is neither. Credit Suisse says that the Indian informal economy is not contraband. It says: "Unlike in the developed economies where informality is purely a deliberate choice to avoid taxation or regulations, in India it is more structural: a reflection of the lack of development and limited government reach." This is significant. The informal economy in India should carry no stigma. Yet the media, elite thinkers and economic experts in India look down upon the informal economy in India like it is viewed in the West. This is one of the reasons for the mental block against this most productive segment of the Indian economy.

Non-corporates employ 84% of

What is informal economy in Credit Suisse is the non-corporate sector in Indian dictionary. What is the size of the Indian non-corporate sector? Credit Suisse study says that it constitutes 84% of the non-formal employment in India. How about other countries. It is about 4-6% according to World Bank in 'Developed' nations. In developing Turkey it is 31%, South Africa 33%, and Brazil and Thailand 42%. The Credit Suisse study says: "India's informal GDP, i.e., economic activity by unincorporated enterprises, is half of total GDP, among the highest ratios in the world." Three significant facts emerge now.

First, in developed nations, the informal economy escapes the state; in India the state has not reached it. Second, in developed nations, it is a marginal player; in India it is the main drive. Three, despite the obvious differentials the Indian economists and policy makers, imitating the West where it is marginal, hate the non-corporate sector and are working to wipe it out. The question is whether they can wipe it out?

Staggering Size

The size of India's non-corporate sector is staggering. The National Sample Survey Organisation (NSSO) Survey 2011 says that there are 57.7 million non-corporate business units excluding those in the huge construction sector. Seven out of ten of them are unregistered. The non-corporate units have almost doubled since 1998. The NSSO says that 85% of them "Own Account Enterprises" (OAE) - meaning self-employment units and the rest are "Establishments" employing outside labour. Here is the picture of this core sector in brief. The aggregate value addition by these units is `6.28 lakh crore - 70% of it in rural areas. Value addition per unit is not trivial. It is `1.09 lakh. And value addition per worker is `58,000 and per hired worker is `47,000, which equals the average per capita income of India in 2009-10 and higher than the rural per capita income. They employ 108 million - rural 53 million. The units do employ capital that is not insignificant. The value of fixed assets per unit is `2 lakhs. A fourth of these units is engaged in manufacturing, more than two thirds in retail trade and services. A majority of them operate in rural areas, the most difficult terrain for the government to reach. During the liberalisation period this sector grew faster than the organised sector whose employment came down from 8% in 1991 to 7% in 2011

There are 57.7 million non-corporate business units excluding those in the huge construction sector.

OBC SC ST Entrepreneurs

The most significant part of the story is that the non-corporate sector is dominated by disadvantaged sections of Indian society -

Institutionalised finance is available only to less than 4% of the 57.7 million units.

the Other Backward Castes (OBCs) Scheduled Caste (SCs) and Scheduled Tribes (STs). A study Caste and Entrepreneurship in India by Lakshmi Iyer Tarun Khanna Ashutosh Varshney Harvard Business School (HBS) links the non-corporate sector to caste-based entrepreneurship. The NSSO Survey says that two-thirds of the sector is owned by ST (5%), SCs (14%) and Other Backward Classes (48%), including 71% of the manufacturing, and 60% of the trading, units. The Survey shows that the disadvantaged castes are increasingly into trade and manufacturing. In rural areas, 72 per cent of OAEs are run by them. The HBS study said that while, in case of OBCs, their share of the business matched their population, in the case of SCs and STs it was less. But the SC share improved from 10% in 2005 to 14% in 2011. In India entrepreneuship is not a product of IITs and IIMs. They are generated by non-corporate sector. The non-corporate business units actually constitute the open the air university of entrepreneurship for the OBCs, SCs and STs. The non farming enterprises hold huge prospect for the promotion of entrepreneurship, self-employment and livelihood among the weaker sections. The advent of Dalit entrepreneur in Agra and Kanpur could become an all Indian phenomenon.

4% credit for 50% GDP, 90% for jobs

Yet, shockingly, according to the Economic Census 2005, institutionalised finance is available only to less than 4% of the 57.7 million units. More than 90% of the units rely on own or traditional sources including usurious money lenders. Banks garner most of the savings with the bank deposit to GDP ratio doubling from 34% in 1991 to 68% now. But they, perhaps rightly, do not finance unregistered businesses. With over seven out of 10 of the 57.7 million non-corporate business units unregistered, no bank would ever finance them. The banks are unable to finance even the registered MSME units, whose share in bank credit had halved to just 7.2% between 1994 and 2008. Though it improved to 13.4% in 2009-10, it was still less than in 1994. It does not need a seer to say that for ensuring social justice it is necessary to increase the ownership of SCs and STs and also OBCs in this sector. It is doable. Malaysia has done it. Through its affirmative action policy launched in the 1970s, Malaysia managed to increase ownership in private enterprises for the discriminated group of Malaya from only 2 per cent in 1970 to 20 per cent in 1990. The government brought about a systematic redistribution of ownership of private capital in favour of discriminated groups in a period of two decades. (The Hindu dt 30.11.2011)

Credit will formalise the sector

The Indian economic establishment detests devising policies for providing finance to them because they are not formalised. But it now needs to think differently. Providing finance to them is really the best way to formalise them. Says that Economist Magazine (Sept 28, 2013)"At the present rate, it will take half a century before India's economy is fully formal. The best way to speed up the process is to extend the reach of the financial system." Undeniably, it is the non-corporate sector, not the corporate sector, which is the back-bone of the Indian economy, employment, trading and manufacturing. Also it is the only practical escalator to lift the backward sections out of poverty. But blinded by the love of the corporate sector and hatred for the informal sector there has been criminal neglect of this sector in the past. And yet, despite being left to fend for itself, it has saved India from socio-economic anarchy by employing 90% of the non-farm labour. It desperately needs a new financial architecture which will finance small businesses. The banks working on global banking norms are structurally disqualified to lend to these units. This requires indigenous, non-Western out the box thinking. Will the budget 2014-15 fuel this real growth engine? ❑❑

(This article was published in two parts in New Indian Express)

Meaningful Budget
Scrap trivial programmes

The agenda for revival of economy, for which everyone looks at Prime Minister Narendra Modi and his Finance Minister requires resources. But these resources have been frittered away by the UPA Government on unproductive populist measures such as MNREGA and the Food Security Bill. The two programmes are symptomatic of the failure of the previous government on providing jobs to the people and inability to curb whopping food prices, explains ***Shivaji Sarkar***

The nation is looking towards mid-July, when the Union Budget is to be presented in a fresh package. It eagerly awaits the new product. Undeniably, it will be the Narendra Modi Government for achieving the miracle of revival within the limited available resources, burden of carrying out populist impractical programmes and reallocating finances at a time when it would not be in a position to increase taxes.

The country needs $5 trillion investments during 2014-20. It is a large sum, which the Government cannot raise through normal resource mobilization. The Government cannot expect all of it to come from foreign direct investment (FDI). It has to spend itself a lot for creating the infrastructure, putting the books in order for departments such as Railways and other public sector undertakings.

It has to contend with Rs 77,000 crore less realization on revenues indicated in the UPA's interim budget of Rs 17,63,214 crore. The UPA cut allocation on education, health, water supply, sanitation, food security, renewable energy, women and child welfare, social security, rural and urban development. Even the actual Plan expenditure in 2013-14 was slashed to Rs 4.75 lakh crore from the allocated Rs 5.55 lakh crore by cutting infra expenses. The revenue generation projected by the previous Finance Minister P Chidambaram would be almost 17.4 per cent less.

Additionally, it also has to infuse Rs 11009 crore capital in public sector banks hit by NPAs of Rs 2.44 lakh crore. Further, it also has to look to pay the government employees more by 2016, when the Seventh pay panel report is expected.

Indeed, the Modi Government has to function on razor's edge. Chidambaram has limited the leeway. Converting "scam to skill" India, as the Prime Minister said in his maiden speech in the Lok Sabha, is an arduous task.

The Government has to look for increased support to agriculture, may be in terms of direct subsidies to the farmers, boost manufacturing, increase industrial production, check prices, create jobs and eliminate corruption, provide houses to all, spend on skill development, clean Ganga and create a new urban India - the promises made in the BJP manifesto as well as the presidential address.

It is an agenda for revival but everyone would look at Modi and his Finance Minister Arun Jaitley to accomplish this feat. All of it requires resources. But these have been frittered away by the UPA Government on unproductive populist measures such as MNREGA and the Food Security Bill. The two programmes are symptomatic of the failure of the previous government on providing jobs to the people and inability to curb whopping food prices. The two programmes cost the Government Rs 1.58 lakh crore a year as per budgetary statements. The plan panel points to ghost beneficiaries in each of these programmes.

Another biggest scam had been the unique identity card called UID or Aadhar. The UID, a baby of the Planning Commission, has been termed as a "corporate scam", a term used by writer and activist Arundhati Roy. She says it funnels billions into the IT sector hit by the US and European recession. Nandan Nilakeni had been shoving an illegal Aadhar card in the name of empowering the poor.

The cost benefit analysis done by National Institute of Public Finance and Policy at the behest of the Planning Commission found that it has costs beyond the actual programme, almost at every level of governance. The bio-metric tools have to be replaced every three years. It notes that a series of anomalies have been reported by various State-level audits in eight States. The Government itself has allocated Rs 14232 crore for UID in 2013-14 and every year there is an incremental increase without any benefit to the people.

The Modi Government has rightly sounded that it wants to scrap this white ant – that nibbles into every programme without a tangible result, according to the NIPFP. On the face of it, scrapping the programme, which so far has covered 57 crore people but has not issued card to most of them, would save at least Rs 25,000 crore a year.

Further, it can also look at leasing out Air India, which has been draining public finances to at least Rs 5000 crore a year, for keeping it flying and if debt burden and cost to fleecing bureaucrats are included it would almost be double. Leasing it out would save outgo and may even fetch a good lease fee every year. With increased competition, Air India has little chance to survive otherwise.

The NDA Government has also to scrap programmes such as the four-year degree as introduced by Delhi University. It is a drain on resources of both the Government and individual citizens, given as that the worldwide trend now is to clearly reduce the term of education. More a child spends for education more is a burden on the society. The HRD ministry has to tailor out compact short-term high utility programmes. The longer terms spent in the universities do not equip the children better. Mere setting up new universities, IITs and IIMs is not the solution.

The programmes such as housing have become expensive with speculative private funding.

There are many Government organizations, which have outlived their lives. At the same time there are many which require a little push to make these useful tools. The State police force and bureaucracy has lost their credibility. The Government needs to take steps to reform policing in real terms. It should become a friend from an organized gang of criminals. It does not require much funding. It needs new administrative approach.

The programmes such as housing have become expensive with speculative private funding. It would not require much Government funding but it would require honest government intervention.

Food prices have not yet moderated. The Government has rightly taken the first step to stop food grain exports by the Food Corporation of India (FCI). It should have to be turned into a market intervention agency to keep prices in check. The commodity exchange market operators did not allow the UPA Government to do that. Thus, the FCI has to be entrusted a new role.

