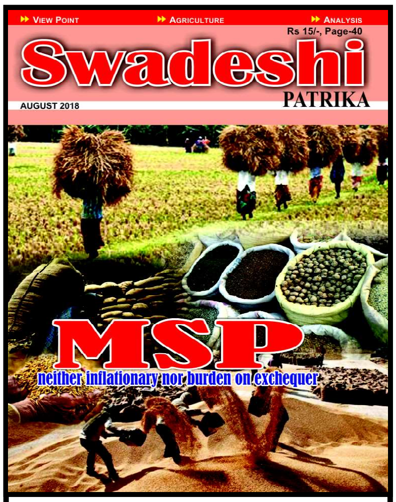

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Agriculture for Development of India

Amidst the growing tensions between the country related to trade wars, Swadeshi Patrika July 2018 edition highlights India's stance in Trade War. As rightly pointed out by India need not worry about trade war owing to size of its economy but should be ready to reciprocate duties and tariffs if US imposes. Also, the narrative that protectionism is always bad is not correct. We can't adopt free trade when world over countries are following protectionism.

Ayushman Bharath Yojana is a very important and beneficial scheme being proposed by the Government of India. Government has planned a huge outlay for providing health to 50 crore people upto an amount of Rs. 5 lakh. However, success lies in careful implementation of the scheme and as rightly pointed out keeping away the lobby which works to benefit the private companies.

As a part of Doubling of farmers income by 2022, Modi government has proposed model contract farming act. Contract farming as explained in one of the article is the future of Indian farming and a new phase of agriculture in India. It is based on a demand-based model and also promotes agro-based industries. However, care should be taken so as the terms may not exploit the farmer.

It is heart-warming to see hike in MSP being implemented by the Government of India. Swadeshi Jagaran Manch was always in favour hiking MSP as it believes protecting the interest of farmer as he is backbone of the Indian Economy. This is also in line with Pt Deen Dayal Upadhyay's thoughts on Agriculture where farmer was accorded the status of primary economic actor. Pandit Upadhyay always prioritized agriculture and emphasized the role agriculture in the development of India.

– **Harsh,** *Delhi*

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Quote-Unquote

Every Indian should have access to good governance and positive results of development. It is the factoring in of this outreach that will create a new India.

Narendra Modi
Prime Minister, Bharat

...Border Security is National Security, and National Security is the long-term viability of our Country. A Government Shutdown is a very small price to pay for a safe and Prosperous America!

Donald Trump
President, USA

India makes remarkable progress ascending 22 positions in the United Nation's E-Government Index during the last 4 years of our Govt.

Suresh Prabhu
Commerce & Industry Minister

Allowing limited inventory-based B2C model will open the floodgates to circumvention of existing foreign direct investment norms by ecommerce companies.

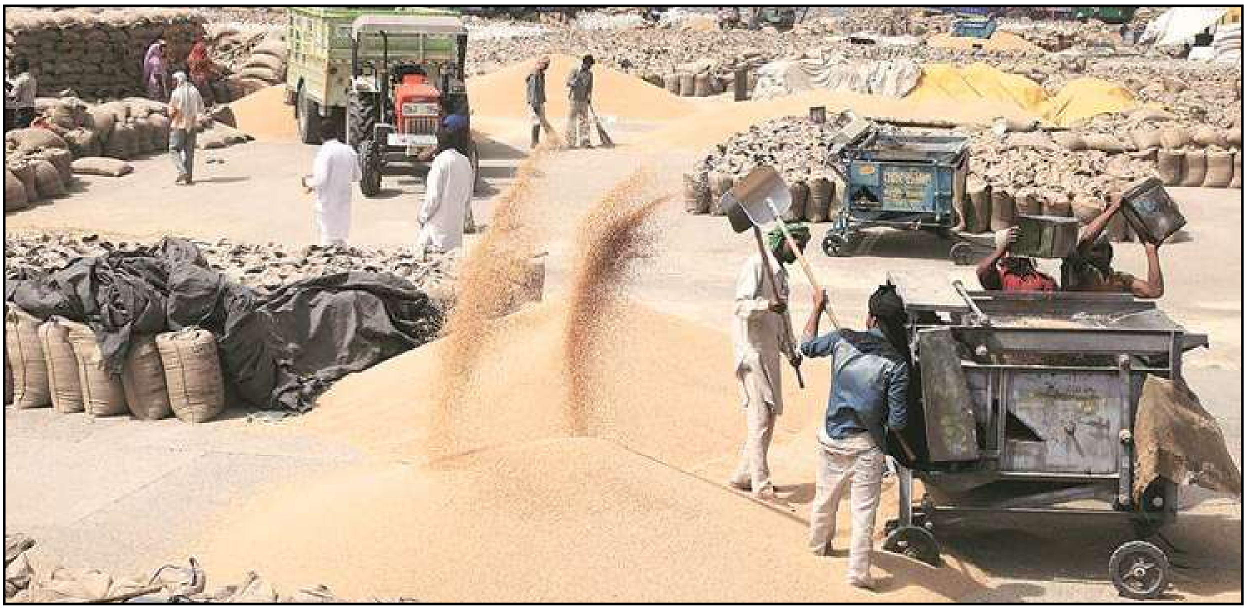
Dr. Ashwani Mahajan
National Co-convenor, SJM

EDITORIAL

Don't Change MSME Definition

In the Monsoon session of the parliament Minister of Micro, Small and Medium Enterprises (MSME) introduced a bill according to which the basis of the definition of MSME would change from the 'cost of plant and machinery' to 'turn over'. It is notable that at present micro enterprises are those in which the cost of plant and machinery is less than Rs. 25 lakhs and in case of small & medium enterprises this limit is Rs. 5 crores and Rs. 10 crores respectively. According to the proposed definition Micro units would be defined as those units with an annual turnover of rupees 5 crores. For small units this limit would be rupees 75 crores and for medium ones, this limit would be rupees 250 crores. It is notable that out of all units coming under MSME 98% are those who have turnover of less than Rs. 15 crores. Change in definition has not been happening for the first time in the country. At earlier occasions also, such kind of efforts were being made, successfully as well as unsuccessfully. Before Atal Bihari Vajpayee became Prime Minister in 1999, earlier government under Inder Kumar Gujral had changed the definition of small scale industry with investment in plant and machinery of Rs. 60 lakh to Rs. 3 crores (5 time increase in one go). Atal Bihari Vajpayee had expressed his disagreement about this change and after assuming office of Prime Minister he reduced this limit to Rs. 1 crore. Even at that time bureaucracy had tried to scuttle this move, but unsuccessfully.

Later on during Atal Bihari Vajpayee regime, a separate ministry was carved out for small scale industries, so that the problems of small scale industries could be tackled efficiently and they are put on fast growth trajectory. But government coming after not only did away with the concept of SSIs, first changing the nomenclature to SSE by including service enterprises also and later including medium enterprises in the same and calling it MSME. Sometime back, Govt. of India constituted a One Man Committee under the Chairmanship of Shri Prabhat Kumar, Ex Cabinet Secretary in the union govt. This Committee too recommended in favour of keeping the definition of MSME on the basis of cost of Plant and Machinery, though bureaucrats had recommended for change the same to turnover basis, which Prabhat Kumar Committee had summarily rejected. Therefore this amendment in definition of MSME is not only against real stakeholders like small scale enterprises but also against the opinion of the Committee constituted to make recommendations for a National Policy for MSMEs. Well. This definitional change would be detrimental to the interests of small scale industries. It's notable that nowhere in the world we find definition of MSMEs, based purely on turnover. This change in definition would incentivise small industries' entrepreneurs to shun their industries and become importers/traders or assembly units and enjoy the benefits of MSMEs, particularly preference in govt. procurement. It is feared that with change in definition, small and medium enterprises would be able to enjoy the benefits of MSME by shifting from manufacturing to trading and assembling. Those who are running industries would be inclined to become traders. It is well known that small industries' development is key to employment generation in the country. Thus, this definitional change would act against make in India and employment generation. In the era of globalisation, due to anti-small scale industries' policies, small industries have been fast vanishing and Indian markets are full with Chinese products. Domestic industrialists are forced and lured to become traders and assemblers and are selling all Chinese products. Sufferer would be, make in India' dream of the nation and particularly our youth. It's unfortunate that definition is being changed by bringing in bill in the parliament due to misguidance of bureaucracy. We should not forget that at an earlier occasion when definition was tweaked favourably and limit of investment in plant and machinery was lowered by then government under Sh Atal Bihari Vajpayee Prime Ministership from 3 crores to one crore, small industries benefitted immensely, and number of workforce in self employed increased from 54% to 57% (NSSO). After New Economic Policy was started implementing, its first victim was product based reservation for SSIs as reservation was successively withdrawn causing destruction of SSIs on a large scale. Along with this policy of preference for procurement was also drastically tweaked. Despite SSIs being in the priority sector category, they continued to face major problems in the availability of finance; and policies regarding marketing, technical assistance and Industrial estates became subject matters of history. We need to understand that small scale industries have been playing an important role in GDP growth, employment, exports and decentralisation. After the policy of globalisation and open imports, these small enterprises have been fighting for their existence due to flooding of Chinese imports, plethora of laws and gradual withdrawal of facilities from the govt. Under these circumstances to safeguard the employment and to fulfill the 'Make in India' dream, it is imperative to keep medium enterprises out and protection be provided to the small industries. In this regard, the proposed change in definition of MSME would work against the small industries and therefore needed to be stalled at any cost.



MSP neither inflationary nor burden on exchequer

Agriculture is perhaps the only sector where farmers are generally not able to recover even their cost of cultivation. Statistics reveal that the contribution of agriculture in GDP which was 45% in 1970-71, has come down to nearly 15% now.

Dr. Ashwani Mahajan

Recently government of India has decided to give minimum support price (MSP), adding 50% to the cost of cultivation to the farmers. This decision of the government has been widely welcomed by many, except a few political voices, which call this to be inadequate. Agriculture is perhaps the only sector where farmers are generally, not able to recover even their cost of cultivation. Statistics reveal that the contribution of agriculture in GDP which was 45% in 1970-71, has come down to nearly 15% now. The condition of farmers has been getting bad to worse. Inequalities between rural and urban areas have increased so much that the ratio of per capita income in rural and urban areas is now nearly one to nine. That is, if per capita income in rural areas is rupees one thousand in urban areas it's nine thousand.