The country hopes to become a super power, but the last dispensation has created a situation that makes survival difficult. The Budget has to deliver a lot for rebuilding the country.—INFA ❑❑

FDI in Defence May Be Risky

A guarded approach is the needed while deciding about ***raising cap on FDI in defence.*** *No doubt the nation cannot wait indefinitely for encouraging defence production at home, but at the same time, strategic interests too cannot be sacrificed, cautions* **Dr. Ashwani Mahajan**

The effort to raise cap on FDI in defence from 26 per cent, which started during UPA regime in 2010 and was put off after strong opposition from the then defence minister A K Antony, is once again being pushed vehemently after new government under Narendra Modi has come to power at the Centre. It is notable that permission for FDI was first granted during the previous NDA government under the stewardship of the then Prime Minister Shree Atal Bihari Vajpayee.

According to Press Note-4 in 2001, this policy was first announced, whereby Indian companies were allowed 100 per cent and foreign entities 26 per cent in defence sector. It is said and widely believed that a cabinet note regarding FDI in defence has already been sent to the ministries concerned. The government says that today 70 per cent of our defence equipment needs are being met by imports and hardly 30 per cent by domestic production.

The major problem about the defence equipments being imported into India is that suppliers are not in a position to provide sufficient maintenance facilities. Therefore, these equipments are not very reliable during war. Therefore, in the interest of modernisation of our defence industry, its further exposure to FDI may prove to be a boon. However, critics argue that by allowing FDI in defence, our dependence on foreigners will increase. It is feared that our dependence on some countries and their blocs may amplify in the future.

This is an open secret that technology denial regime is at work in advanced nations.

They also argue that during war time, foreign companies, while trying to serve the strategic interests of their countries of origin, may even block the supplies at the time we require them most. This is also possible that

they produce arms and ammunition in India and supply to our enemy nations or even terrorist organisations.

It is believed that at present, foreign companies are reluctant to transfer their technology with the present cap on FDI at 26 per cent, they want greater share in the business. If we raise the limit beyond 26 per cent, they may be willing to transfer technology.

Not only that this would improve technological base for defence industry, other sectors would also be benefited due to improvement in technology. Defence goods could be produced within the country and help us in saving valuable foreign exchange.

Liberalisation of FDI in this sector may also help us in increasing our exports of defence goods. Today India exports hardly 2 per cent of its defence production, whereas other countries including China, Israel, South Africa etc export much more than India.

Handing over managerial control to foreigners in this strategic sector may not be good for the strategic interest of our country.

Technology denial

Those in favour of FDI in defence give the argument that with this measure, the nation will get hold of latest technology in defence. But this is an open secret that technology denial regime is at work in advanced nations, USA in particular - it is known to possess advance technology in defence production.

Example of cryogenic engine is well known to all - USA not only refused to supply cryogenic engine for our PSLV programme, they even forced other nations not to give the same.

The US law does not permit its companies to make their technologies available to other countries, even if they are carrying out production activities in these countries. Therefore, if we open our doors for FDI in defence even further, technology transfer is not guaranteed.

It is known to all that today India is excessively dependent on other countries for supply of defence equipment, arms and ammunition fighter, aircraft etc.

Not only that it causes a big drain on our valuable foreign exchange, we are also forced to pay much higher prices. After the disintegration of USSR, today India is purchasing defence goods on a large scale from USA, Western Europe etc. Therefore, theoretically the nation can benefit by inviting global players, as they may produce these defence goods with their latest technology and may serve our needs.

However, giving them managerial control in this strategic sector may not be good for the strategic interest of our country.

Major worry with regard to foreign investment is that of mindset of the policy makers, who feel that foreign investment is the solution to every problem.

The basis for deciding whether or not the country should go in for FDI in defence should not be how much investment is attracted by this Act; rather it should be based on the how much help it would provide for self reliance in the field of defence, technological up gradation and strategic preparedness.

Reality remains that after Independence, there have been major efforts in the field of defence production although they were generally concentrated in the public sector. Further, there were insufficient efforts towards research and development.

Wherever the government made efforts, we achieved excellence - development of Agni missiles, nuclear deterrent, PSLV, satellite launching etc have been astounding the world.

Therefore, it is imperative that government takes up pro-active approach towards R&D activities for technological excellence. At present, there is no provision with regards to isolating Chinese investment, while going ahead with foreign investment, government has to adopt cautious approach.

No doubt the nation cannot wait indefinitely for encouraging defence production at home, but at the same time, strategic interests too cannot be sacrificed. Therefore, a guarded approach is the need of the hour. There is no reason for haste in this matter. ❑❑

SIT on Black Money:
Historic Decision of the Modi Government

Return of black money as white is pushing up land and stock prices to dilfy heights. To track and curb this parallely, either the terms of the SIT may also be expanded or a separate team may be constituted with expertise to track such round tripping. If it is not done so the SIT has the discretion to tackle it, says **Dr. Bhagwati Prakash Sharma**

The first ever cabinet decision of the newly elected government to set up a high level Special Investigation Team (SIT) to bring back the black money deposited abroad would prove to be a historic step for ploughing back the country's wealth illicitly stashed abroad, for the welfare of people and rapid development of the country. The black money stashed abroad and the monies being brought back as export income or foreign investment either through round tripping or by money laundering as white, if retrieved, the amount may touch Rs. 100 lac crores. The figure is subject to variance as various estimates give differing figures of black money stashed in various tax heavens ranging between $ 350 billion (Rs. 21 lacs crores) to $ 1.45 trillion (Rs. 87 lacs crores). The most baffling figure of black money is the oft quoted figure of $ 1.456 trillion being quoted from a "Swiss Banking Association Report of 2006", which was later denied by the association. Indeed after hotting up of the issue of black money, a large part of it has either been brought back by round tripping as export income or foreign investment in white or has been moved to other tax heavens. According to subsequent estimates of the 'Global Financial Integrity' (a non-profit organization), the estimated value of an illicit financial flow held abroad by Indians - Individuals and companies - is around $ 500 billion (Rs. 30 lakh crores). As per Konrad Hummler, Chairman of the Swiss Private Bankers Association, 1 trillion out of 2.8 trillion Swiss Francs was black money in 2011. Wikileaks founder Jullian Assange alleges that major part of it belong to Indians. So, around $ 500 billion may be of Indians. It would be a boon for the 1.2 billion people of Bharat, to bring

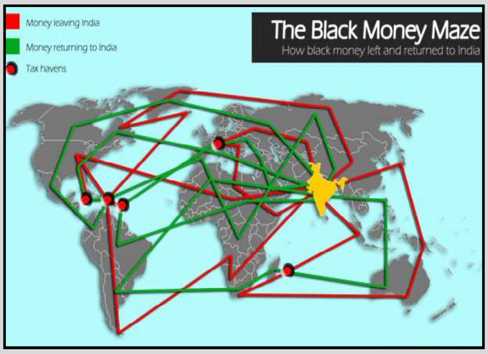
Baseless & unfounded apprehensions are being expressed about the SIT's success.

back the precious wealth of the country which would help to enhance our welfare spending, build would class infrastructure, modernize our defence forces, renovate the nation's technology and improve our agriculture which is the life line for half of our population. It should also be borne in mind that, the amount of black money stashed in Swiss Banks is fast declining, as the Indian account holders have been withdrawing their illicit money either to deposit in other tax heavens like Bahamas and Liechtenstein to evade action or to whiten through round tripping the black money as export earning or as foreign investment

This 21 member SIT constituted to trace, track and retrieve the black money has acted very swiftly to chart out the roadmap of how to proceed for bringing this wealth of the nation, illicitly held abroad in its very first meeting, held within a week on Monday, the June 2, 2014. According to the terms of reference for SIT, this Justice M.B. Shah headed team, will investigate all matters with respect to unaccounted monies being, stashed in foreign banks by Indians or other entities operating in India, and would also prepare a comprehensive plan, including creation of the institutional structure that will enable the country to fight the battle against unaccounted money. The team will have jurisdiction in cases where investigations have begun, are pending or waiting to be initiated and that have been completed.

Baseless and unfounded apprehensions are being expressed in certain quarters about the SIT's success in bringing the black money stashed in the foreign banks by unscrupulous businessmen, corrupt politicians and bureaucrats, drug traffickers, terror outfits and other criminal elements. But the honest political conviction, reflected in the constituting the team itself along with all other positive signals for the team to succeed. These are

i. The team is headed by the former Supreme Court Judge M.B. Shah know for his swiftness in the cases of about illegal mining, and is co-headed by another former Supreme Court Judge Arijit Pasayat. Both are known for their objectivity, boldness and transparency.
ii. The team has the most elite team of top officers of ten different investigative and enforcement agencies to ensure that no loopholes may perpetuate. They include Secretary of the Department of Revenue, an RBI Deputy Governor, IB Director, Director of Enforcement Directorate, Director of Enforcement Directorate, Director CBI, CBDT Chairman and Director General of the Narcotics Control Bureau. Besided the D.G., Directorate of Revenue intelligence, Director of Financial Intelligence Unit, Secretary, Research and Analysis Wing (RAW); and a Joint Secretary (Foreign tax and tax Research) are also the members in the team.
iii. The constitution of SIT was indeed pending from the year 2011 as the UPA was explicitly opposing it. Since it has been set in the first ever cabinet meeting of the Modi-led government, is the clear signal that the new government is committed to do whatever it can and should, to bring back country's money and book the culprits.
iv. Switzerland while buckling under international pressure, has also signed the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The convention, which has now been signed by 58 countries, including India, provides for sharing of information and mutual cooperation among all its signatories. It would help India to get information on black money. Besides, in October 2010, Switzerland's Federal Act on the Restitution of Assets of Politically Exposed Persons (PEPs), obtained by Unlawful Means (commonly referred to as the Return of Illicit Assets Act or "RIAA") was also passed by both houses of the Swiss Parliament. It had also became effective w.e.f. February 1, 2011.



70% of the FDI flows into India have come through tax heavens.

Switzerland had already returned over $1.6 billion lying in various Swiss Bank Accounts – money which was illegally obtained and stashed by Politically Exposed Persons. India can also provide the Swiss Federal Criminal agencies clues for scrutiny with due diligence, necessary to establish the link of the money to the depositor and its origin, and can get the money stashed by corrupt politicians under this law.

v. Moreover, the global milieu has also turned resolutely against the opaque banking secrecy norms of tax heavens. The new money laundering laws in US of 2001, requiring sharing of information between financial institutions and enforcement agencies, such a law can be framed by India also for tracking terror funding and black money. The recent endeavours of the G20 in April 2009 to press for counter-measures against tax havens and non-cooperative financial centers that had agreed to internationally-accepted tax standards on sharing tax information, but had not substantially implemented them would also help SIT. At the G20 meet in Seoul last year, the use of initiatives and statistics on subsequent significant increases in revenues from tax evaders across the globe was also pushed to enhance the process of exchange of information.

vi. India and Switzerland have also signed a pact amending the existing double taxation avoidance agreement that will make it easier for New Delhi to gain access to information on suspect bank accounts, possibly paving the way to recovering billions of dollars in undeclared wealth. In cases of non co-operation by the Swiss authorities or any other tax heaven India may even declare that nation a Non-Co-operative Jurisdiction, which would result in suspending tax benefits available under the bilateral tax treaty. a sovereign request any tax heaven cannot deny to share the information on the pretext of notifying a person or seeking his consent. The information has to be shared under Article 26 of the treaty signed with Switzerland, which overrides Swiss domestic laws.

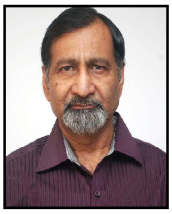
vii. India can also put pressure on Switzerland through G20 to yield information about the illicit money. Besides, we have the option of invoking Section 94(A) of the Income-Tax Act and declare Switzerland a Non-Cooperative Jurisdiction. Last year, India had declared Cyprus a Non-Cooperative Jurisdiction and suspended tax benefits available under the bilateral tax treaty signed in 1994. Indeed under bilateral tax agreements, countries have a legal obligation to exchange such information as is necessary, in particular for the prevention of fraud or evasion of taxes. So India can use this clause

In Technical terms, the term black money refers to income which has not been reported or disclosed to public authorities. But, it would also include money earned from illegal activities like crime (such as drug trafficking, smuggling, human trafficking etc.) and corruption. Various estimates made from time to time, since 1960s have reported the quantum black money being generated in the economy to be between 20 to 40 percent of the GDP. But, It would be a mis-assumption that all black money flown out is lying in the offshore bank accounts alone. In reality a large portion of the black money flowing out illegally is also being brought back into India through 'Round Tripping' as white either as export income or as foreign investment or via other means of laundering as upto 70% of the FDI flows into India have come through tax heavens. Likewise, ever since the issue of black money has hotted up, India's exports are booming despite an unprecedented stagnation in the world economy. These exports of non-conventional products to non-conventional destinations, since 2010-11, are even beating China. Official data for 2010-11 show a huge increase of $ 30 billion in engineering

[Conitnued on page no. 28]

How Strong are the Fundamentals of Indian Economy

Indian economy is stated to be in crisis. The ten tasks listed by the Finance Minster of previous UPA government in their interim budget for 2014-15 were sufficient to elaborate this crisis. The crisis issues listed by former FM were mainly relates to Fiscal deficit, Current Account Deficit, Price Stability and Growth, Financial Sector Reforms, Infrastructure development, Manufacturing sector, Subsidies, Urbanization, Skill Development and Sharing of responsibility between States and Centre. Former Indian PM and FMs have however, always maintained that the fundamentals of Indian economy were strong and the crisis was temporary. India has completed 66 years of independence and implemented 11 five year plans and is still in economic crisis. And this crisis has always been there right from the day of independence. The question then is what are these fundamentals that are strong and when these will help Indian economy to come out of crisis. Is there anything wrong with the fundamentals or simply were there policy mistakes? It is desirable to know whether the nature of Indian economy is prone to crisis or the policies that lead to crisis.



It is desirable to know whether the nature of Indian economy is prone to crisis or are the policies leading to the crisis, advocates **Anil Javalekar**

The fundamentals

The fundamentals are undefined and vague and depend on the development model. The working of government and governance, the potentials and exploitation of natural and human resources, the creation of infrastructure and industrial capabilities, self sufficiency in technology and capital, people's participation and worldly support are some of the important conditions that are considered important for an economy and its performance. India aspired for industrialization based on western concepts of prosperity and planned for exploitation of natural and human resources for the purpose. All policies and strategies were to facilitate this development.

Changed perceptions of Indian leadership

The first and most important of all is the change in the perception of Indian leaders. India preferred self reliance and strategized for import substitutions in its first 40 years of independence. Last 20 and more years however, saw efforts to globalize Indian economy with privatizations, liberalizations and freeing of foreign trade along with outsourcing of socio-economic development. The idea of mixed economy with commanding role for Public sector was given up and replaced it by corporate leadership. The so called economic reforms in nineties and thereafter were mainly to suit the promotion of this corporate leadership-Indian or foreign. Presently, government is limiting its role to legislate for liberalization and globalization of Indian economy and additionally implement sporadic welfare measures meant for some excluded sectors or people. These changes in perceptions and policies affected the performance of Indian economy and led to many of the present crisis issues.

India as 'Nation' remained weak

The idea of 'Nation' emerged during the history of human conflicts with reference to racial and geographical identity has remained strong till date. So remained is the importance of military capabilities and strong political leadership for survival and existence of a nation. The new additions to these fundamental requirements are the development of the new and innovative technologies, a strong national currency and a base of exploitable natural and human resources. One more factor that gained importance during last one century is the industrial capabilities that creates and meet the demands of modern economy. These fundamentals remained weak for India right from Independence Day and became weaker during the last 20 years making Indian economy more vulnerable to world politico–economic pressures. Indian government was politically unstable during this period with weak political leadership. India never considered it a militarily strong nation nor did it intent to influence world affairs with military capabilities. But then that made India vulnerable to terrorism. India remained most neighborly troubled nation in the world that affected its socio-economic development adversely. More than this, India remained dependent on other countries for most of its technology and capital requirements.

Indian economy remained rural and agriculture based

India is a geographically large and second most populous country in the world and though India accounts for only 2.4 % of the world's geographical area and 4 % of its water resources, it has to support about 17 % of the world's human population and 15 % of the livestock. India is a country of villages and of poor people with poor education and poor health. Indian tragedy is that the sector which contributes less to GDP has been supporting Indian population in a major way and the sector that contributes most is supporting less.The agriculture sector contributes little (14%) to the Indian GDP but provide livelihood source to most Indians. More than 50% of India's labour force is engaged in this sector and the dependency on agriculture sector is not declining. There is virtually no shifting of rural population from agriculture. Declining number of cultivators has resulted in increase of agriculture labourers. The service sector in contrast contributes about 60% to GDP but provide employment only to 112.33 million compared to 243.21 million of agriculture sector. The manufacturing sector contributes little more than 15% and provides employment to just 48.54 million. More glaringly, agriculture sector is one that earns net foreign exchange within the merchandise trade. As regards to the technology, India still to produce even small mouse for desktop computers, forget about dominating the market of communication and transport sector. Indian industrial capabilities also fail to match the efficiency and quality of other developed world.

Indian village level socio-economic system is still strong

India is an ancient country and its life systems dates back to more than 10000 years. Indian thoughts built its socio-economic practices not on the premises of exploitation of all other species or natural resources for selfish gains but on the promise of growing together. Many of ancient cultural traditions and agriculture cultivation practices are still being followed. Most of these practices are based on the utilization of locally available natural resources and other livestock. The consumptive life style of people was within the cropping system of the area and the artisanship required to meet other needs of the society was also groomed according to the local skill and local resources. Thus it can be safely said that ancient Indian villages were self sufficient and were living within their means. This integrated and self sufficient family based socio-economic system was fundamental to Indian society and helped India survive the might of aggressors and destructive policies of British colonial rule. This unique familial Indian socio-economic set up is still strong and can work for betterment of Indian economy.

India initially built a strong base

After Independence, India aspired for development mainly in the form industrial progress and based its model of development on the centralized planning and state's leading role. Thereafter, first forty years of independence saw the government intervening and leading in every sector of Indian economy not only by policy indications but direct involvement. Planning commission and its comprehensive five year plans were the strategies to make India a great industrialized, prosperous and self reliant country. This saw the birth of large scale Public Sector Undertakings (PSUs) foraying into capital intensive businesses such as transportation, road, mining, steel, heavy electrical etc. Government's direct role in building major irrigation projects and important educational and research institutions was more crucial for development. This created the base for industrial development and can be considered as strong.

Subservient governance and policy paralysis weakened Indian economy

Indian socio-economic policies and strategies marched towards globalization over the years but the government system based on British legacy has not changed much. The greatest flaw in the present governance system is that it serves primarily the political class and their alliances and not groomed for development administration. Additionally, for past many years, the political governance remained unstable and weak leading to a system of manipulation and corruption. More than that, the policy signals in regards to the foreign capital, foreign technology, exposing of agriculture to world market, freeing of Indian markets to foreigners, etc were not clear to Indian and foreign investors. Even policies in regard to internal economic development issues like Governing of Public assets; defining the limits and responsibility of private sector in public utility services; ensuring clean environment and protection of forests; freedom of entrepreneurship; promoting rural development; eradication of poverty and unemployment; government subsidies; protecting the interests of small farmers etc were not clean and clear. This policy paralysis has affected Indian economic performance badly.

Urban oriented industrialization allowed depletion of resources

Indian aspiration for industrialisation and agriculture development is based on one-way exploitation of natural resources (land, water, biodiversity and genetic resources, biomass resources, forests, livestock and fisheries) that allowed its degradation fast. About 800 ha of arable land are being lost annually due to ingress of ravines. According NASA source, Indian groundwater levels have been declining by an average of one foot per year. More than 109 cubic km (26 cubic miles) of groundwater disappeared between 2002 and 2008 — double the capacity of India's largest surface water reservoir, the Upper Wainganga, and triple that of Lake Mead, the largest man-made reservoir in the United States. Planning commission has observed that rampant loss of biodiversity and agricultural genetic resources has greatly enhanced genetic vulnerability of Indian agricultural systems besides losing invaluable gene pools. Per capita forest area in India (0.064 ha) is one-tenth of that of the world's average, and 41 per cent of the country's forest cover is degraded. Thus this fundamental source of Indian economy is in danger and may not be sustainable.

Indian youth still wait for opportunities

Indian youth, a great source of development is still waiting for opportunities. It is estimated that 240m youths coming to working age in the next 20 years. It is observed that Indian entrants to the labour force will rise in each of the next 16 years. By 2035 the population will reach 1.5bn, with about 65 per cent of working age, making it the world's largest labour market. According to Sri Kaushik Basu, the government's chief economic adviser, these trends could fuel faster growth. He however warned "If this is an ill-educated, ill-skilled labour force coming in, it can cause all kinds of political trouble. Potential workers who are not working – there is nothing as dangerous. That is the downside risk." Thus a strong fundamental may turn in to a worry.

Utilize Indian fundamentals for Indian economy

Changed perception and changed policies have led to present economic crisis. Indian fundamentals cannot alone help Indian economy escape the crisis. India needs to capitalise on its integrated self sufficient village level socio-economic system and the public sector base already created and plan for rural prosperity by way of utilising domestic market potentials, sustainable agriculture and strong manufacturing sector. More the dependence on foreign oil, foreign capital, foreign technology and foreign trade more will be the crisis for Indian economy. ❑❑

MNCs at the centre of illegal remittances

Total money stashed abroad over decades would be less than the amount being illegally transferred by MNCs every year. It is much easy to stem the outflow being engaged in on ongoing basis by MNCs today compared bringing back the money that has already leaked, explains ***Dr Bharat Jhunjhunwala***

Narendra Modi has promised to bring back black money deposited by Indian nations in foreign countries. Most welcome! But let this noble resolve not distract from the bigger problem of illegal remittances by big companies, MNCs in particular.

There are three components of illegal remittances. First component is corruption. Politicians and bureaucrats stash their ill-gotten incomes in foreign countries so that it remains outside the reach of the Government of India. Second component is tax evasion. Income from property deals or from sales of goods in No 2 is sent abroad for safe keeping. The focus of present government is on these two sources of remittances. The third component is more sinister. Money is remitted illegally by manipulating the price at which MNCs transfer goods from their sister concerns in other countries. MNCs buy goods from their sister concerns in foreign countries. They pay more for imports than the actual price. For example a MNC may buy goods worth Rs 1,000 from its sister concern in the Bahamas but pay Rs 2,000. India Rs 1000 transferred illegally in this way. Profits of the India arm of the MNC decrease and the Government is deprived of Income Tax on this. Profits of the Bahamas arm of the MNC increase but the MNC does not have to pay much tax because rates of income tax in that country are near zero.