Why do farmers need MSP

Provision of minimum support price (MSP) improves the incomes of the farmers, and at the same time, encourages the agricultural production. Today, farmers are not able to fulfill their bare necessities of life due to extremely low income, as the prices they fetch for their produce do not even cover their cost of production. Farmers are fast deserting agriculture and their next generation is not willing to engage in agriculture. It is obvious that in such a situation production of agricultural commodities dampens and availability of agriculture produce would go down. In the past, there has been an increase in the demand for agricultural commodities, especially food products, due to rising income in non agricultural sectors. In such a situation the prices of food products have been rising, because of mismatch between demand and supply. Such a situation is called food inflation. Food inflation causes increase the wages, because subsistence cost goes up. Because of food inflation, food also goes outside the reach of the common man, and causes malnutrition, especially among women and children.

Because of the non-remunerative prices, farmers get more and poorer and the burden of debt on farmers also keeps on rising. In the last one and a half decades, so far three lakh farmers have committed suicide. As a populist measure, which was necessitated due to farm crisis in the post liberalisation era, firstly UPA government came out with the farm loan waiver of nearly rupees 70,000 crores in 2008. In the last two years, many state governments, including Uttar Pradesh, Madhya Pradesh and Maharashtra, have also implemented debt relief schemes. Latest farm loan waiver comes from newly formed Karnataka government on July 4, 2018, and state government there, has announced a debt relief of nearly 34,000 crores of rupees. Not to say that such loan waivers are essential in present circumstances, to provide relief to farmers from distress.

However, the bigger question is that what to do that farmers do not go into the debt? For this it is essential that they get remunerative prices for their produce. If they get 10% over and above the cost of production and their income is rupees 1000 but if they get 50% over and above their cost their net income would be Rs.5000. That is, five times increase. If we think deeply remunerative prices to farmers saves farmers from going into debt.

How much has been the increase in MSP

Bhartiya Janata Party, in its manifesto in 2014 Lok Sabha elections promised that in their rule, farmers would be given MSP, by adding 50% to their cost of production. Government could not fulfill this task in the first four years of its rule. However, in the present kharif season the government has announced increased MSP for 26 agricultural commodities. In case of Ordinary Paddy, this increases is 13%; in case of Jawar, it is 43%; in case of Bajra, it is 36.8%; and in case of Moong it is 25%. Government has announced MSP by adding 50% to the B2 cost plus family labour cost. One can say that farmers are going to get much better MSP in the present Kharif season.

Does increased MSP cause inflation?

There is no doubt that with increase in MSP, the condition of the farmers would improve, as their income would increase. However, some economists are expressing this concern that this decision of the government would lead to inflation, especially of food products. It seems that these economists are not aware of the dynamics of agricultural pricing and their relationship with inflation. Perhaps that's the reason that they are looking at the mathematical relationship between MSP and inflation.

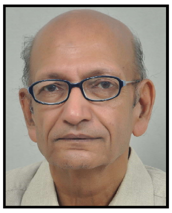
The practical observation is that after harvesting the supply of agricultural products increase suddenly, causing prices of agricultural produce drop in the short run. As farmers do not have holding capacity due to their weak economic conditions, they are forced to sell off their produce at whatever price they get in the market. In the last six decades government has been making provisions of MSP for various crops so that the farmers are saved from the sudden fall in the prices. Experience so far has been that assurance of minimum support prices makes the farmer works more harder and produce more agricultural products. As a result of more supplies, prices of agricultural products, especially food products do not increase even in future, and therefore common man is the real beneficiary, as prices of food products do not increase haywire and food remains well within the reach of the common people.

Many economists and agencies have made researches in this context and have proved that provision of higher MSP is not inflationary. Prof KU Gopakumar and Prof VN Pandit, International Monetary Fund, Bank of America, State Bank of India and a few others have produced research papers and reports in this regard. On the contrary some economists even say that this increase in MSP would rather reduce the prices of agriculture produce.

Does it cause additional burden on exchequer?

Some economists argue that provision of higher MSP would cause additional burden on the exchequer. If we look at this deeply, we find that this argument is also not valid. In the past, sometimes government both at the central level and at state-level, because of the worsening conditions of the farmers, have been trying to calm down farmers, by announcing loan waivers. If we provide remunerative prices to the farmers, they would no longer need loans and thus loan waivers from government would no longer be needed. Therefore, we can say that providing remunerative prices to the farmers would not cause burden on the exchequer rather this burden would go down in future. ❑❑

Give land-based subsidy to farmers



The pitfalls of enhancement of MSP to farmers can be corrected by giving land and house based subsidies.

Dr. Bharat Jhunjhunwala

The Government has enhanced the Minimum Support Price (MSP) of Kharif crops in keeping with the commitment made in the Budget to increase the incomes of the farmers. It is estimated that this will lead to an increase in inflation of about 0.2 percent and to a reduction in GDP of about 0.3 percent. These costs must be borne by the country in the interest of our farmers and our food security. Let us now examine the criticisms of this policy.

The increase in MSP is being said to be inadequate. Actually there are three levels of calculation of the cost of production. The first level, call A2, is that the direct costs incurred by the farmers such as in the purchase of diesel, fertilizers and farm labour are counted. The second level, called A2+FL, is that direct costs plus the value of the farmer's own household labour is counted. If a farmers' family works for 100 man days in cultivation of the crop, then the cost of that labour, say, Rs 25,000 is added to the cost of production of the crop even though the farmer does not make a cash payment for this labour. The third level, called C2, is that the rent of land is also added to the cost of production. It appears that the Government has calculated the MSP by adding 50 percent profit to the cost determined at the second level (A2+FL). It is rightly contended that the rent of land should also be included in the cost just as the rent of building is included in the cost of industrial products. This lacunae notwithstanding, the fact remains that the Government has increased the MSP, which is welcome.

Second criticism is that the increase in MSP does not reach the small farmers. Indeed about 80 percent of our farmers are small farmers who use the crops for their own consumption. They do not sell in the market hence they will not be

benefitted from the increase in MSP. The small farmers also buy food from the market and will, therefore, be impacted negatively. This argument is correct. However, it ignores the fact that increase in MSP for the large farmers will lead to an increase in production, an increase in the demand for labour and an increase in the farm wages. I reckon the overall impact of increase in MSP will be positive for the small farmers as well. The criticism of the Government on these grounds does not hold.

The difficulty in the present policy is that there is no arrangement for the disposal of the increased production. The price of food products in the global markets has been declining. The Food and Agriculture Organization of the United Nations has calculated that the Global Index of Food prices has declined from 229 in 2011 to 173 in June 2018. In this backdrop, the domestic prices will increase due to the increase in MSP while the international prices are declining. Production will also increase. So the Food Corporation of India (FCI) will not be able to sell the food products procured by it at the increased MSP. Such a situation had indeed arisen few years ago when the FCI was straddled with huge stocks of wheat which it was unable to export due to low international prices. The Supreme Court had asked the Government at that time as to why the wheat should not be distributed free to the poor instead of letting it rot in the FCI storages. A similar situation is likely to arise in respect of the crops where MSP has been increased recently. Ultimately, the FCI will have to export the excess procurement at a loss in the international markets. The loss incurred by FCI will have to be made up by the Government imposing additional financial burden. We will also be making excessive exploitation of our natural resources in making this increased production. The farmers will use more water and apply more fertilizers. We will use more electricity and minerals in manufacturing these fertilizers. In the end, the increase in MSP will lead to additional financial burden on the Government in paying for export subsidies; and depletion of our scarce natural resources for the consumption of foreign peoples. This policy is, therefore, not sustainable.

Lacunae notwithstanding, the fact remains that the government has increased the MSP, which is welcomed.

A possible solution to this problem is to provide relief to the farmers by giving land- and house based subsidies instead of increasing MSP. A back of the envelope calculation shows that the Central Government alone is spending about Rs 500,000 crores each year in order to support the rural people through programs such as food subsidies, fertilizer subsidies, MNREGA, Pradhan Mantri Awas Yojana, etc. The Government can save this amount if all these subsidies are scrapped. This money can be used to provide a lump sum grant of Rs 50,000 per year to the approximately 10 crore farmer households in the country. This amount would be sufficient for them to keep their body and soul together. Then the Government can leave the farmers free to cultivate or not to cultivate the crops as per demand in the market. The farmers will then not produce in excess of the quantities that are required by the market and our natural resources will be conserved.

Additional subsidies are being provided by the State Government towards free electricity and farm loan waivers. Every rural household could be provided with maybe Rs one lakh per year if these subsidies are included. That would be a sustainable model of farmers' welfare.

This suggestion involves leaving the farmers to the vagaries of the market. That can create another problem. Agricultural production increases and decreases in cycles. High price leads to an increase in production, which leads to low prices, which leads to low production, when then again leads to an increase in price and an increase in production. Providing land-based lump sum subsidy and removal of the MSP as suggested above will lead to such cyclical increases and decreases in production. The solution is to convert the FCI into a Food Trading Corporation of India. This Corporation should buy food when the prices are low, and sell the same when the prices are high. It can make a profit in this trade. In this way the price volatility can be smoothened without imposing a financial burden on the Government. The present increase in MSP, although well-intentioned, will not deliver because the problem of disposal of the increased production is left unresolved. ❑❑

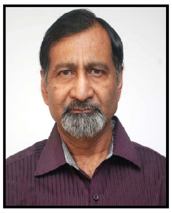
The author is Formerly Professor of Economics at IIM Bengaluru.

Protecting Rivers from extraction of sand is important

Indian monsoon is known more for floods from rivers overflowing and damaging the property and crops. Now-a-days, more runoff of rain water to seas is common and a great concern to all of us. The unregulated and large-scale mining of sand, gravel and stones from riverbeds and riverbanks is causing erosion and often leaving the river-plains especially during monsoons. As is known, humans have always had a special relationship with rivers. They provide fresh water for drinking, irrigation, washing and religious ceremonies. But rivers are not just water. Activities including agriculture, transportation, building homes, and everyday chores have all been part of the interaction between water, land and people. Riverbeds are where civilizations have been established and human beings have found the most lucrative livelihoods. The sand extraction from rivers and ocean is, however, changing the foundation of this happy interactive life.

Sand mining is universal

Man has always used sand as an analogy for the infinite, a limitless resource, ordinary and yet magical, incapable of exhaustion. The world consumes between 30 and 40bn tonnes of building aggregate a year, and half of this is sand. Sand is second only to water as a natural material extracted by humans. Global production has risen by a quarter in just five years, fuelled by the insatiable demands for housing and infrastructure. Of the 15 to 20bn tonnes used annually, about half goes into concrete. Globally, sand extraction is estimated to be worth £50bn per year, a cubic metre of sand selling for as much as £62 in areas of high demand and scarce supply. This makes it vulnerable to illegal exploitation, particularly in the developing world.



The cancer of sand mining from river led and sea-beaches of India have destroyed local ecology with reference to agriculture and related fields and local residents need to educate themselves.