The share of corruption in the total illegal remittance appears to be small. The United Nations has set up a panel on Illicit Financial Flows from Africa under the Chair of Thabo Mbeki, former President of South Africa. Mbeki said that two-thirds of these funds originate from MNCs. About one-third arise from criminal activities, including drugs and human trafficking. Only 5 percent are the result of corruption or bribery. Global Financial Integrity has similarly said: "In the cross-border flow of illicit money, we find that funds generated by this means are about 3 percent of the global total. Criminal proceeds generated through drug trafficking, racketeering, counterfeiting and more are about 30 to 35 percent of the total. The proceeds of commercial tax evasion, mainly through trade mispricing, are by far the largest component, at some 60 to 65 percent of the global total."

The role of MNCs is these illegal remittances from India are confirmed by estimates of outflows. As stated above the illegal remittance from India has increased more than ten times during the last decade. The coming of MNCs and outflows of illegal remittances increased together. There is a huge role of bad governance in this outflow. It reported that outflows from Mexico decreased after liberalization while

MNCs can be required to disclose detailed Balance Sheets of all their sister concerns operating globally.

those from India increased. This happens because bad governance in India makes it easy for MNCs to bleed the country.

Both Indian nationals and MNCs making illegal remittances often establish 'shell' companies in tax havens like the Bahamas. A company is registered there. Names of the owners, however, is kept confidential. The Government of India has no way of knowing that the Company is owned by you. You can remit money allegedly for purchase of software to this shell company. Then you can bring that same money back into India as FDI. MNCs also make such shell companies in countries that have low- or nil rates of taxes in order to avoid paying taxes.

The task before Modi will be to stem these continuing outflows—especially by MNCs. The amount 'stashed' by Indian nationals in foreign countries is relatively less as indicated by above estimates. I reckon the total money stashed over two or three decades would be less than the amount being illegally transferred by MNCs every year. In any event, it is much more difficult to identify and bring back the money that has already leaked. It is much easy to stem the outflow being engaged in on ongoing basis by MNCs today.

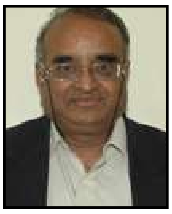
There are three steps that can be taken up directly by Modi to stem this outflow without requiring any cooperation by foreign governments. One, MNCs operating in India can be required to disclose detailed Balance Sheets of all their sister concerns operating globally. This will make it possible for our Government to track whether money has been transferred out of India without any consideration. The payments made by the Indian arm of the MNC can be checked against the payments received by the foreign sister concerns. India can then claim taxes on the amounts transferred. Two, the Government can check the value of imports and exports against benchmark prices that are prevalent in the global market. That will expose if over-invoicing of imports and under-invoicing of exports is being indulged in. Three, it can be required that all foreign transactions above a threshold limit shall be reported to the Income Tax Department. Presently banks are routinely required to inform the Department of cash deposits in excess of Rs 50k. A similar provision can be made for reporting foreign transactions. This will enable the Department to track 'habitual' remitters of money. These steps can be taken by the new Government at its own initiative.

Two steps that are equally important would require cooperation of foreign Governments. The G-20 have agreed to share information regarding taxes paid by MNCs amongst themselves. India can push for similar bilateral agreements with G-20 as well as other countries so that it can be ascertained whether MNCs are avoiding taxes in India and paying tax at lesser rates that may be prevalent elsewhere. Second, India can push for bilateral- or global treaty to force the tax havens like the Bahamas to disclose the identity of owners of all companies registered in their country. India can push for inclusion of such a provision in the WTO also.

The major conflict here is with the infatuation with FDI. Let there be no doubt that FDI inflows will be hit as soon as the Government takes these steps. Therefore, stemming illegal remittances and attracting FDI simply cannot go together. Modi will have to choose one of the two. India received FDI of Rs 168k cores in 2013. The outward illegal remittances, on the other hand, were Rs 424k cores in 2011. It is obviously more profitable for us to stem the outflow of Rs 424 crores rather than to attract the FDI of Rs 168k crores. Modi need to internalize this.

The hype of bringing back black money stashed abroad is likely to backfire. It will be difficult to track this money, to prove it is illegal, and to bring it back. This will require the cooperation of foreign governments who have no interest in returning these illegal deposits. It will be more effective to stop the illegal remittances being made by MNCs. Modi must focus here first. ❑❑

Special Investigation Team on Black Money:
It should go for Gold and a big haul



The best way to proceed is to have a joint sitting of Parliament and pass a resolution stating that "any funds abroad held by Indian nationals belong to the Republic of India" unless they have been kept abroad under legal rules and regulations, believes **Prof R. Vaidyanathan**

More than six years ago, in February 2008, the German authorities had collected information about illegal money stashed away by citizens of various countries in a Liechtenstein bank. The German Finance Minister offered to share the names of these account-holders with any government interested in them. The UPA-1 government, unfortunately, did not act for many months and, after much prodding by the Opposition, asked for the list in late 2008.

A German intelligence agency appears to have paid an unnamed informer more than $6 million for this confidential and secret data about clients of the LGT group, a bank owned by the Liechtenstein Prince's family. The revelations have already led to the resignation of the head of Deutsche Post, which is currently the world's largest logistics company. Liechtenstein leaders were furious and have focused all their ire on the theft of the data rather than on the facts of the case.

The German list contained the names of 1,400 clients of the Liechtenstein bank, of whom 600 were Germans. A spokesman for the German finance ministry, Thorstein Albig, had said in March 2008 that information on the other accounts would be shared without charging any fees. Finland, Sweden, and Norway quickly obtained the data, but our government began pussyfooting around this issue. If it had genuinely wanted to act against black money, it should have immediately despatched senior officials/ministers to get the names. Pushed and prodded by the Opposition and the media, when the government finally moved, it got nearly 100 Indian names – but those names have been kept a secret.

This writer, who has been studying tax havens for more than a decade,

Black Money in tax havens abroad amounts to no-confidence against the country – which is akin to treason.

wrote in April 2009 (in the journal *Eternal India*, published by India First Foundation) about the need to get back the illegal deposits kept by Indians in various tax havens, including Liechtenstein. A Public interest litigation was then filed by Ram Jethmalani and others in the Supreme Court, to which the government responded that it was taking steps to recover such amounts. It had also mentioned that the German government had given a list of people who had kept money in the LGT Bank of Liechtenstein (May 2009). The government's response also said that steps were being taken in the case of Hasan Ali Khan, a Pune horse-breeder, who was alleged to have indulged in several illegal transactions through the UBS Bank of Switzerland.

In the meanwhile, the then Leader of the Opposition in the Lok Sabha, LK Advani, had constituted a committee consisting of S Gurumurthy, well-known Chartered Accountant, Ajit Doval, the current National Security Advisor, lawyer Mahesh Jethmalani, and this writer. The report of the committee was also used by Ram Jethmalani in his PIL filed with the Supreme Court.

The government maintained that it cannot reveal the names received from Germany since it had obtained the same under the double taxation avoidance treaty. The point is: why did the government ask for information under the double-tax treaty with Germany when the issue – stolen data from the Liechtenstein bank by Germany – was unconnected to the treaty? Where is the issue of confidentiality vis-a-vis criminals? Actually, it is wealth kept illegally in the bank in Liechtenstein, and the money does not even concern Germany.

The double-tax treaty generally prevents the use of information supplied under the treaty for any purpose other than the levy and recovery of tax. It is doubtful whether the income tax department can share the details it has secured under the treaty with the Enforcement Directorate or the National Investigation Agency which tracks terror cases, or the NSA. That is why the Supreme Court had refused to regard it purely an issue of tax evasion.

The finance ministry says it has the names but will not reveal them. But is this right? The accounts are those of international crooks who have deprived our land of huge financial resources through capital flight. It is an unpatriotic act which can be equated to financial terrorism. Domestic black money (that is untaxed income) is merely a no-confidence motion against the government's tax policies, but black money in tax havens abroad amounts to no-confidence against the country – which is akin to treason.

A report in *The Economic Times* dated 4 June 2009 said that of the 50 Indians who have stashed funds in LGT Bank, 25 belong to Mumbai. The tax authorities have re-opened assessments of these 25 tax evaders under section 148 of the Income Tax Act. This implies that the government is treating it as tax evasion and not capital flight and a crime against the country. But on 19 January 2011 – after two years of waiting – the Supreme Court made a historic observation about this shameful phenomenon of Indian funds being kept illegally abroad and the obstructionist attitude of the central government in unravelling the truth.

A report in *The Hindu* quoted the court as saying that black money stashed abroad by Indians was "pure and simple theft of national money." The court "questioned the Centre's approach to tackling this menace and retrieving the huge amounts kept in foreign banks. When Solicitor-General Gopal Subramaniam furnished in a sealed cover a list of 26 names who had accounts with (the) Liechtenstein Bank, a bench of Justices B Sudershan Reddy and SS Nijjar was not convinced of the steps taken by the government for getting back black money. Justice Reddy, after perusing the list, told the SG: 'This is all the information you have or you have something more? We are talking about huge money. It is a plunder of the nation. It is pure and simple theft of national mon-

> ***The UPA government dilly-dallied and used every ruse in the legal book to buy time.***

ey. We are talking about mind-boggling crime. We are not on (the) niceties of various treaties."

The court then insisted on the formation of a special investigation team (SIT) with ex-Supreme Court judge Jeevan Reddy as Chairman, assisted by Justice MB Shah, and asked the government to share details about the Liechtenstein list. The UPA government dilly-dallied and used every ruse in the legal book to buy time. But the Supreme Court was very upset and told the government that it can be hauled up for contempt of court. The court, in its order of 1 May 2014, had given the government three weeks' time to issue a notification for setting up an SIT to be presided over by Justice MB Shah (since Justice Jeevan Reddy had declined to head it for personal reasons), with retired Justice Arijit Pasayat as vice-chairman, to guide and direct the investigation.

The three weeks ended on 22 May and extended to 27 May due to a change in the government. Hence, the first decision of the new government was about the SIT. It was a decision pushed down the throat of the government of India by the court due to the sustained efforts of Ram Jethmalani, represented by Anil Dhavan, and armed with reports of this writer. The SIT will consist of the Chief of the Financial Intelligence Unit, the Chief Commissioner of Income Tax, a Deputy Governor of the RBI, the IB Director, the Narcotics Bureau chief, and the head of the Enforcement Directorate. The group will also have access to the accounts of HSBC Bank, Geneva, details of which were given by the French government.

The SIT is essentially a group of bureaucrats with varying degrees of expertise about tax havens. This is mainly for illicit money kept abroad and not for domestic black money. Most of the double tax treaties which the UPA-2 entered into are prospective in nature and the task of looking into past illegal funds is complicated.

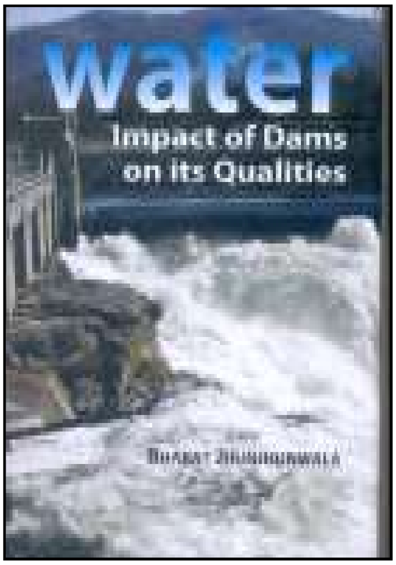
The group should distinguish between pure tax evasion (let us call it vegetarian black money) and funds connected to terror/arms smuggling/narcotics (say, non-veg black money). The former is easy to focus on and can be dealt with through penalties. A recent Supreme Court judgment, which says that "those Indian resident beneficiaries shall not be taxed on the income of an offshore discretionary trust as long as the trustees do not distribute income to the beneficiaries," may help many in the first category.

The best way to proceed is to have a joint sitting of Parliament and pass a resolution stating that "any funds abroad held by Indian nationals belong to the Republic of India" unless they have been kept abroad under legal rules and regulations. Armed with such a resolution and recent agreements entered into by Switzerland and Singapore with OECD countries, the SIT can go for gold! Actually, the SIT should be willing to use the concept of *sama/dhana/bheda/dhanda* in achieving its task – many secretive jurisdictions, including Switzerland, can and should be arm-twisted to part with information. After all they have huge investments in India.

It is also necessary to consider the gold/diamonds/precious items kept by Indians in the lockers of banks in tax havens abroad. The road ahead for the recovery of illegal money stashed abroad is full of pot holes and craters, but we Indians have a way of navigating such impediments. What is needed is the political will for the same. ❑❑

(The author is finance professor, IIM Bangalore. These views are personal)

Water Impact of Dams on its Qualities



Edited by **Dr. Bharat Jhunjhunwala**
Kalpaz publication
Satyawati Nagar, Delhi-52

Water, the most important objects on earth, is the most vital element required for survival of life. If there was no water there would be no life on earth. In spite of such importance there has been little systematic and in-depth study about water in India at least in recent times.

In India not much work has been done on the subject of 'Water' particularly by Indians probably because water has been available in abundance here and most of the Indian looked at rivers, the major source of water with reverance. That explains partly why till recently we as a society were not ready to even accept water can be a scarce resource. Most of the study and publishing on issues related to water has been by foreigners.

Scarcity of Water as limited resource has been felt only after demands for it grew from households, industry, and agriculture. Uncertainty over access to and the availability of this basic resource may be reaching crisis levels. Growing economy and population, have wide-ranging implications for the country's future.

Water: Impact of Dams on its Qualities, the book under review is edited by Dr. Bharat Jhunjhunwala, a regular contributor to Swadeshipatrika for years.

Dr. Bharat Jhunjhunwala, we all know, is a trained economist. Having graduated with science subject, Bharat ji acquired his doctorial degree in economics from the University of Florida (USA). He is a well known columnist and a regular contributor to various magazines and journals. Dr. Bharat Jhunjhunwala, has not only a scientific and economic background, but has also exposure to global understanding and is in constant touch with the ever changing and day today happenings.

This type of back ground of the author is one of the major reasons why his book on a subject seemingly religo-spiritual can't be brushed aside without going through it.

The fact that he has been living on the banks of an important river renders credence to his spiritual knowledge and experience.

Dr. Bharat Jhunjhunwala has approached the subject in a wholesome manner keeping in mind the diverse and varied cross section of people and readers whom the subject impacts.

In such a scenario compiling a book on it speaks about the commitment and passion of the author. This is reflected in his words. "Water is life and as such must be protected globally and not be subjected to vested economic interests."

What I find fascinating about the book is the approach of Dr. Bharat Jhunjhunwala. He has very carefully crafted it in a manner that makes it acceptable to most of the people and more importantly leaves very limited scope for critics and proponents of big protects to label it and damn it into oblivion.

He has be very careful in respecting religious sensitivities of believer by roping in religious leader from Hinduism, Islam and Christianity to write about the importance of water in holy religious book of their respective religions. This in my understanding will serve an important purpose of making the issue broad based and will also deny the profit making industrialists not to exploit religious sentiments to sabotage any movement against big dams.

Even though these religious scholars have approached the subject from the point of views of their faith, the book has taken care of scientific evidence also to educate non-believers about the need to abandon big dams.

The author has attempted to explain how molecular clusters of water may be the medium of its spiritual powers. Dr. Jhunjhunwala has used photographs of water molecular clusters, taken by a technique developed by Japanese scientist Masaru Emoto. Writer has tried to show how the shape of molecules of water is influenced by human thoughts. The photographs also exhibits, what they claim as "beautiful" clusters of free-flowing water getting destroyed in reservoirs thereby indicating a negative impact of dams used to reserve water. Reffering to various sources of water used by Emoto to take his photographs, Dr. Bharat Jhunjhunwala suggests the checking of both upstream and downstream of a hydropower project. His belief is that there will be a negative impact of hydropower - turbines on the molecular structure of the water. But he is more than ready the lest the same scientifically. The learned author accepts that the findings of Emoto need further substantiation but emphasises that there is nothing available that negates his findings.

There are three papers in parts three of the book showing the scientific establishment has misrepresented data to deny the adverse impact of the physio-chemical qualities of water. These papers are actually critiques of studies commissioned by hydropower companies. Dr. Bharat Jhunjhunwala in his paper on impact of tehri dam on physi-chemical quality of water has used the data generated by different studies like NEERI, IITR-AHEC IITR-THDC and PSI and shows a large impact an quality of water in all their parameters like Turbidity PH, condutivity, temperature and Do Dr. GD Aggarwal also reached the similar conclusion in his paper. He Concludes by saying that "The impacts of Hydroelectric projects on water quality may be small and on either side, but are surely not Nil. They may have implications on ecology and cannot be ignored."

Paper adopted from international network has extracted data from various studies of hydro power projects across the world to show that the impact of dams on global warming is huge.

They for example explain how organic matter such as twigs and leaves setting at the bottom on reservoirs ferment using oxygen available in the stagnant water leading to breaking up of CH compounds into CO_2 and H_2O which results first in and mission of CO_2 initially and later that of methane gas adding more to global warming.

I wish the book will reach policy planners, particularly in changed environment and increased consciousness and hope that they amend their thinking and go for alternative & sustainable sources of energy. ❑❑

12 Foreign Nationals behind stir against power

Senior officials reporting to the Ministry of Home Affairs have identified 12 individuals who are considered the prime movers in the ongoing all-India campaign by a few NGOs to "slow down and finally stop" thermal power generation in India. This is according to those investigating the activities of the dozen principal foreign activists (six from the US, four from the UK and one each from Canada and New Zealand) during their frequent visits to this country. According to a senior official, the game plan is to "force the closure of existing thermal power plants, while ensuring through agitations and litigation that new plants do not get set up". Along with this, they have masterminded a drive against coal mining in India, despite the fact that in their countries of origin, mining (including coal) is among the most major of industries.

The Intelligence Bureau got awakened to the growing menace to growth and social stability caused by foreign NGOs after they succeeded in halting the commissioning of the Koodankulam II reactor just before start-up, finds **Madhav Nalapat**

Some of the NGOs associated with the agitation against both coal mining as well as thermal and nuclear power plants are linked to commercial interests in their countries of origin. An example is Greenpeace, "which is promoting the solar energy equipment of the US-based Zemlin Surface Optical Corporation" in Bihar, a prime target of several foreign NGOs eager to shut down extractive and energy industries in that impoverished state.

Of the 12 names in the list of key foreign players in anti-thermal and nuclear power and anti-coal and uranium mining activities in India, eight are from Greenpeace: Paul Horseman, Greg Muttitt, Emma Gibson, Grace Boyle, Daniel Pentzlin, Lauri Myllyvirta, Owen Pascoe and Carmen Cravatt. Three are from the Sierra Club: Matthew Phillips, Justin Guay and Rosemary Forest. The twelfth, Mike Zemlin works on behalf of Surface Optics. The Manmohan Singh government had "ignored the evidence linking them and other foreign nationals to several hundred agitations" against power plants and mining locations, according to an official investigating their activities, who added that "thus far, Home Minister Rajnath Singh has not initiated any action to check the activities of such NGOs".

Senior officials say that sections of the local population are "intensively targeted by these foreign nationals, who have (by now) developed a cadre of Indian sympathisers who join with them" in generating protest movements against key economic targets. They give the example of a Dutch-funded NGO, Cordaid, which in the guise of preventing atrocities against women in the Northeast, "has (in actuality) been training and leading agitations against oil prospecting in Manipur and uranium mining in Meghalaya, besides hydropower dams in Arunachal

Pradesh". They have been working both directly as well as through local NGOs such as Core in Manipur and WING in Meghalaya, besides another named RWUS.

An oil expert working in the government said that "crude oil reserves in Manipur are enough to reduce India's oil import bill by 40%, provided more domestic players are allowed to prospect for oil in potential locations and given freedom to operate". He said that during the UPA period, "neither was the private company involved able to resume oil drilling nor was the Central government interested in creating the conditions needed for them to do so". Another official said that exploration work ought to be "given to more companies than just the Jubilant Group so that more fields get developed". He warned that four foreign NGOs in particular have been active since 2006 ensuring that a hostile climate gets created among the public, "even though the oil industry once developed can make Manipur the richest state in the Union".

A key official from the state warned that "foreign NGOs have developed considerable expertise in using the legal system in India in order to slow down and stop economic activities across various parts of India", by using the services of locals to file cases and generate adverse publicity about such activities. He said that "the Manmohan Singh government was more interested in buying oil from abroad and in getting uranium from outside" than in ensuring the proper exploitation of oilfields and uranium mines in the Northeast.

Information received by investigative agencies suggest that foreign nationals working for large NGOs have, over the years, forged close ties with key journalists as well as senior officials dealing with the indigenous industries that are being sought to get blocked by such forces. Although mounting evidence against Cordaid finally forced the Manmohan Singh government to finally ban the Dutch-funded NGO from working in India, the organisation appears to have got around the ban by funding the travel of key local activists to locations such as New York, Bangkok and Geneva, where "they were given training in ways to shut down operations of plants by both street protests as well as in routing such opposition through the courts and media".

An activist said that uranium mining in Meghalaya and oil drilling in Manipur, besides hydropower generation in Arunachal Pradesh, are all on the list of activities sought to be banned by the foreign NGOs freely operating across the concerned regions. "Even some top officials in Delhi do not want action to be taken against such NGOs", a state government employee in Meghalaya said, adding that "some officers use these NGOs to get scholarships for their children to study abroad, and thereby do their bidding". He warned that certain NGOs have used locations such as Bangkok or Hong Kong to train Indian nationals in GPS mapping as well as in GIS systems, so that they may identify locations and pass on the information to foreign funders.

Several officers pointed out that the intention of the NGOs was to deny India the electricity it needs for faster growth, pointing out that "even hydropower plants are being opposed (as in Arunachal

NGOs have forged close ties with key journalists & senior officials dealing with the indigenous industries.

Pradesh) while replacing thermal and nuclear power plants with solar energy was impossible" in a context where the cost of such systems is high and availability low. "The foreign nationals going around the country trying to block energy production know that this will reduce growth and create massive unemployment and social unrest". However, his colleague said that "their expertise is in ensuring agitations", adding that "several of these foreign nationals talk openly of how they have paralysed life in several locations in order to take down a functioning enterprise", thereby causing unemployment and income loss.