Anil Javalekar

Sand Mining in India

The data on consumption of sand and aggregate in country is not available with any source. As per the Union Ministry of Mines, sand is the fourth most important minor mineral in terms of production after road metals, building stone and brick earth. Yet the government does not collect data on the volume of illegally mined sand. It can be derived indirectly from the usage of cement, construction of roads and stowing of mines. But in 2015-16, there were over 19,000 cases of illegal mining of minor minerals, which include sand, in the country, said Piyush Goyal, former minister of mines, while answering a question in the Lok Sabha in February.

Worried over indiscriminate sand-mining across the country affecting the ecological balance, the Supreme Court, in February 2012, had ruled that environment permission needed to be sought for all sand-mining activities.

Sand policies in India

Under the current legal set up, administrative control over minor minerals is with the state governments, which have the powers to make rules to govern minor minerals such as sand.

Accordingly, different state governments have made different rules for awarding, regulating and administering the sand concessions granted under those rules. Despite judicial interventions and the measures undertaken by the Central government and the state governments, issues of illegal mining, environmental damage and high sand prices, which are interlinked with each other, remain across many states. Each state has its own set of rules and regulations for sand mining, and an important aspect thereof is the overall business model and allocation method followed by the state. In view of this, a committee was constituted in May 2017 to study the existing system of sand mining in various states and prepare a uniform set of guidelines that can be followed by states. The committee found that the business model followed by a state depended primarily on the objective of the state government and the prevalent conditions in sand mining in the state.

A committee was constituted in May 2017 to study the existing system of sand mining in various states and prepare a uniform set of guidelines that can be followed by states.

The most common method of allocation followed across the country was the market model where private contractors were allocated sand mines through competitive bidding with a few states following notified or controlled pricing model where sand mines were allocated to state agencies on nominated basis. Andhra Pradesh, Karnataka and Telangana had well defined rules and regulations for sand mining and alternative materials such as m-sand. These states had separate policies for sand distinct from other minor minerals. These states were also regularly updating their policies for sand and other minor minerals considering the developments in the sector. Gujarat found preparing a detailed geological report through a technically qualified person for each identified sand block and puts the sand blocks for auctions based on the quantity of resource established by the report.

In states like Andhra Pradesh, Chhattisgarh, Punjab, Maharashtra, Telangana and Tamil Nadu, the environment clearance was insisted. Andhra Pradesh constituted a five-member district committee that notifies the price of sand for the district including transportation, loading/unloading and ramp maintenance fee.

Consequently, the landed price of sand in the state was under control. Telangana was also relatively well placed in terms of sale of sand in the state, where only TSMDC sell the sand. Further, the sale was only through the online portal developed by the mining corporation. Andhra Pradesh, Karnataka and Telangana have devised a separate policy for m-sand (Manufactured sand (M-Sand) is a substitute of river sand for concrete construction. Manufactured sand is produced from hard granite stone by crushing) in the state and were offering incentives for the promotion of m-sand. Andhra Pradesh and Telangana had granted industry status to m-sand manufacturing units in their states. Karnataka also made various efforts to raise awareness among the citizens to accept m-sand in place of river sand, and the state surpasses all other states by a huge margin in terms of m-sand production.

Karnataka notified a policy for import of sand from other countries to meet the sand deficit in the state. Also, Gujarat had reduced royalty rate for m-sand units for its promotion. Considering these facts, Andhra Pradesh, Karnataka and Telangana are relatively better than other states in terms of promotion of alternate options for sand. Based on these findings, the draft Sand Mining Recommendations have been circulated by Ministry of Mines in March 2018 among the states.

Sand Mining recommendations

First recommendation was to estimate district wise demand and accordingly come up with the requirement of further allotments. Second was about the clearances and approvals required before allocating or bidding out the block for mining. It was recommended that a specific set of regulations and clearances should be mandated to be prepared in all the states. A fixed time line should be attached for all the clearances required, and the responsible person should get it done within the specified timeline.

> ***Mining should be undertaken as per the regulations laid down in the sustainable Sand Mining Management Guidelines 2016 by the Ministry of Environment, Forest and Climate Change.***

Third recommendation was regarding adopting the allocation model to be considered by a state. It was recommended that If the state's objective is revenue maximization then it can follow the market model, however if the state desires to keep the prices and operations under control, then it can follow the notified price model. Fourth recommended was that the sand mining should take place only in accordance with the terms and conditions of the environmental clearance and the lease deed or license, and methods approved in the quarrying plan. Apart from these, mining should be undertaken, as per the regulations laid down in the Sustainable Sand Mining Management Guidelines 2016 by the Ministry of Environment, Forest and Climate Change.

Fifth recommendation was that of making the entire process of sale and delivery of sand online so to bring in more transparency in the entire process and provide for better control over illegal operations. Sixth was for constituting a district committee in all the districts comprising of members from the transport department, police department and mining department to fix the transportation rate of sand in the state and review the implementation of prices. Seventh was to create and establish a robust system to monitor and measure the mined-out mineral at each lease location and its transportation in the state. However, even after accepting all recommendations by all states and framing policies accordingly will not stop illegal extraction of sand as Indian government system is corrupt and politicians are of doubtful commitments.

Illegal extraction of sand is dangerous

Sand has become a profitable business. Booming demand means scarcity, scarcity means money and money means criminality. These criminal enterprises are known as 'Sand Mafias'. It is said that from Jamaica to Morocco to India and Indonesia, sand mafias ruin habitats, remove whole beaches by truck in a single night and pollute farmlands and fishing grounds. Those who get in their way – environmentalists, journalists or honest policemen – face intimidation, injury and even death. India has reportedly seen some of these incidents. More needs of sand mean more of such illegal sand mining.

Limited alternate options for sand

Searching for alternative for sand is important and plastic sand and M-sand are being promoted. However, the unsustainable patterns of production, consumption, and population growth are challenging the resilience of the planet to support human activity with irreversible consequences for human communities and ecological systems. Riverbed sand is prized, being of the correct gritty texture and purity, washed clean by running fresh water. Marine sand from the seabed is also used in increasing quantities, but it must be cleansed of salt to avoid metal corrosion in buildings and that is a costly affair.

Economic growth pursuit is like cancer

Present idea of economic growth has become a fetish where only urbanisation is considered important for modern development. Its insatiable appetite for new buildings, roads, coastal defences, glass, fracking, even electronics are threatening everything that is environmentally sustainable. If environmentalists are right, pursuing of such unending growth could threaten the very existence of humanity. Only professionally dishonest economists, politicians without much commitments for future and subservient bureaucrats can treat this pursuit of growth as virtue. Biologists may call it irrecoverable cancer. Thus, the demand for sand will increase and its extraction will continue damaging riverbeds. The need is to change the growth perspectives and adopt a model of development that is environment friendly.

Swadeshi movement can help

Indian Swadeshi movement proposes for an integrated development where man respect the environment and adopt the lifestyle suiting to ecological systems. The movement feels that the exploitation of local resources for urban industrialization has endangered local self-sufficiency and has left depleted natural resources like land and water to local people. This has made local areas dependent on outside support in every aspect of their survival be of water, food or livelihood source and made people to migrate to other areas. The need is to review all Indian laws and policies that allow use of natural resources mainly through simple mode of pricing and value payment that shows no concern to the local ecology. The users should be made more responsible towards natural resources. The need is also to create awareness among locals about the damages to their local ecology. ❑❑

Sources:

1 *https://www.theguardian.com/global/2018/jul/01/riddle-of-the-sands-the-truth-behind-stolen-beaches-and-dredged-islands*.

2. *https://mines.gov.in/writereaddata/UploadFile/sandmining16022018.pdf*

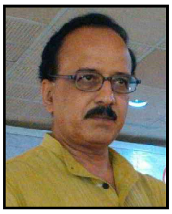
Why only farmers get tonsured?

Credit policy has two faces. One for the rich, and another for the poor. Take the case of Punjab Agricultural Development Bank which has served legal notice to 12,625 farmers threatening to sell their farmland to recover an outstanding due of Rs 229.80 crore, at a time when the Kolkata Bench of the National Company Law Tribunal has allowed just one defaulting company — Adhunik Metaliks Ltd (AML) — to walk away with 92 per cent 'haircut'.

Take another example. Last week, Monnet Ispat & Energy got a 'haircut' of 78 per cent; the company had an outstanding debt of Rs 11,014 crore. Under the insolvency proceedings, the lenders will get only Rs 2,457 crore. The remaining amount of Rs 8,557 crore of bad debt will be written off. No wonder, we don't see any change in the lifestyle of the owners of these defaulting companies. It is only left to the farmers to opt for suicide as the last recourse.

This is how the banking system works. When it comes to industries, it looks at every opportunity to strike off as much of the defaulting amount as possible. AML defaulted to the tune of Rs 5,370 crore, and under the Insolvency and Bankruptcy Code (IBC) it has been allowed to walk away after a settlement was reached with the UK-based Liberty House Group for Rs 410 crore. In other words, the company gets a write-off, or haircut, for Rs 4,960 crore. It is not even fair to call it a haircut as it is nothing short of a complete head shave!

Compare this with the Rs 229.80 crore outstanding loan against 12,625 Punjab farmers that Punjab Agricultural Development Bank is trying to recover. It is not even a sizeable fraction of the huge amount written off for just one industrial house. Call it a settlement to affect a resolution plan for the companies declared



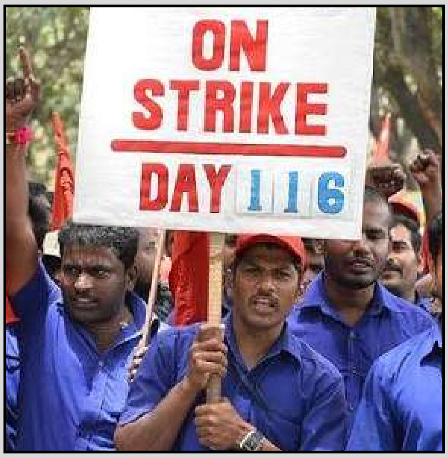
Credit policy tilted in favour of corporates, whose huge loans are written off as bad.

Devinder Sharma

bankrupt; the economic jargon actually is an attempt to hide what in reality is more than a write-off. By selling off a loss- making unit, the promoter walks out free from what would otherwise be a life-long indebtedness. Almost the entire debt is eventually borne by the taxpayers. This is what Noam Chomsky calls 'tough love — tough for the poor and love for the rich'.