Scare stories are common, such as the recent fear created in Vidarbha (where Greenpeace and other NGOs seek to stop thermal plants from operating) that these plants would "suck away water from the land so that farmers would starve".

The anti-development agenda of such NGOs was given a fillip in July 2012, when a conference in Istanbul took place. The purpose was to devise ways of "taking down existing power plants and stopping the building of new ones", according to a former activist, who said that the Indian volunteers were trained to "spread hatred and fear of thermal and nuclear plants by linking them to death and disease", and to stop mining of coal, uranium and other natural resources. "We were explicitly taught methods of agitation and media management, as well as given expertise in the filing of cases in courts across the country", the activist said. Among the NGOs taking part in the Istanbul anti-industry conclave were Greenpeace, Climate Works Foundation and World Resources Institute. The conference decided to target both India and China, although the NGOs clearly find it much easier to operate in the former country. Incidentally, a website (sourcewatch.org) has detailed maps of both India and China showing the location of facilities against which agitations need to be launched.

The Intelligence Bureau got awakened to the growing menace to growth and social stability caused by foreign NGOs after they succeeded in halting the commissioning of the Koodankulam II reactor just before start-up. "For 20 years they were silent, but moved just when electric power would begin to flow to the grid from the Koodankulam plant", said a local official, adding that "religious charities with ties to France were hyperactive in funding the protests". As soon as the government cut off funding, the agitation stopped, thereby demonstrating the close link between agitation and foreign cash.

"We need to create 15 million new jobs every year and cannot do this unless the legal and other blockages created by foreign NGOs and their local partners get cleared", warned an official, adding that "we expect Home Minister Rajnath Singh to wake up to this reality before more time goes by, so that blocked projects resume".

Supporters of Greenpeace and other foreign NGOs active in India scoff at the fears expressed by the agencies, saying that all they are doing is to "ensure that the people of India live in a clean, green environment". They say that to consider such activities anti-national is to "indulge in paranoia and xenophobia", adding that the foreign nationals working in India "love your country and want to help it avoid the mistakes of the West". ❑❑

Courtesy: *The sunday-guardian.com*

[Conitnued from page no. 15]

SIT on Black Money:
Historic Decision of the Modi...

goods, while engineering companies falling in the BSE 500 list (The Top 500 companies of the Bombay Stock Exchange) show an export increase of only $ 1.38 billion. Who generated these balance exports of $ 28 billion? Minor companies not listed on stock exchanges or Ghost companies? Likewise, export of metals and metal products have increased from $ 13 billion to $ 29 billion. But, the export growth for these items by the companies BSE 500 is less than a billion dollar. Export of copper articles more than quadrupled to Rs. 36700 crore. The importing countries are also non-conventional importers of brass and copper wares and engineering goods. One such new destination for brassware handicrafts is China, which is not a normal buyer of such products. One among the major exporters of brassware is Robert Vadra. Anomalies have been pointed out by the researchers of Kotak Securities in the inflows of portfolio investment from Foreign Institutional Investors (FIIs). Official inflows in 2010-11 were shown at $ 22 billion. But, the data of EPFR Global (an International authority providing fund flows and asset allocation data to financial institutions around the world) show inflows of only $ 4.5 billion, leaving a gap of $ 17.5 billion against official data, open to apprehend round tripping of illicit flow of black money.

Since the illicit earnings are being remitted as black money and are being siphoned back as white and is being employed in real estate gold etc. a vigil on this aspect is also indispensable. Since money gets best multiplied in India and this easy money is causing a boom in asset prices is serious for instance, when housing prices double, after 2002, it proved a bubble, in India these have rose tenfold are continuing to grow, just by virtue of the whitened black money of corrupt politicians and bureaucrats finding way in real estate, likewise the share price index the 'Dow Jones Index' in New York is barely higher today than in 2000, but the sensex in India is up by 7-8 days fold. Thus, this return of black money as white is pushing up land and stock prices to dilfy heights. To track and curb this parallely, either the terms of the SIT may also be expanded or a separate team may be constituted with expertise to track such round tripping. If it is not done so the SIT has the discretion to tackle it. ❑❑

PSLV C23 launched successfully

Rocket injects five foreign satellites into orbits

Indian Space Research Organisation declared the launch of PSLV C23, carrying five foreign satellites, a success. The rocket lifted off from Satish Dhawan Space Centre in Sriharikota at 9.52am on Monday June 30, 2014.

PSLV-C23 injected SPOT-7, a French earth observing satellite, and four other foreign satellites, including two from Canada and one each from Germany and Singapore, into the desired orbits. This marks exclusive commercial launch by India and the 26th consecutive successful launch of PSLV.

Prime Minister Narendra Modi, who arrived in Sriharikota on Sunday, witnessed the PSLV-C23 launch. Isro, which had originally scheduled the launch at 9. 49am, delayed it by three minutes to avoid the possibility of some space debris getting in the way of the satellites. The 49-hour countdown for the launch began at 8.52am on Saturday. The SPOT-7 satellite is identical to SPOT-6, which was deployed by another PSLV launch in September 2012. Both satellites are designed for ten years' service, and were constructed by Airbus Defence and Space (formerly EADS Astrium), around the AstroSat-500 Mk.II bus.

SPOT-7 has a mass of 714 kilograms (1,574 lb) and is powered by twin solar arrays which generate 1,450 watts of power.

Two imaging systems aboard the spacecraft, the New AstroSat Optical Modular Instruments (NAOMI), are capable of producing panchromatic images at a resolution of 1.5 to 2.2 metres (4.9-7.2 feet), & multispectral images at a resolution of 6.0 to 8.8 metres (19-29 feet). These instruments can cover a swath of 60 kilometres (37 miles).

After a perfect lift off from the First Launch Pad in Satish Dhawan Space Centre here at 9.52 AM witnessed by Modi, Indian Space Research Organisation's workhorse Polar Satellite Launch Vehicle PSLV-C23 placed all five satellites into their intended orbits, one after the other between 17 and 19 minutes after liftoff, in textbook precision.

Speaking to ANI, former ISRO chairman Madhvan Nair said, "PSLVC-23 launch has proven to be one of world's most reliable space launch vehicle".

PM Modi asks Indian space scientists to develop Saarc satellite

Prime Minister Narendra Modi asked the Indian Space Research Organisation (ISRO) to develop a satellite which will serve all the Saarc nations. Addressing Indian space scientists at the Satish Dhawan Space Centre in Sriharikota after the successful launch of PSLV C23 rocket, the Prime Minister said the fruits of India's space missions should reach other developing nations, especially India's neighbours.

"You should develop a Saarc satellite," he told the scientists. "We should dedicate this satellite to our neighbourhood as India's gift ... India is rooted in our age-old ethos of 'Vasudeva Kutumbakom'. Our space science reflects that. We should share the fruit of this with our neighbouring countries," he said.

Modi went around congratulating the scientists after promising bigger thrust on space science. The Prime Minister sought to dispel the notion that space science is for the elite. "This is the biggest mistake some people make. Space science ultimately works to change the lives of the poor ... Space science empowers a child in the farthest village with education. It delivers telemedicine. It enables a youth in a small town with various new job opportunities. Satellite technologies have made distance irrelevant. It furthers the power of 125 crore connected Indians," he said.

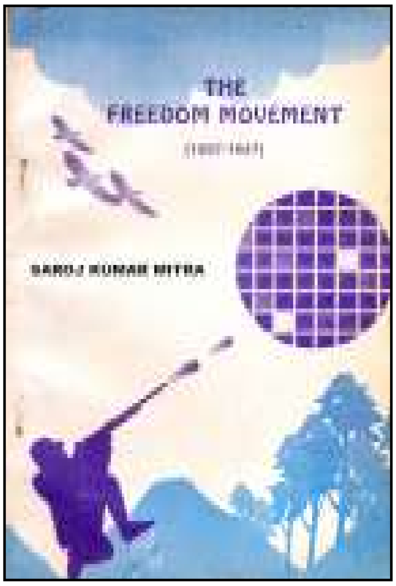
Modi also urged the Indian Space Research Organisation (ISRO) to expand the footprint of its navigation systems to all of South Asia. He said the Indian navigation system will be in place by 2015.

India should develop more advanced satellites and develop capabilities to launch heavier satellites, Modi said. "India has the potential, to be the launch service provider of the world. We must work towards this goal," he added.

Encouraging the young scientists Modi said, "Continued progress in space must remain a national mission. We must keep enhancing our space capabilities". Further, emphasising on the need for technology,he said, "Technology is central to Development. It touches one and all, and is an important instrument of our national progress". ❑❑

The Freedom Movement

(Untold stories)



National and Patriotic Songs

Folk songs and dramas depicting the heroic fights the local Indians had with the British written in local languages right from the battle of Palassey in 1757 to the war of 1857 were not preserved. **Kasi Prasad Ghosh** a student of Hindu College wrote patriotic songs. But it was **Rajnarayan Basu** who first recited a national song in 1872 written by Satyendra nath Tagore the first Indian ICS which called upon the sons of India to be united and sing its glory. After his triumphant tour of USA in 1893 attending the Parliament of Religions in Chicago, **Vivekananda** arrived in India to be mobbed by people where-ever he went. His rousing call "**Arise and Awake Stop not till the goal is reached**", created a vibration among the educated Indians.

Similarly writings of Vishnu Hari Chiplumkar, Randade, Gopal Ganesh Agarkar, Lokmanya Tilak, Jyotirao Phule in Maharastra and Mukunda Das Rajnarayan Basu, Dinabandhu Mitra (Nil Darpan) Bankim Chatterjee (Durges Nandini and Ananda math) and Vivekanada's speeches as well as Satyarth Prakash and Swadeshi Rajya published by Swami **Dayanand Saraswati** and Arya Samaj, announcement of Swarajya etc. kindled the spirit of nationalism among the educated masses of India.

The impact of Rajnarayan's recitation of a national song in 1872 preceded by a lecture on the superiority of Hindu religion and culture over that of Christians was such on Bengali intellectuals that Bankim Chatterjee wrote, "Let there be a shower of flowers and sandals on the pen of Rajnarayan babu, Let this epic song be sung everywhere in India...."

Rajnaryan's moving speech ended thus ..." I see in my mind the noble and puissant Hindu Nation rousing herself after sleep, and rushing heading towards progress with divine prowess.... this rejuvenated Nation again illumining the world by her knowledge, spirituality and culture and the glory of Hindu nation again spreading over the whole world. With this hope I bring this discourse to a close after reciting panegyric of India's triumph." Rajnarayan's mission was carried on by his grandson the great Aurobindo in the next century.

Later in 1882 Anandamath was serially published in the Banga Darshan periodical with "Vande Mataram". Bankim derived the idea of Hindu Nation from Rajnarayan Basu. Sarala Devi Choudhurani (1872-1954) B.A. (Hons) sang Vande Mataram in the Congress Session of 1890 in Calcutta changing "Saptakoti" to "Trinsakoti" which was later on changed to "Koti koti"

Origin of Swadeshi and Boycott

In the middle of 19th century Gopalhari Deshmukh or Lokhitwadi started a regular movement for the use of indigenous goods. Bholanath Chandra wrote in 1873, "The native English and vernacular papers should preach for the founding of independent Banks, native companies, and corporations, native chamber of commerce....they should collect and compile details of Indian urban life to draw public attention to the helpless condition of our Weavers, Blaksmiths, Mechanics 1 want no foreign capital to resort to India, her own capital should be created."On 14th August. 1879 Swami Dayananda took a pledge in a temple at Lahore with other Aryasamajists not to wear England made clothes. Boycott of

Manchester cloth was advocated when excise duty of Indian cloth was raised to make it costlier.