Former Chief Economic Adviser Arvind Subramanian had, in fact, said that writing off of corporate loans leads to economic growth. If this is true, why waiving farm loan does not lead to economic growth? After all, both the farmer as well as industry takes loans from the same banks. How then can the write-off of corporate bad loans lead to economic growth whereas farm loan waivers lead to moral hazard? Why should farmers be, therefore, despised for seeking loan waiver? Arundhati Bhattacharya, former chairperson of the State Bank of India, had blamed farm loan waivers for leading to credit indiscipline. Reserve Bank of India Governor Urjit Patel had found farm loan waivers a moral hazard upsetting the national balance sheet.

Although Punjab Agricultural Development Bank has denied any real intention of putting the land of 12,625 farmers for public auction, saying that the legal notice is just a threat, the fact remains that as many as 71,432 farmers are under the scanner for having defaulted the bank to the tune of Rs 1,363.87 crore. Sooner or later, all these farmers will receive legal notices if they fail to pay up. Some of them will also land in jail. In Haryana, a farmer who had failed to pay back a loan of Rs 6 lakh



When it cames to industries, banking system looks at opportunity to strike off as much of the defaulting amount as possibel.

taken for laying a pipeline for irrigation was ordered by the district court to pay a fine of Rs 9.83 lakh and undergo a two-year jail term.

On the other hand, the haircut allowed to AML means the banks will not be able to recover this huge amount. According to media reports, some of the other not-so-high profile companies allowed haircut include: Jyoti Structures (85 per cent); Alok Industries (83 per cent); Amtek Auto (72 per cent); Electrosteel Steels (60 per cent) and Bhushan Steels (37 per cent). Among other outstanding cases listed by the Insolvency and Banking Board of India, Synergies Dooray Automotive Ltd got a haircut of 94. 27 per cent, as a result of which financial companies are able to recover only Rs 54 crore from an outstanding amount of Rs 972.15 crore.

Corporate bad loans are restructured and an appropriate haircut is allowed to settle the amount. As per a news report, the Stressed Asset Stabilisation Fund, created in 2004, to recover the IDBI bank's bad loans, for instance, has settled certain cases with haircuts of more than 90 per cent. Haircut basically means the stressed amount that the bank or financial institution will not be able to recover. And moreover, unlike farmers, corporate bigwig, including wilful defaulters, are not sent to prison for defaulting on bank loans. IBC provides a neat protective cover.

Why can't a similar haircut be allowed for farmers, big or small? A farmer, too, should be allowed to get out of the debt trap without losing his land. In Punjab, farmers have been denied a loan waiver of Rs 2 lakh if their outstanding loan amount exceeds this limit by even Rs 100. This is not fair. Putting a cap on the maximum amount that can be waived shows how economic justice is being restricted. It is time to learn from Kerala, which brought in 2007 the Kerala State Farmers Debt Relief Commission. As per reports, it has written off on an average 50 to 75 per cent of the outstanding debt of the farmers, enabling them to offload the baggage of the past and start afresh. Just because they are poor does not mean they should be denied economic freedom. They too need to be freed from the perpetual yoke of indebtedness. Credit policy cannot be based on the principle of different strokes for different people. ❑❑

The author is Food & Agriculture Policy Analyst.

ANALYSIS

EU, Asia divided on US actions,
Helsinki meet begins end of era of sanctions;

Modi strategy to help grow trade

India though having a problem now possibly is better placed to turn the tide. Prime Minister Modi's whirlwind diplomacy would pave the way for rise in India's international trade.

Shivaji Sarkar

The Helsinki meet between US President Donald Trump and Russian has raised hopes for a better trade environment as Trump virtually gave a clean chit to Putin on interference in US elections. This raised protests in some circles in the US and Trump was seen on backfoot. While Trump's conciliatory moves were watched carefully in India and other countries, the hardliners in the US are not keen on an ease of the situation. The US business interests are involved. The US sanctions on Russia and even Iran are being seen as partial success.

The US industry wants to make progress and force its deals be it arms or other areas on countries across the world. Reconciliation on Iran or Russia is not acceptable to them. The way the US sanctions are tailored it extends not only to two countries but others having trade deal with them.

This impacts many countries. India is not an exception. India keen on balancing between the US and Russia is virtually being forced to do an act on the trapeze. It has strategic partnership with both countries.

Russia is India's top arms supplier for decades. The US has consolidated its position in the Indian defence market during the past ten years. In some areas, the US traders have tried to ride the Make in India move. Russia is still cool on technology transfer and is not enamoured by Make in India.

Similarly, deals with Iran are easy and lucrative for India be it oil or transporting to Afghanistan and central Asia through Chabahar port. Iran of late extended credit on oil payments to three months, thrice the international practice along with many other flexibility, much better than what Saudi offers.

Major part of India's defence equipment is of Russian origin. During 2013-17, 62 percent of arms imports are from Russia, according to Stockholm Inter-

national Peace Research (SIPRI). Even as S-400 Triumf air defence system deal reaches final stages, the shadow of sanction hangs. India is in talks with Russia to figure out alternative payment route as the sanctions have created banking hurdles.

The U.S. law, Countering America's Adversaries Through Sanctions Act, (CAATSA), is negatively affecting defense business with Russia. It is complex and extends beyond the direct trade partners.

India is working out ways to keep S-400 and Kamov helicopters, four stealth frigates and leasing of nuclear submarine from Russia out of CAATSA. The deal was struck by Putin and Prime Minister Narendra Modi in 2016. This is amid the concern of the US, which wants India to diversify its arms supply or in other words reduce its dependence on Russia.

The army chief Gen Vipin Rawat says that it is critical to find ways to bypass CAATSA. In a so far unipolar world, which has even hit Russia in terms of 3 percent fall in its GDP and almost 15 percent inflation, it is not easy to find new ways. But it has been found that sanctions, as in the case of Iran has helped it strengthen its self-dependence. The world now believes that the true economic impact of sanctions has been limited. The Russian slowdown is attributed to the global drop in oil prices.

Countries such as China, now the world's biggest oil importer, and India, where demand is growing faster than anywhere else, had repeatedly expressed disapproval over the US measures that effectively forced them to curb Iranian crude imports.

As Russia remained firm against sanctions, some European nations are questioning the sanctions in the face of Ukrainian crisis in 2012.

The world is passing through a phase of belligerence. It has also led to a situation of intense dialogue. In this situation, the slow and steady move ahead.

Globally it has been found that the average success rate economic sanctions are limited to 20 to 30 percent and it can be a double-edged sword as many western Europe countries are now facing in the midst of eurozone crisis.

Russia is the European Union's third largest commercial partner, and the EU, reciprocally, is Russia's chief trade partner, accounting for almost 41 percent of the nation's trade prior to the sanctions. In 2012, before the Ukrainian crisis began, the EU exported a record €267.5bn ($285bn) of goods to Russia. With sanctions now hurting both sides, divisions are growing in Europe over whether to uphold the stringent measures. While Germany and the UK wish to maintain a hard line on Russia, other countries, including Greece, Spain, Italy and Cyprus, advocate lifting the sanctions. Europe is getting increasingly divided.

Trump's Helsinki meet was apparently designed to send a signal to EU. The domestic US situations though has made Trump take some steps back, it is believed the NATO countries too are not happy as the US imposed additional expenditure on it. Trump is under pressure. He is on record that he does not believe that Russia is meddling in US

China and India are also acting against sanctions on Iran purely for economic reasons. Iran oil is not only better in quality, the deal it has offered suits its buyers.

The US aware of it is to hold talks with India on Chabahar. The Indian diplomats are aware that dialogues would ease the situation though it may take a bit of time.

To get around the problem, India and Japan offered state-backed insurance to ships, helping carriers resume shipments from Iran with protection against risks including oil spills and collisions. Additionally, processors used tankers operated and covered by Iran to receive supplies.

India initially paid Iran via a Turkish bank before routing payments through a domestic financial institution. It had a rupee-trade deal and worked out export of wheat, soybean and consumer products. The sanctions are eroding gradually. The US industry would have to learn that it cannot rise on muscle power of the state for long. Trump realizes it and he is trying to mend fences with North Korea, Russia and certainly the next step would with Iran and looking for a solution to the Syrian crisis.

The world is passing through a phase of belligerence. It has also led to a situation of intense dialogue. In this situation, the slow and steady move ahead. India though having a problem now possibly is better placed to turn the tide. Prime Minister Modi's whirlwind diplomacy would pave the way for rise in India's international trade. ❑❑

2018 bypolls: Hidden message for 2019

While the opposition is elated over its by-election victories, a clos er look at the numbers suggests the BJP increased its vote share. It shows when the opposition unites, its votes do not just get aggregated automatically; it actually loses part of its own individual constituents' votes.

After the Gorakhpur and Phulpur bypolls in Uttar Pradesh in March last and in Kairana in UP and Bhandara Gondiya in Maharashtra in May now - where the opposition parties had united against the Bharatiya Janata Party — many have almost prophesied the defeat of the BJP in 2019. And the opposition has just about assumed it will be in power by then. This prophecy and assumption rest, one, on the arithmetic of the votes in 2014 Lok Sabha polls and in the LS bypolls in 2018; and two, on the hope that the divided opposition parties' votes will automatically get aggregated when they unite for the LS poll in 2019. The validity of the arithmetical tests and assumption of automatic aggregation of votes need scrutiny.

BJP lost votes in 2017, but won seats.

Take Uttar Pradesh, which will be the main battleground in 2019, like it has always been. The reason why the BSP and the SP strategically got together in March 2018 was that the BJP got far less votes than the divided opposition in 2017, but swept the UP Assembly poll. In the five Assembly segments of the Gorakhpur LS seat, the BJP polled just 40.5% votes in 2017 and the divided opposition 55.3% — almost 10% more.

While the opposition is elated over its by-election victories, a closer look at the numbers suggests the BJP increased its vote share.
S. Gurumurthy

And yet the BJP won all the Assembly seats. Likewise in the Assembly segments of Phulpur LS seat, the BJP polled just 34.8% votes and the divided opposition 58.7% - almost 24% more, but BJP won four of the five seats. And more. The SP and the BSP, which together polled 10% more votes than the BJP, got none. This, and not 2014 LS poll, triggered Mayawati to make common cause with her arch enemy, the SP. Even though the overt message of the numeric of the 2014 LS poll and 2018 bypoll is that the BJP would face an uphill task in 2019, the hidden message — concealed in the maze of figures of the 2017 Assembly poll and the 2018 LS bypoll — clearly seems to point the other way. What is the hidden message?

In 2018, BJP recoups most of its 2017 loss.

In the 2017 Assembly polls in Gorakhpur, the aggregated votes polled by the divided opposition over the BJP was 15%. But, in the March 2018 LS bypoll, within 12 months, the BJP's share rose by 6.5% and the share of the united opposition dropped by almost an equal number as compared to the votes the divided opposition got in 2017. In fact, when the opposition merely loses one vote, it is just a loss of a vote. But when it loses that vote to the BJP, the margin between them gets reduced not by one, but by two votes. That is what happened in Gorakhpur.

When the opposition merely loses one vote, it is just a loss of a vote. But when it loses that vote to the BJP, the margin between them gets reduced not by one, but by two votes. That is what happened in Gorakhpur.

The divided opposition led by a margin of 14.8% over the BJP in the 2017 elections. By a 6% shift of votes from the opposition to the BJP, the margin got reduced by 12.2% to 2.4% in 2018. If the BJP can pluck another 1.5% votes from the opposition, it will win Gorakhpur. In Phulpur too, the divided opposition together got almost 24% more votes than the BJP in the 2017 Assembly polls. But in the LS bypoll in March 2018, the lead of 24% of the united opposition over the BJP in 2017 dropped to just 8%. The BJP, which has reduced the lead margin by 16%, needs to pluck another 4% votes from the opposition to win Phulpur. Almost the same story was repeated in May in the LS bypoll in Kairana.

In the 2017 Assembly elections, in the five Kairana Assembly segments, the divided opposition polled 57.4% and the BJP 38.2% - almost 20% less. And yet the BJP won four seats, while the SP got just one. In the LS bypoll in May 2018, the BJP's vote share jumped by more than 8.6% to 46.8% as compared to 2017. The united opposition got 49.4%, less 6% as compared to 2017. As a result, the BJP made a huge 15% cut into the opposition margin, reducing it from 19.2% in 2017 to just 4.7% in 2018. Now the BJP needs to pluck another 2.5% votes from the opposition to win Kairana. Let's now move to the Nurpur Assembly bypoll in 2018.

In 2017, the divided opposition had a 17.4% margin over the BJP in Nurpur and yet because of the vote split, the BJP won the seat. In the 2018 bypoll in Nurpur, the united opposition won, but its share went down while the BJP's went up, bringing down the divided opposition's lead over the BJP in 2017 from 17.4% to just 3% in 2018. The BJP needs to pluck only 1.5% more votes from the opposition to win Nurpur. Clearly, the BJP has recouped in 2018 what it had lost in 2017 when compared to 2014.

BJP may do it, comfortably

As compared to the 2017 Assembly polls, in the 2018 LS bypoll, the BJP has reduced the united opposition's margin in Gorakhpur from 14.8% to 2.4%. In Phulpur from 24% to 8%. In Kairana from 19.2% to 4.7%. It needs to cut the opposition votes by 1.5% in Gorakhpur. By 4% in Phulpur. And by 2.5% in Kairana. In Nurpur Assembly by 1.5%. Possible? Seems so. And comfortably. It can happen in two ways. One, a significant section of the electorate prefers a national party in the LS poll and local parties in Assembly polls, because it roots for a stable Central government. This preference had for long worked in favour of the Congress.

Now it works for the BJP. This is evident from the fact that those who had voted for SP, BSP, RLD in the 2017 UP Assembly in 2017 had rooted for the BJP in the 2014 LS poll and later in the 2018 LS bypoll. Actually the reason for the fall in BJP share of votes in Assembly polls in 2017 seems to be the shift by those who prefer a national party in the LS poll over regional parties in Assembly polls. Two, the BJP is likely to get substantial votes in regular LS polls from those who kept off the polling booths in the LS bypoll in 2018. For, those who keep off the bypoll are generally the middle class and upper class voters over whom the BJP has considerable hold.

The polling in Gorakhpur was less by over 13%, compared to 2014 and by 11%, compared to 2017. Here, the BJP, which has already reduced the 2017 opposition lead by 14.8% in 2018, needs to get 2.4% more votes. In Phulpur, 13% voters had kept off the polls in 2018, compared to 2014; and 14.2% had kept off the polls as compared to 2017. Here the BJP, which has reduced the opposition's 2017 lead by 16% in 2018, needs 8% more votes. In Kairana, 15% voters had kept off the polls in 2018, compared to 2014 and 13% compared to 2017. Here the BJP needs 4.7% votes. In both ways, the BJP, which has already shown a huge capacity to pluck opposition votes in the LS poll, may comfortably be able to achieve a further rise in its share of votes over 2018.

Maharashtra's plain message.

If UP's message is hidden behind a maze of numbers, the message from Maharashtra is fairly direct. In the Palghar parliamentary poll in May 2014, the BJP and the Shiv Sena stood together and the BJP won with 54% votes. In the Assembly poll in December in the same year, they fought each other. With neither the Congress nor the Nationalist Congress Party in the fray, the Bahujan Vikas Agadi (BVA), a local party, contested and got some 30% votes. In the 2014 Assembly polls, the BJP got 21.4% votes while the Shiv Sena notched up 21%; the NCP and the Congress 15%; and the BVA got the maximum 32.6%.

Modi's agenda of development vs the opposition's agenda of defeating Modi will make the elections a replay the 1971 LS poll of Garibhi hatao vs Indira hatao – which will be disastrous for the opposition.

In the 2018 LS bypoll, the BJP and the Shiv Sena fought against each other. The BJP won with 30.8% votes and Shiv Sena got 27.4%, BVA 25%, and the Congress supported by the NCP lost its deposit. In the Bhandara Gondiya LS poll in 2014, the BJP supported by the Shiv Sena won with 50.6% votes while the NCP got 38%.

In the 2014 Assembly polls, the BJP and the Shiv Sena fought each other. The BJP got 34.5% votes, the Shiv Sena 10.5%, Congress+NCP+BSP got 44% but because of vote split the BJP pocketed four of the five Assembly seats while the Congress got one. In the 2018 LS bypoll, the NCP supported by the Congress and the BSP won with 46.6% votes and the BJP with 41.5% came second. Obviously, the Shiv Sena did not fully vote for the BJP. But from the 2019 perspective, the Shiv Sena has no option but to ally with the BJP. If they both ally, the Congress- NCP led opposition's fate would be sealed, like in 2014. The message from Maharashtra is fairly plain.

Hidden messages.

To conclude, there are three hidden messages particularly in the UP arithmetic. The first is that when the opposition unites, its votes do not just get aggregated automatically; it actually loses part of its own individual constituents' votes. The second, a section of voters seem to prefer national parties for the LS poll and local parties for the Assembly polls. In 2018, the BJP has been able to pluck the votes the opposition polled in the 2017 Assembly elections.

The third message is that as in the bypolls, a section of the middle and upper middle and educated voters, most of whom may prefer the BJP, do not vote, the party's share in the bypoll will be relatively less as compared to the regular poll. And more. Three most important, explicit drives of the 2019 need to be factored into the analysis. One, Modi's stature and leadership for the BJP and its allies and the absence of a leader for the crowd, that is the opposition.

Two, Modi's agenda of development vs the opposition's agenda of defeating Modi will make the elections a replay the 1971 LS poll of Garibhi hatao vs Indira hatao — which will be disastrous for the opposition. Three, Modi's people connect and oration and the total lack of it on the opposition side. Opposition strategists needs to think more deeply than just look at superficial arithmetic. ❑❑

The author is a well-known commentator on political and economic affairs.

Afghan Minorities Need Protection

India's foreign policy has its task cut out — to ensure the safety of the Hindu-Sikh community within Afghanistan or its safe repatriation to India (or migration elsewhere) with full citizenship and rehabilitation. In a positive move, New Delhi has issued long-term visas to members of Afghanistan's Sikh and Hindu communities and offered them the right to live in India without any limitation. India's envoy to Afghanistan, Vinay Kumar, said that these Afghan citizens must take the final call. The Jalalabad bombing (July 1, 2018) has complicated matters for New Delhi and Kabul. India has given sustained support to successive Governments in Afghanistan (barring the Taliban that behaved shabbily during the Kandahar episode); Prime Minister Narendra Modi has invested personal capital in support of "Afghanistan's multicultural fabric". India has invested in many large development projects but growing insecurity has forced a slowdown. Seven Indian engineers kidnapped in May, in Baghlan Province, remain captive.

Through the decades of internal conflict, religious minorities in Afghanistan have fallen through the cracks. International organisations often fail to recognise the plight of Afghan Hindus and Sikhs.

Sandhya Jain

Some things are notable about the Jalalabad incident. First, Islamic State (IS) claimed responsibility, though security agencies are yet to confirm this. IS fighters are fleeing Syria in droves under pressure from the Syrian Arab Army and need safe havens; Pakistan which has long desired to be leader of the Islamic world seems a natural destination. How IS coexists with other terrorist groups there remains to be seen but Nangarhar, where the attack occurred, borders Pakistan and is a terrorist stronghold despite sustained operations by Afghan commandos and American airstrikes.

Second, Avtar Singh Khalsa, an important Sikh community leader and among the 19 victims in a convoy of Hindus and Sikhs that was going to meet Afghan President Ashraf Ghani, may have been an intended target. He was planning to contest Afghanistan's parliamentary elections in October and would have been elected unopposed to the Wolesi Jirga (Lower House) as the seat he was planning to contest was reserved for minorities by Presidential decree in 2016. The IS statement disparaged Hindus and Sikhs as "polytheists" and may have aimed at preventing even token political diversity in the nation.

Afghanistan's Hindu-Sikh minority has lived under various strains for decades. The rich fled to India after the assassination of President Daoud in 1978. The assassination of President Najibullah in 1996 made life more difficult and a silent exodus began towards the West and India. In 2016, TOLOnews reported that 99 per cent of Hindus and Sikhs had left Afghanistan in the past three decades. From 2,20,000 in the 1980s, their number shrank to 15,000 during the mujahideen era followed by the Taliban rule, and currently stands at barely 1,350. The television channel said that the main reasons for their flight were religious discrimination and official neglect. Under the mujahideen-Taliban, their lands and assets were seized by warlords, reducing them to penury. These were never restored after the fall of the Taliban in 2001.

Afghan ambassador stated that Afghans were also victims of cross-border terrorism and had a 'sharad-pain' with the Hindus and Sikhs in Afghanistan.

Under the Taliban, Hindus and Sikhs wore yellow armbands and were not allowed to hold Government jobs. Even post-Taliban, bigoted neighbours harassed them while cremating their dead, children were bullied and could not attend schools and the community as a whole was made to feel like outsiders. The head of the Hindu Council in Afghanistan, told *TOLO news* that he had lost 10 members of his family in the Afghan conflict; two brothers in the Army had died fighting the mujahideen. He said discrimination against the community began in 1992 "when people started counting who were Hindu or Muslim and Tajik, Uzbek or Hazara." *TOLO news* observed that Hindus and Sikhs once had thriving businesses in the country, but now faced increasing poverty. There are no Sikhs or Hindus in Helmand and Kandahar Provinces. Only two gurdwaras function, one each in Jalalabad and Kabul; most temples are deserted.