Again during the agitation of Anglo-Indians against Ilbert Bill in 1883-84 which deprived Indian judges to prosecute non-Indians the boycott of foreign goods was advocated. When Viswanath Mandalik arrived in Calcutta after publishing Manu-Samhita, his receptionists were surprised to see him wearing coarse cloth. Mandalik replied. "I am to wear these coarse cloths as my country's cloth mills cannot produce finer cloth now."

Thus as a sign of self-respect and purely on economic reason too Swadeshi and Boycott were propagated which was yet to assume the form of a movement. The vernacular press in Bengal contributed much for the growth of nationalism in Bengal as found from their increase in sale.

1826	8,000 Copies.
1853	300,000 Copies
1857	600,000 Copies.

Formation of political organisations

Both Brahmo Samaj founded by Rammohan Roy in 1828 and Arya Samaj by Swami Dayananda in 1875 at Bombay heralding monotheism were movements of reforms which attracted English educated Indians. While Brahmo Samaj faded into oblivion, Arya Samaj spread intense nationalism.

Surendranath Banerjee inaugurated "Indian Association" a political organisation in Calcutta in 1876 with 700 delegates attending its first conference. Soon this association opened up its branches all over India. Presiding over its All India session in 1883 Ananda Mohan Basu said, "This is the beginning of a Parliament."

Against Vernacular Press Act and Arms Act this Association conducted protest meetings. The British government reduced the age of the candidates for ICS examination form 21 to 19 in 1879 against which this Association sent its representative Lal Mohan Ghosh to London whose entire expenses were paid by Maharani Swarnamayee Devi. Lal Mohan addressed members of House of Commons in London thus; it is for us to transform the tiny brook of a feeble public opinion into the rushing torrent of a mighty national demonstration." The Govt. had to amend the rule for ICS examination.

In 1883 Surendranath Banerjee was sentenced to undergo imprisonment for two months for contempt of Court for his comments against the Chief Justice of Calcutta High Court who ordered a Hindu to produce his Deity in the Court.

There were strong protests all over India for such imprisonment. After Surendranatha's release from Jail his Association was paid Rs.20, 000 in a public meeting and it was resolved to start one "National Fund". While Pune Sarvajanik Sabha was confined to Deccan as per its objective, Indian Association was fast expanding.

Allan Octavian Hume started Indian National Congress in 1885 at Bombay with some anglicized men like W.C. Banerjee, Dadabhai Naoroji, Feroze Saha Mehta and Telang. Wedderburn, the biographer of Hume wrote that before forming Congress, Hume studied more than 30,000 Reports and documents on India and noticed that popular resentment against British rule in India was fast increasing and could explode anytime and to avoid such an eventuality Hume devised a Mechanism called "safety valve" in the form of Congress through which accumulated discontentment would pass out. Hume deliberately avoided nationalist leaders like Lokmanya Tilak and S.N. Banerjee and praised Queen Victoria and Viceroy Dufferin in a meeting held in his honour at the Gokuldas Tejpal Sanskrit College at Bombay in 1885. But S.N. Banerjee made a tactical move by merging his association with the Congress in 1886. In 1887, Sir Sayed Ahmad Khan, the founder of Aligarh Muslim University warned Muslims about the domination of Bengalese over Congress before its Madras session.

Swadeshi Industries and Labour Movement

In 1880, the number of Factories was 156 and its labour strength was 44,000. The first Industrial strike was conducted at Nagpur in 1887 and the first trade union, the Mill Hand Association was formed by N.M. Lokhande at Bombay. Sasipada Bandopadhaya started labour movement in Bengal in 1876. Rapade established one Commercial Bank and several Industries in and around Bombay between 1871 to 1893. Ranade inaugurated the Western India Industrial Association in 1890 at Bombay.

to be continued

Correction:
At page 31 of Swadeshi Patrika June 2014, read Dwarkanath Tagore in 1838 instead of 1938.

Eye on defence deals, western powers rush to court Modi

Western governments are rushing to visit India's new Prime Minister Narendra Modi, drawn by the prospect of multi-billion-dollar deals as the government prepares to open the nascent defence industry to foreign investment. Senior politicians from France, the United States and Britain arrive in quick succession as Modi prepares to accelerate the modernisation of the country's mostly Soviet-era weaponry. Modi government intends to build up India's military capabilities and gradually turn the world's largest arms importer into a heavyweight manufacturer , a sugar coated wrapper for intention of the new government to raise caps on foreign investment — with one option to allow complete foreign ownership of some defence projects.

Those scheduled to arrive include French Foreign Minister Laurent Fabius, whose top priority is to close a stalled deal to sell India 126 Rafale fighter jets, built by Dassault Aviation, for an estimated $15 billion. US Senator John McCain is also due in India to be followed by the British Foreign Secretary William Hague and finance minister George Osborne. The Western nations will have noted that India's foreign minister expressed displeasure with Russia's recent offer to sell Mi-35 attack helicopters to India's arch-rival Pakistan.❑

LeT, JuD trying to acquire WMDs

Pakistan-based LeT and its front group JuD, enjoying the backing of military, have not only grown far stronger since the Mumbai terror attack in 2008, but are also trying to acquire weapons of mass destruction (WMD), in addition to developing air and sea power, a new book says. "It is known that the JuD has been acquiring sea and air power. However, what is less known is that it is also trying to acquire weapons of mass destruction (WMD)," US-based Pakistani author Arif Jamal writes in his book titled 'Calls for Transnational Jihad: Lashkar-e-Taiba 1985-2014'. "The JuD believes it is likely to acquire access to nuclear technology by not going against the Pakistani State. It may come sooner than we con imagine given the JuD's ability to realise its plans systematically and cool headedly," he writes in the book running into more than 260 pages.Jamal noted that the Pakistan army has used the jihadist groups against India and Afghanistan mostly in time of peace.

India to implement US FATCA

RBI has said India and the US have agreed to implement a foreign tax compliance law and asked banks and financial institutions to register by this year-end to report accounts and assets held by US citizens. India and the US have agreed to implement Foreign Accounts Tax Compliance Act (FATCA), a US law that targets tax non-compliance by US taxpayers with foreign accounts. The Inter-Governmental Agreement (IGA) on FATCA, which came into effect on April 11, will be signed only after Cabinet approval. FATCA mandates reporting by US taxpayers about certain financial accounts and offshore assets and reporting by foreign financial institutions about accounts held by US taxpayers or foreign entities in which US taxpayers hold a substantial ownership interest. Indian financial institutions with overseas branches have time until December 31 to register. However, they should register for GIIN only when the formal IGA is signed after cabinet approval, the RBI added, saying this would be communicated to them.

Financial entities with overseas branches in a jurisdiction that does not have IGA but allows them to register as foreign financial institutions (FFI) should do so with the US authorities before July 1, 2014, to avoid potential withholding under FATCA. Overseas branches in a jurisdiction that does not have IGA and does not allow an FFI agreement may not register and they would eventually be subject to withholding under FATCA, it said. The RBI said if registration of the parent bank or head office is a pre-requisite for a branch to register, such banks should do so as per the given time frame.

Food Bill Deadline extended

The deadline for implementation of the National Food Security Act has been extended by three months after Mamata Banerjee wrote a letter to the Centre in this regard, Union food minister Ram Vilas Paswan said. "The deadline for implementation of the National Food Security Act expires on July 4. Mamata Banerjee has written a letter demanding that it be extended by six months. We have extended it for three months," Paswan told reporters. "We are ready to give all assistance. But we want that the act is implemented properly throughout the country for the people," he said. The Centre on June 26 decided to give an additional three months to state governments to implement the National Food Security Act that gives two-thirds of the country's population the right to subsidised food grains. The decision was taken at a meeting with Prime Minister Narendra Modi.

Govt bans direct funding of NGOs

Voluntary organisations will now have to fulfil stringent regulatory norms and show compliance reports. The Centre has banned direct foreign funding to NGOs operating in India unless they fulfil stringent regulatory norms and show compliance reports. This is seen as the beginning of a process to block flow of foreign aid to NGOs, which, it perceives, are engaged in stalling developmental activities in the country. As per this exercise, the Centre has cracked down on NGO Greenpeace and placed on its radars thousands of other voluntary organisations receiving foreign aid.

The Ministry of Home Affairs has directed the Reserve Bank of India to take prior permission of the Home Ministry's Foreign Contribution Regulation Act (FCRA) Department before clearing any foreign aid to Greenpeace from Greenpeace International and Climate Works. This directive issued on June 13, will put on hold direct funding of this controversial NGO from abroad since each transaction has to be cleared on a case-to-case basis by the RBI. Greenpeace International and Climate Works Foundation are the two principal international contributors to Greenpeace India Society. The RBI has been asked to direct all banks on this order. Foreign donations to the Greenpeace have been put on "prior category" list so that permission is taken before any money flows in for funding its activities.

In an attempt to tighten the noose around other similar NGOs, the MHA has directed that in addition to FCRA clearance, they will also have to inform the RBI in detail about the nature of foreign funds and its usage.❑

US pharma companies want dialogue

Top executives of American pharma companies favour "dialogue" with India and "not confrontation" to address their concerns on key issues like the protection of intellectual property (IP) and clinical trials. Arguing that global pharma companies share the same goal of "patient first" with that of the government of India, corporate executives attending the daylong "US-India BioPharma and Healthcare Summit" organized by the USA-India Chamber of Commerce said they should not be considered as adversaries by New Delhi. While asserting there can be no compromise on IP protection issues, executives from top US pharma companies said that they are willing to work with India like — tier pricing — to come out with a solution, which is acceptable to the both the parties.

No talks until Naxals Shun violence

The NDA Government is not ready to hold talks with the Maoists unless they shun violence. Unveiling the new Government's approach towards the Maoists menace, Home Minister Rajnath Singh has asked the State to adopt a policy of zero tolerance towards the ultras and directed the security forces to retaliate strongly if they were attacked.

"There is no question of any talks now. We will take a balanced approach. But the forces will give a befitting reply if the Naxals launch attacks," Singh said in a meeting of the Chief Secretaries and Director General of Police of 10 Left Wing Extremism effected states, Director Generals of the Central Armed Forces — CRPF and BSF — and top brass of Home Ministry. The Home Minister categorically said that he wants time bound action from states in clearing Naxal menace but by adopted a balanced approach. The Minister also said the security operations should go hand-in-hand with development work in Maoists-affected areas. Roads, mobile towers, new battalions, modern weapons, additional helicopters, more allowances for jawans and attractive rehabilitation scheme for surrendering Maoists were some of the issues that the Government has on its priority list and States were asked to act accordingly.

Backlog of wages IRKS Centre

Adopting a 'zero tolerance' policy for delay in payment of MGNREGA wages, the Centre has asked the States to plug the gaps to clear the backlog on priority basis. On an average, around 40 per cent of the total wage payments is delayed for more than 15 days despite the MGNREGA Act making it mandatory for the States to make the disbursement of daily wages on a weekly basis or in any case, not later than a fortnight after the date on which such work was done.