The timing was political. It came the day after the Government ordered Afghan security forces to resume offensive operations against the Taliban on expiry of the Government's 18-day ceasefire that overlapped with the Taliban's three-day ceasefire for Eid, which IS did not join. It coincided with the visit of US envoy Alice Wells, who came to pressure the Taliban to engage with Ashraf Ghani. The Taliban is demanding direct talks with the US, which Washington has refused. Wells said, "Right now it's the Taliban leaders ... who aren't residing in Afghanistan, who are the obstacle to a negotiated political settlement", and added that Islamabad had to do more to bring Taliban to the negotiating table.

The attack is a setback to the Afghan Government as it has forced the minorities to weigh the prospects of continued survival in that country. Tejvir Singh, secretary of a national panel of Hindus and Sikhs, told *Reuters*, "I am clear that we cannot live here anymore… We are Afghans. The Government recognises us but terrorists target us because we are not Muslims." Sikhs who took shelter in the Indian consulate in Jalalabad added, "We are left with two choices: To leave for India or to convert to Islam". Some Sikhs, however, said that their ties with Afghanistan were too deep to contemplate leaving. The situation is grim. Hours before the Jalalabad bombing, terrorists set fire to a boys' school in Khogyani district and beheaded three workers, a standard tactic of IS, which had threatened to attack schools in the area as revenge for the US-Afghan military operations. It had specifically stated that it would also attack schools with girl students. The Norwegian Refugee Council, which runs a programme for displaced students, noted that, "Afghan schools are increasingly at risk on military, ideological and political fault lines, with attacks increasing in eastern Afghanistan".

In a heart-warming gesture on July 3, 2018, as members of the Shiromani Akali Dal and Shiromani Gurdwara Parbandhak Committee protested against the attack outside the Afghanistan Embassy in Delhi, Afghan diplomats and officials joined the protests. Stating that Afghans were also victims of cross-border terrorism, they said Ambassador Shaida Abdali viewed the incident as "a shared pain" and the embassy "was obliged to protest together with the Afghan Sikhs residing in India who also found support from Sikh brothers of India". The attack underlines the fragility of the regime in Kabul. The rogue elements in Pakistan cannot be controlled without joint and concerted action by the US, Russia, India and China. ❑❑

(The writer is Senior Fellow, Nehru Memorial Museum and Library; the views expressed are personal)

Demographic Dividend or Demographic Burden:

Where is India heading towards?

A beautiful nexus between demographic change and economic progression producedan unprecedented economic outcomein few East Asian economies during 1960-1990, which was labelled by World Bank as East Asia's economic miracle. The miracle occurred in part because East Asia's demographic transition resulted in working age population growing at a much faster pace than its dependent population, thereby expanding the per capita productive capacity of such economies. Later, this miracle was termed as "Demographic Dividend".

During the last four decades, India has also undergone demographic as well as economic changes of significant proportions. Demographically, India has metamorphosed itself from a "demographic transitional" phase, where reductions in death rate led to natural increase in population and higher dependency ratio, to a near "post-transitional" phase, where fertility level has declined substantially, and rapid increase in working age population is on the horizon. Economically, the country has emerged as the third largest economy in the world in terms of purchasing power parity and the fastest growing major economy in terms of GDP growth. Many economists foresee the occurrence of demographic dividend for Indian economy in the coming decades that will place the country in the higher trajectory of growth and economic development.

Changes in the Demographic Profile

The demographic transition explains the change from pre-industrial high mortality and fertility to post-industrial low mortality and fertility. This happens because the baby boom that occurs at the beginning of the transition by the sharply reduced rates of infant and child mortality mainly due to changing health

The miracle called "Demographic Dividend" need not necessarily a positive trend but depends a lot on a right economic policy framework.

Dr. Madhur Mohit

profile of the country, starts diminishing as people recognize the utility of smaller families. With the consequent fertility decline, the transition period may be accompanied by changing age structure of population and greater female participation in the labour force. Hence, the productive capacity of the economy expands on a per capita basis and a demographic dividend may be within reach.

The total fertility rate for India, measured as the number of children born to a woman, has fallen from 4.97 during 1975-80 to 2.3 for the current period of 2015-20. By 2025-30 it is expected to go down to 2.1 and slide to 1.86 during 2045-50. There has been a gradual decline in the share of population in the age group 0-14 from 41.2 to 29.5 per cent during 1971 to 2011, whereas, the proportion of economically active population (15-59 years) has increased from 53.4 to 62.5 percent during the same period. According to some estimates, theworking-age ratio in the country is set to rise to 69 percent in2040, reflecting the addition of just over 300 million working-age adults. This would makeIndia—by an order of magnitude—the largest single positive contributor to the globalworkforce over the next three decades.

India had 66 per cent higher income per capita than China in 1980, but by the early 1990s China overtook India.

India with the median age of twenty six is about ten years younger to both China and USA. Research suggests thatproductivity is an increasing function of age, withthe age group 40-49 being the most productivebecause of work experience. Nearlyhalf the additions to the Indian labour force over theperiod 2011-30 will be in the age group 30-49, evenwhile the share of this group in China, Korea, andthe United States will be declining. That India will begrowing its most prolificworkforce even whilemany western advanced countries and East Asiancounties will be constricting theirs in thecoming years can be another source of advantage.

Lessons from China and East Asia

There are empirical evidences that fertility decline leads to demographic change and accompanied by greater female participation in the labour force. For example, both India and China established world's earliest national family planningprograms, in 1952 and 1956, respectively. China launched one-child policy norm with the campaign of 'later, longer, fewer' in 1979that led to a precipitous decline in fertility and a sharp rise in the working-age share of the population. Meanwhile, India's family planning program led to political backlash that ultimately set back its family planning efforts and pushed India's demographic trajectory out of phase with China's. India had 66% higher income per capita than China in 1980, but by the early 1990s China overtook India. In 2008, the situation was decisively reversed, with income per capita in China double that of India.Lower fertility rate leads to smaller family size which also means increase in spending on rearing and educating the children which are the future productive human resource. On the contrary if fertility rate is high, countries will have a difficult time investing in the human capital needed to secure the well-being of its people and to stimulate economic growth.

The lessons from Chinese growth escalation and East Asian turnaround have demonstrated that much of the increasein per capita income has come from greater labourproductivity which in turn depends upon more physical capital employed per worker (resulting from greater saving and investment), morehuman capital per worker (which comes from moreeducation as smaller family size ensures greaterspending on education per child), and greater totalfactor productivity (which measures intrinsic productivity of job capturing various parameters viz. technology used, efficiency with whichthe work is carried out, tacit knowledge,organizational capabilities and trust).In sum, if India needs to follow the similar path, it needs to concentrate on increasing savings and investment, escalating budget on education and raising total factor productivity (TFP). Major increase in China's TFP has come as workersmigrate from low-productivity sectors like agricultureto high-productivity sectors like manufacturing. The process of inter-sector migration has started in India and it is expected that the share of employment inagriculture will come down to about 40 per cent by 2020 and that in industry will rise. But the problem is that while industry is creatingjobs, these have been relatively low-productivityjobs as much of the labour has been absorbed in construction sector. As a result, per capita income in India hasnot benefited as much from inter-sectoralmigration of workers out of agriculture as otherAsian countries have.

Demographic Dividend or Burden: Challenges and Road Ahead

Notwithstanding the favourable demographic character of a nation, the benefits of demographic dividend are not realizedautomatically and depend much upon a right economic policy framework.Labour input to economic growth is not only determined by the size of the workingage population butalso depends on labour market participation, i.e. the proportion of the working-age population actuallyemployed and the nature of working regulations. Keeping the above facts in the mind, the policy framework needs to focus upon four things.

First, India has amongst the lowest women's labour force participation rates (LFPR) in the world. Not only women's participation rates are low but have been showing a declining trend since 2004-05. Women's LFPR dropped from 42.7 per cent in 2004-05 to 31.2 in 2011-12 and further to 27.4 per cent in 2015-16. Participation rates are even lower in urban areas and among educated women, and when women work they tend to end up in marginal jobs, often in home-based work (as contributing family worker/unpaid worker) and the domestic work sector. Research has proved the positive correlation between female literacy and their labour force participation and for that there is a need to develop a holistic approach to empower the girls while looking at barriers that are keeping girls from school. By investing in a young adolescent girl's education and health, and reducing the risk of early marriage and early pregnancy, she has greater opportunities to find a path out of poverty, lead a healthier life and become an asset to her family, community and society.

Second, despite remarkableeconomic growth during the past three decades, the majority of Indian workers are engaged in informalemployment. Roughly 85 per cent of the workforce is engaged in the informal sector. Among wage employees outside of agriculture, more than three-quarters have no written contract, 70 percent are not eligible for any paid leave, and 74 per cent are not covered by social security benefits. India's high rate of informality is a

Suitable higher education is important for high-end knowledge based services as IT, software development and finance.

drag on its economic development and a source of considerable inequity. Productivitydifferences between workers in the formal and informal sectors are large suggesting that moving a workerfrom an informal to a formal firm would bring about sizeable gains from improved allocation of resources. Research suggests that an informal job in the formal sector has double the value added than an informal job in the informalsector. And considerably, the productivity per worker in a formal job within the formal sector is almost ten times that in aninformal job in the formal sector. Not only that informal workerearns less but he is also subject to violations of basic human rights such as realistic, sound and safe work environment. Lack of job security and poor safety nets make informallyemployed workers extremely vulnerable to shocks such as illnesses and loss of income. Consequently, a strong correlationexists between informality and poverty in India. It is thereforeessential that consensus building on labour marketreforms should start soon. India needs many morefirms in the formal sector, especially firms thatcontinue growing and creating productive jobs. The government shouldcontinue to create a minimum safety net for informalworkers by, for example, extending the reach of Ayushman Bharat - National health protection mission, National pension scheme and introducingcertain unemployment insurance schemes.

Third, the services sector in India remains the most dynamic one and growth is very high, but that growth is not matched by commensurate growth in employment. It generates 53% of country's GDP but employs 28% of India's workforce.In most other economies the share of services in gross value added is more or less similar to its share in total employment. But India remains exception to this. Despite India climbing 30 positions in the ease of doing business ranking in 2018, some impediments to business creationsuch as regulatory hurdles and access to funding, infrastructure and labour regulationsremain common betweenservices and industry. For example, more than one-fourth of retail stores in India reportlabour Laws as a constraint for their businesses. But what stands out for the servicessector is the importance of education and skilling. Suitable higher education is important for highendknowledge based services such as IT, softwaredevelopment, and finance. Mid-level services suchas retail trade, hotels, and restaurant services alsorequire adequate skilling of the labour force.

As per 2011 census, India had 90 million elderly persons (above 60 years) in 2011 and the number is projected to be 173 million by 2026 and 315 million by 2050.

Finally, the urgency to put in place appropriate policies is magnified by the reality that what follows the Demographic Dividend is a time when ageing population begins to increase againbecause of increasing longevity and decreasing fertility. Inevitably the demographicfizz that made its way through the most fruitful working years creating the demographic dividendgrows old and retires. With a disproportionate number of old people relying upon a smaller generation following behind them the demographic dividendbecomes a liability. With each generation having fewer children, population growth slows, stops, or even turns negative and this trend may be deemed a demographic burden. This phenomenon is being noticed most dramatically in Japan, Germany and few other European countries with younger generations essentially abandoning many parts of the country. Other regions, notably Europe and North America, will face similar situations in the near future, with East Asia to follow after that. As per 2011 census, India had 90 million elderly persons (above 60 years) in 2011 and the number is projected to be 173 million by 2026 and 315 million by 2050. While only 8% of population was above 60 years in 2011, as much as 20% of population is expected to be above 60 years in 2050. Time has come when we stop labelling older people as burden but assuming them as potential resource and creating opportunities for them across the sectors. Another policy intervention requires considerable ingenuity to increase the ability to save for old age. This, in turn, would require improving the quality of education as better education will increase productivity, thereby enhancing the level of incomes and savings. ❑❑

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The implications of Trump's challenge to the WTO trading system

After being on course for a relatively stable performance, the first since the Great Recession of 2008, the global economy finds itself in choppy waters once again, this time on account of the likelihood of a trade war between the two largest economies.

During his US presidential campaign, Donald Trump had promised supporters that if elected, he would impose a 45% tariff on all imports from China, and would also target Mexico, a US partner in the North American Free Trade Agreement (NAFTA). Although presidential hopefuls have generally made trade protectionism an integral plank of their campaigns, Trump's position was a departure from past trends on three counts. The first was that trade protectionism, a preferred plank of the Democrats, was being voiced by a Republican hopeful; the second was that past promises of protecting domestic industries seldom spoke of using tariffs as the instrument to be deployed; and the third and most important was the promise to target specific trade partners. But, despite the instant approval that Candidate Trump had received from his support base, few would have thought that President Trump would go down the risky path of targeting imports from the US' major trading partners.

Biswajit Dhar *contends that by initiating this latest move of tariff wars, the Trump administration is challenging the very existence of the postwar multilateralism in trade, which, despite its limitations, has made efforts to bring order to global trade by binding sovereign states to an extensive set of rules.*

President Trump's strategy of targeting imports, which was first announced on 1 March, has had two clear strands. The first is the target-China strategy, which he put into practice by initiating a tariff war; and the second is to target several other partners by using a number of measures. In the postwar era, no other country has unleashed such a variety of trade policy instruments in this short a period to undermine the interests of its partner countries.

Prior to embarking on the path of unilateral trade protectionism as part of his larger strategy to 'Make America Great Again', the US President had suggested that he would push for the imposition of 'reciprocal tax' against countries applying tariffs on American products. Although the President did not clarify how the 'reciprocal tax' would be designed or implemented, this proposal was bound to draw ominous parallels with the infamous Tariff Act of 1930 (better known as the Smoot-Hawley Tariff, after the act's sponsors, Senator Reed Smoot and Representative Walter Hawley).

The objectives of the Smoot-Hawley Tariff were almost identical to those laid out by Trump, namely, to protect jobs in American industry and agriculture by shielding the domestic industries from import competition, using tariffs on a large number of products. In the wake of the Smoot-Hawley Tariff, trade partners of the US imposed retaliatory tariffs, restricting access to American products in their markets. Many analysts have argued the trade wars were responsible for deepening the economic crisis arising from the stock market crash in 1929 and causing the Great Depression of the 1930s.

Protectionist pattern

There are at least three critical dimensions arising from the actions taken by the Trump administration. The first is that the actions on steel and aluminium imports are part of a pattern of trade protectionism being practised by the administration. The second concerns the response of several major trading nations which have already retaliated or are threatening to retaliate against US imports, thus raising the grim prospect of a trade war reminiscent of the 1930s. The third is that the unilateral action taken by the US poses a serious challenge to the framework of global trade rules governed by the World Trade Organisation (WTO), the implications of which can be far-reaching.

Trump fired the first salvo by targeting imports of steel and aluminium to help revive American fortunes in these two sectors. He implemented the extraordinary decision to impose import tariffs of 25% and 10% on steel and aluminium respectively by invoking the provisions of Section 232 of the Trade Expansion Act of 1962. This provision allows the administration to take measures to protect domestic industries for 'national defence' and 'national security'.

India is the latest in the list of unfair trade practices that Trump administration had adopted.

Trump's action was backed by an investigation conducted by the Bureau of Industry and Security of the US Department of Commerce. This investigation had made a strong case for the imposition of import tariffs on the two metals for national security, based on the understanding that 'national security can be interpreted more broadly to include the general security and welfare of certain industries, beyond those necessary to satisfy national defense requirements that are critical to the minimum operations of the economy and government'. This interpretation lends itself easily to bringing substantially more products under the dragnet of import tariffs. Equally egregious is Trump's insistence that the tariff increases on steel and aluminium are for an 'unlimited period'.

While the discussions on Trump's action were riveting around steel and aluminium, few realised that the problems caused by US trade protectionism ran much deeper for two reasons. Firstly, there had already been excessive use of anti-dumping measures on steel. Secondly, there are two other products, namely washing machines and solar cells and modules, whose imports have been restricted by the US President in recent months.

Until mid-April 2018, the US had issued 208 anti-dumping and countervailing duty orders on iron and steel products, half of which were against four countries, namely China, South Korea, India and Japan. As a result of such extensive use of antidumping actions, the major exporters face considerable uncertainties in the world's largest market for steel.

At the beginning of the year, Trump authorised imposition of restrictions on imports of washing machines and solar cells and modules using the provisions of Section 201 of the Trade Act of 1974, the first time such authorisations have been made in 16 years. Section 201, which is the analogue of the 'safeguard measures' under the WTO, allows, as a temporary measure, the raising of import duties or imposition of non-tariff barriers on goods entering the US that injure or threaten to injure domestic industries producing similar goods. In the case of washing machines, import quotas have been established for three years wherein, in the first year, a 20% tariff would be imposed on imports of up to 1.2 million washing machines and a 50% tariff on imports beyond the above threshold. The safeguard measures in the case of solar cells and modules would last for four years, with a 30% tariff being imposed in the first year.

Strong response

The Trump administration's announcement of the tariff hikes on steel and aluminium brought a strong response from its major trade partners, in particular the European Union and Canada, which threatened to retaliate by targeting American icons like Harley-Davidson, Kentucky bourbon and Levi's blue jeans. The EU Trade Commissioner Cecilia Malmstrom announced concrete plans to retaliate against the proposed American tariffs by imposing higher import duties on bourbon, peanut butter, cranberries, orange juice, steel and industrial products. The total value of American exports against which the EU threatened to increase tariffs was €6.4 billion, of which €2.8 billion worth of products would face tariffs of 25% immediately while the remaining products would be targeted after three years.

The response of the US President to the threats of retaliation by the close allies was to provide them temporary reprieve a day before the penal tariffs came into effect on 23 March. Seven partners, namely, the two closest neighbours Canada and Mexico, members of the EU, Australia, Brazil, South

US insists on perpetuating a patently absurd system of assessing the levels of farm subsidies to threaten developing countries.

Korea and Argentina, were exempted from the tariff hikes under Section 332 until 1 May, pending discussions with these countries to reach a satisfactory long-term solution that would address what the US saw as impairment to its national security interests.

Alongside giving an important exemption, albeit temporary, to the allies, Trump sanctioned tariff hikes on up to $60 billion worth of imports from China, endorsing the findings of the US Trade Representative (USTR) that Chinese firms were violating the intellectual property of American companies. These targeted actions against Chinese imports for intellectual property violations became the centrepiece of the Trump administration's tariff war with its largest trade partner. The coverage of products, followed by the swift response by China, made it clear this sequence of events would not only sow the seeds of uncertainty in the global economy at a critical juncture but, more importantly, trigger the unsavoury prospect of a trade war reminiscent of the 1930s.

The justification provided by the USTR for the first in this sequence of actions was the investigation conducted under Section 301 of the US' Trade Act of 1974 on the 'laws, policies, practices, or actions of the Government of China that may be unreasonable or discriminatory and that may be harming American intellectual property rights, innovation, or technology development'.

The results of the investigation, according to the USTR, showed four areas of transgression by China. Firstly, the Chinese government used a number of measures, including joint venture requirements and foreign equity limitations, to regulate or intervene in the operations of American companies in China, and by so doing, forced transfer of technologies and intellectual property to Chinese companies. Secondly, the policies and practices adopted by the Chinese government did not allow US companies to set market-based terms for licensing technologies to Chinese companies. Thirdly, the Chinese government unfairly facilitated investments in, and/or acquisition of, American companies and their assets by Chinese companies with a view to obtaining cutting-edge technologies and intellectual property rights. And, finally, China conducted or supported 'unauthorised intrusions' into American 'commercial computer networks or cyber-enabled theft of intellectual property', providing competitive advantages to Chinese companies or commercial sectors.

Ten days after China was targeted by the US, the Customs Tariff Commission of the Chinese State Council decided to retaliate against the increases in tariffs on Chinese products by imposing tariffs on 128 dutiable products across seven categories. These products accounted for $3 billion of US exports to China in 2017. This measure was aimed at offsetting the losses suffered in the aftermath of the US invoking Section 232 of its Trade Expansion Act of 1962. On the first set of products, covering 120 dutiable products, including fresh fruits, dried fruits and nuts, wines, modified ethanol, American ginseng and seamless steel pipes, the Chinese authorities proposed to impose import tariffs of 15%. The value of these products exported by the US to China was $977 million in 2017. On the second set of products, covering eight dutiable products, including pork and its products, recycled aluminium and other products, the proposed import tariffs were 25%. The value of US exports of these eight products to China was $1.992 billion in 2017.

One feature of the import curbs announced by the US and China in the first round of what now seems to be a long-drawn battle was that the Chinese threat of retaliation was disproportionately low: the US had threatened to impose high tariffs on over 11% of its imports from China, while just over 2% of US exports were targeted by China. However, China, while taking its retaliatory actions, had targeted a number of products originating in the politically sensitive agrarian heartland of the US, which implies that the real cost of the proposed Chinese action for the latter could be much larger than the dollar value.