Taking stringent view of the fact that the States were not keen to dole out the benefits to the rural jobs beneficiaries, the Union Rural Development Ministry recently issued an advisory asking them to "identify areas where delays have been occurring and tighten the system without any loss of time." The State Governments have also been asked to launch a month-long drive to clear all backlog at the earliest, a senior ministry official said adding that so far except Chhattisgarh and Maharashtra, none of the States has appointed officials for examining the delayed cases. ❑

Argentina's debt repayment blocked

Argentina has deposited the next payment needed to avoid a default on its restructured bonds, but a US federal court decided not to let the payment go through. Both actions increased the stakes in a 12-year legal chess game between Argentina and creditors, who refused to accept the downgraded terms offered by the country's 2005 and 2010 debt restructurings and are suing for full repayment. Argentina will have the month of July to negotiate with its holdout creditors before falling into technical default. The next payment is due on Monday, but with that payment blocked by the courts, Buenos Aires will have a 30-day grace period to strike a deal with the holdouts. If it fails, Latin America's No. 3 economy would be pushed into another painful default at the end of next month.

"Of that total, $539 million was deposited in the accounts ... of the Bank of New York Mellon at the Central Bank of Argentina," Kicillof said, adding that the rest of the $832 million had been deposited by way of other financial institutions. "We affirm our commitment to honor our debt to all creditors," he said. In order to pay holders of the country's restructured bonds, Argentina needed a stay to be issued by US District Judge Thomas Griesa in New York because he had ordered earlier that Argentina was not to make payments without paying the holdouts at the same time. Griesa denied Argentina's stay request about an hour after Kicillof said the deposit had been made.

US economy shrinks at 29% rate

The American economy contracted at an annual rate of 2.9 per cent in the first quarter of this year, the sharpest drop experienced by the US in the last five years. This drop follows an increase of 3.4 per cent at an annual rate in the second half of 2013. The entire decline in overall GDP in the first quarter can be accounted for by a decline in exports and a slowdown in inventory investment, two particularly volatile components of GDP. According to the report released by Bureau of Economic Analysis, the downward revision to first-quarter GDP growth was concentrated in two areas: consumer spending on health care services and net exports. The performance of the economy in the first quarter as measured by GDP was significantly below other independently calculated measures. Five years into the recovery, high unemployment and stagnant incomes continue to restrain consumer spending, which accounts for more than two thirds of US economic output. Consumer spending grew by a one per cent pace in the first quarter, revised down from the previous estimate of 3.1 per cent, it said.

UK businesses urge govt to block EU

A group of banking chiefs, insurance bosses and entrepreneurs urged Prime Minister David Cameron to safeguard British interests from European Union encroachment amid fears that the UK's dwindling influence in Brussels could hit their industries hard. The 54 leaders, who said they together employ some 1 million people, argued in a letter to the Sunday Times that red tape and plans in the EU to tax financial institutions "will continue to erode Britain's competitiveness in markets in which it has a unique global standing."

The letter comes amid a heated debate in Britain

Afghan govt not on par with Taliban

India has stressed that it will not "endorse" treating the Afghan Government on par with elements of the Taliban, even as it reiterated that terrorism and not ethnicity is the greatest threat to peace in an Afghanistan on the verge of a historic transition.

"Treating the Government of Afghanistan on par with elements of the erstwhile Taliban regime is something we will never endorse," Ambassador Bhagwant Singh Bishnoi, the acting Permanent Representative of India to the UN, said at a Security Council debate on the UN Assistance Mission in Afghanistan (UNAMA).

Bishnoi underscored India's "unwavering" commitment to assist the Afghan people and Government as they build a "peaceful, pluralistic, democratic and prosperous" nation. He said India believes the reconciliation process must remain "Afghan-led, Afghan-owned and Afghan-controlled" while respecting the "agreed red lines". Bishnoi noted that the entire Non-Aligned Movement (NAM) member states had recently endorsed the "Afghan-controlled" process of reconciliation. Terming the political transition in Afghanistan, set to take place on August 2, as a "significant milestone" in the country's entire history, Bishnoi expressed India's "full support to the political, social and economic transition that is taking place".

He said that while the world's focus has been on the security and political transitions in Afghanistan, attention should not be diverted from the "equally important" issue of economic development in the country.❑

US authorized surveillance on BJP

America's top spy agency was authorized by a US court in 2010 to carry out surveillance on the BJP along with five other political organizations across the globe, including Egypt's Muslim Brotherhood and Pakistan People's Party, according to a classified document. BJP figures in the list of foreign political parties along with Lebanon's Amal, the Bolivarian Continental Coordinator of Venezuela, Egypt's Muslim Brotherhood, Egyptian National Salvation Front and the Pakistan People's Party for whom the National Security Agency (NSA) had sought permission to carry out surveillance, says the document made public by The Washington Post yesterday.

The document lists the 193 foreign governments as well as foreign factions and other entities that were part of a 2010 certification approved by the foreign intelligence surveillance court. The list includes India.❏

about its place in the 28-nation EU. The main political parties have been rattled by the rise of the eurosceptic UK Independence Party, which advocates pulling Britain out of the EU and stopping the unfettered right of EU citizens to enter Britain. Anxious to take a stand, Cameron has actively sought to block former Luxembourg leader Jean-Claude Juncker from becoming the president of the European Commission — the EU's executive arm. Britain opposes the veteran advocate of EU integration and is pushing for a vote should the council put Juncker forward. Juncker is the candidate of conservatives who finished first in European Parliament elections, but Cameron has also cast him as epitomizing many of his objections with EU policies. German Chancellor Angela Merkel has said she might consider concessions to Britain if they don't get their way on the presidency issue.

Dubai faces moment of truth

A leap in bank lending to the construction industry indicates financial institutions have resumed pouring money into real estate projects in the last few months, after cutting back sharply in the wake of Dubai's 2008 crash. At the same time, property prices have been soaring on the back of Dubai's economic boom, increasing the chance of the market rising to unsustainable levels.

Surging supply and unsustainable demand are a risky mix — the same combination that got Dubai into trouble six years ago, forcing state firms to reschedule tens of billions of dollars of debt and jolting financial markets around the world. This time, authorities say they are aware of the dangers, and they have taken regulatory steps to slow demand growth. But the steps are still modest compared to those by other global cities facing the same problem, such as Hong Kong and Singapore.

"It's too early to be calling top, but credit growth of that pace tells you that the cycle is accelerating rapidly," said Simon Williams, HSBC's chief economist for the region. "Such a huge increase in lending is simply not consistent with economic order and stable asset prices. The time for policy action is now, before bubbles really get going, not when they are already in place."

Etihad Airways plans route expansion

Etihad Airways, the national airline of the United Arab Emirates (UAE), announced more connections between India, the UAE and other key markets around the world, following a major service upgrade to Kochi, Bangalore, Chennai, Kozhikode and Hyderabad this summer. Due to strong demand from business and leisure travellers, a double-daily frequency will be operated to Bangalore, Chennai and Kozhikode from Tuesday, and Hyderabad from Oct 1. As a result, travellers will have the option of daytime or overnight flights, and improved connections between India and key markets in the Gulf Cooperation Council (GCC) countries, Middle East, Africa, Europe and North America. The GCC comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

Etihad introduced double-daily frequencies to Kochi last month, as well as to Mumbai and New Delhi in November 2013. The airline will utilise new Airbus A320s, scheduled for delivery this year, to accommodate much of the increased frequencies. Larger wide-body aircraft were also introduced on selected routes in November 2013, with a three-class A340 on overnight Mumbai flights, marking the debut ofEtihad Airways First Class product on the route, and A330s on overnight Delhi flights.

In addition to the seven existing or planned double-daily services, Etihad Airways operates daily to Ahmedabad, Trivandrum and most recently, Jaipur, where flights commenced in April 2014. ❏❏

Africa, Brazil, China may back India

The nation registered its annoyance at the unbalanced progress in the execution of the Bali Declaration at the Trade Ministers Meet in Paris in May, the WTO General Council Meet in Geneva in June and the Committee of Agriculture last week. In December 2013, the WTO Ministers adopted the declaration that proposed to revive the Doha Development Agenda and find permanent protection for the minimum support prices. India has found support in Africa's Least Developed Countries as "the fear is that the developed countries will harvest the Trade Facilitation agreement and run away," the sources said. Brazil and China could rally behind India, as their food security subsidies are in danger of breaching the WTO limits too.

Following the rollout of the Food Security Act, India's administered minimum support prices for food grains procurement run the risk of breaching the permissible subsidy levels under the WTO's existing Agreement, which is 10 per cent of the total value of production of a basic agricultural product as product-specific price support and 10 per cent of the total value of agricultural production as non-product-specific support. Subsidies and support prices in excess of the cap are seen as trade-distorting, against which other WTO countries can initiate legal action.

Modi banks on BRICS

The Modi government's first major international crisis is brewing at the WTO talks in Geneva, where even six months after the Bali ministerial conference, the United States has not allowed progress on talks to ensure permanent protection to India's food subsidies from WTO caps. The U.S. is showing no appetite for agriculture issues, high-level Commerce Ministry sources told *The Hindu*.

To salvage the situation, Prime Minister Narendra Modi will seek support from BRICS, especially China, on the Geneva negotiations during his visit to Brazil on July 14 and 15 for the summit of this group of nations, sources said.

Two days ahead of the Prime Minister's visit, Commerce Minister Nirmala Sitharaman will be in Brazil. Without naming the U.S., Commerce Secretary Rajeev Kher told presspersons . "At the behest of certain countries, work is progressing for a WTO Agreement on Trade Facilitation to come into force by the July 31 deadline the Bali Ministerial had set, but on the other two aspects — permanent solution for food security and issues raised by the Least Development Countries [LDCs] — work is not moving in the manner India would like."

Azevêdo against revisiting Bali decisions

Director-General Roberto Azevêdo, at the Trade Negotiations Committee meeting on 25 June 2014, noted concerns about efforts by some delegations to revisit the Trade Facilitation Agreement agreed in Bali. He warned that "everything we worked together to achieve in Bali would be potentially be lost". He assured members that the WTO Secretariat is "working hard" to ensure the provision of technical assistance to developing countries in trade facilitation. ❑

China faces trade war impasse

After joining WTO more than 10 years ago, China and the WTO are sensing the pressure of being "marginalized" in the restructuring of the international trade system, especially with the nation facing the pressure of joining the Trans-Pacific Partnership (TPP), reports the Shanghai-based China Business News.

Once related countries complete the TPP talks, China will have a difficult time joining in — comparable to joining the WTO for the second time, the report said. In the Asia Pacific region, led by the high standards of the United States, the TPP, which covers both the US and Japan, has recently seemed to reach a crucial stage in negotiations. The Regional Comprehensive Economic Partnership (RCEP), which involves talks with China, has yet to reach any substantive phase of negotiations. In the WTO headquarters of Geneva, China especially has felt the impact from the US standard-led plurilateral trade agreements, with the Information Technology Agreement (ITA) and the Trade in Services Agreement (TISA) talks testing the bottom lines of China's current systems.

US, EU seek food support information

India and China have been asked to submit information on their food subsidy programmes to WTO by the US, the EU and some other countries. The countries want it to be a pre-condition to starting negotiations on finding a permanent solution to India's problem of legitimising food procurement subsidies. This has raised the hackles of New Delhi and other members of the G-33 group of developing countries (a group with interests in agriculture for protecting their poor farmers).