Predictably, the US reacted immediately. The USTR announced imposition of 25% tariffs on approximately $50 billion worth of Chinese imports. The total value of imports facing the proposed tariff increases would, in the USTR's view, compensate the economic loss suffered by the US from China's implementation of its forced technology transfer policies. The figure of economic loss was revealed in the Section 301 investigation that the USTR had conducted since August 2017.

An affront on India's farm subsidies provides an opportunity to expose the malafides of the US and illogicality of the subsidies' regime of the AoA.

The proposed list of products for retaliatory action covered nearly 1,300 tariff lines. The USTR unveiled a plan to subject these products to a public review, including a hearing, until the end of May. The final list of products would be determined after this process of public review. In other words, the US would keep the pot boiling through the next several weeks.

Chinese government policies forcing American companies to transfer their technologies and intellectual property to Chinese enterprises, argued the USTR, would enable China to gain ascendancy in the global market in advanced technologies, especially through the implementation of its industrial plans as underlined in 'Made in China 2025'. The USTR revealed that the products proposed for tariff hikes were identified as those that would benefit from China's industrial plans while at the same time undermining the interests of the US. Sectors included for the proposed tariffs were aerospace, information and communication technology, robotics and machinery.

Multilateral trading system undermined

As mentioned earlier, American unilateralism in protecting domestic industries stretches back to the 1930s. The US could easily impose import tariffs unilaterally at the time, since global trade rules were then non-existent. Today the Trump administration is treading the same path of unilateralism, and it is doing so by completely disregarding the disciplines of the WTO.

This disregard for the WTO is not new for the Trump administration. Over the past year, the administration has undermined the multilateral trading system through a systematic process of non-engagement. By initiating this latest move of tariff wars, it is challenging the very essence of the post-war multilateralism in trade, which, despite its limitations, has made efforts to bring order to global trade by binding sovereign states to an extensive set of rules.

Besides the unilateralism in the imposition of tariffs, the Trump administration has also challenged the WTO rulebook by first determining unilaterally that China was infringing intellectual property owned by US companies and then imposing trade sanctions by raising tariffs on imports of high-technology products. These actions by the administration are in violation of WTO rules that prevent any member of the organisation from taking unilateral measures against another member without following the procedures laid down by the WTO's Dispute Settlement Body (DSB).

In this particular case, the US has also violated the commitment it had made before a WTO dispute settlement panel that adjudicated a dispute brought by the EU in 1998 against Sections 301-310 of the US Trade Act of 1974 (henceforth, US-Section 301 Trade Act). This dispute was significant for 16 other members had joined as third parties. The main contention of the complainant and the third parties was that the US had maintained the aforementioned provisions on its statute book, which gave the USTR powers of unilateral action against other countries, even after the WTO was established.

The proceedings before the dispute settlement panel are germane to the present discussion. The panel observed that the language of Section 304 of the Trade Act of 1974 – which gave the USTR the powers to make determinations of whether 'the rights to which the United States is entitled under any trade agreement are being denied' – was 'prima facie inconsistent with Article 23.2(a)' of the Dispute Settlement Understanding (DSU) of the WTO. Article 23.2(a) states that members of the organization 'shall not make a determination to the effect that a violation has occurred, that benefits have been nullified or impaired or that the attainment of any objective of the covered agreements has been impeded, except through recourse to dispute settlement in accordance with the rules and procedures of this Understanding'. Further, WTO members are instructed to 'make any ... determination [of violation] consistent with the findings contained in the panel or Appellate Body report adopted by the DSB ...' In other words, a member cannot take action against a perceived violation by any other member before referring the case to the DSB and getting a decision from the dispute settlement panel or the Appellate Body.

The US is now in clear violation of its commitments made to the panel in the US-Section 301 Trade Act case.

Despite such strict guidelines written into the DSU, the panel in the US-Section 301 Trade Act case concluded that the US had not violated its WTO commitments by allowing Section 304 to remain on its statute book. The panel arrived at this conclusion on the basis of several statements made by the US in the course of the hearing.

Firstly, the US brought to the notice of the panel that the Statement of Administrative Action (SAA) submitted by the administration to the US Congress for implementing the WTO agreements states that the USTR is required under Section 304 to base a determination of whether agreement rights have been denied on the results of WTO dispute settlement proceedings. Further, the panel observed that the US had 'explicitly, officially, repeatedly and unconditionally confirmed the commitment expressed in the SAA namely that the USTR would "… base any section 301 determination that there has been a violation or denial of US rights under the relevant agreement on the panel or Appellate Body findings adopted by the DSB'". This implies that in case a dispute settlement panel was unable to complete its proceedings within the time frames provided for in the DSU, the USTR would not be able to make a determination that US agreement rights have been denied.

Secondly, the US argued before the panel that the USTR had never made a Section 304 determination that the rights of the US pertaining to the GATT (General Agreement on C O V E R Tariffs and Trade) or any WTO agreement rights had been denied which was not based on the results of GATT and WTO dispute settlement proceedings.

The US is now in clear violation of its commitments made to the panel in the US-Section 301 Trade Act case. The conclusion made by the panel in this regard is particularly relevant: 'Should the undertakings articulated in the SAA and confirmed and amplified by the US to this Panel be repudiated or in any other way removed by

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Organic food regulation should protect interests of consumers, farmers

FSSAI does not realise that organic farming will go a long way in fulfilling the regulators' primary mandate of securing food safety. A nascent industry like organic farming needs as much facilitation and promotion as possible.

Kavitha Kuruganti

Sceptics often raise the Malthusian argument that organic farming has lower food production. But it is a sector that is posting impressive growth all over the world. The US is its largest market, and India has the highest number of organic farmers. For the farmer, it presents a low-external-input, low-debt approach, with farm-level resilience improved through diversity-based cropping. And we are yet to come across an organic farmer who has committed suicide in this country due to agrarian distress. In the era of climate change, organic farming's approaches are suitable for both mitigation and adaptation. For the consumer, organic food production, especially accompanied by traditional seed varieties, means safer and nutritious food. Organic farming enterprises also take up eco-friendly food processing, while retaining the nutritional qualities of the produce.

The government had recently brought in large flagship programmes to promote organic farming. The recent growth in "formally-counted" organic farming areas and the number of farmers is reflective of the investments being made. As per reports, the year-on-year growth rate of the organic sector is anywhere between 20% and 25%.

While this is ecouraging, organic farming accounts for just 1.7% of India's cultivated area, and the organic food is not even 0.1% of India's $300 billion annual food consumption. That's why the recent regulations around organic farming brought by The Food Safety and Standards Authority of India (FSSAI) raise many questions. They will come into effect next month.

The regulation requires organic food sold in the market to have a certification – either from a third party or Participatory Guarantee System (PGS). It exempts only small producers or the producer organisations who sell directly to consumers.

It's ironical that in spite of using toxic chemicals, producers in the conventional non-organic sector do not have to spend to guarantee compliance with food safety regulatory requirements. Additionally, the country's Food Safety and Standards Act, 2006, doesn't apply to farming operations, farmers or their crop products at the farm level.

FSSAI does not seem to realise that organic farming, by its nature, will go a long way in fulfilling the regulators' primary mandate of securing food safety. A nascent industry like organic farming needs as much facilitation and promotion as possible. The haste with which the FSSAI moved forward to regulate the country's 0.1% food production is very uncharacteristic and inexplicable compared to the speed with which it sought to regulate actually-unsafe food.

To ensure that fake organic items are not sold is indeed a noble objective and prevents misbranding. But misbranding of organic food is no more unsafe than the food citizens access routinely.

To equate quality assurance with certification is faulty. Certificates can be purchased. How do you explain reports of chemical residues in certified organic food or rejection of certified export consignments? It should be noted that certifiers have an inherent conflict of interest in wanting to expand their business by certifying more farms as organic. Increase in fake organic produce is a matter of concern not just for consumers but for organic farmers too. Food regulators should focus on stopping really unsafe foods rather than go after organic ones.

The regulatory guidelines raise many other questions. For selling to consumers directly, why is exemption provided for only small organic producers whereas all organic farmers should be exempt? The consumer has a right to know the producer in all cases, anyway. Besides, it's not clear what defines a 'small organic producers organisation'.

Organic farming will need proper marketing opportunities. Bringing in onerous regulations for individual farmers instead of providing free and timebound certification to farmers is unwarranted. Most organic farmers do not have the ability to sell their products to consumers directly. They need alternative supply chains which are mainly in the form of producer-to-retailer-to-consumer. Therefore, without exempting one-step-away-from-consumers retail sales, exempting only direct sales, that too only for 'small' producers is a meaningless proposition.

It's not an argument against regulation of organic farming but an advocacy for a win-win situation for both organic producers as well as consumers. ❑❑

Kavitha Kuruganti is national convenor, Alliance for Sustainable and Holistic Agriculture. The views expressed are personal.

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The implications of Trump's challenge to the WTO .....

the US Administration or another branch of the US Government, this finding of conformity [of Section 304 with the WTO rules] would no longer be warranted.'

The challenge thrown by the Trump administration to the multilateral trading system is not limited to the issue considered here. In recent months, the administration's affront to the WTO has dipped to a new low through its non-cooperation over the appointment of members of the WTO's Appellate Body. The Appellate Body performs a critical role in the WTO's dispute settlement process since it reviews the decisions of dispute settlement panels when it is approached to do so. Decisions of the Appellate Body are final and binding on WTO members as WTO rules do not allow review of these decisions.

The Appellate Body is supposed to have seven members, but by the beginning of October, it would have only three members. Over the past year, the US has repeatedly vetoed the appointment of new members on the Appellate Body and this is threatening the functioning of the body. This implies that trade partners of the US which would like to challenge Trump's turn to protectionism in violation of WTO rules could experience an exceptional situation where the WTO would not be able to redress their complaints because of a broken Appellate Body. The inability of the WTO to act as an effective arbiter in trade disputes could really be catastrophic for the global trading system. ❑❑

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SJM opposes move to change definition of MSMEs

The Centre's proposal to change the definition of Micro, Small and Medium Enterprises (MSMEs) has been opposed by the Swadeshi Jagran Manch, a Rashtriya Swayamsevak Sangh affiliate that deals with economic issues. In Feb., the Centre decided to revise the definition of MSMEs on the basis of turnover instead of the existing methodology of classifying them as per cost of plant and machinery. To give effect to this decision, the Centre has already moved a new Bill in Parliament in the ongoing monsoon session.

"We are of the firm opinion that this definitional change would be detrimental to the interests of small scale industries. It's notable that nowhere in the world we find definition of MSMEs based purely on turnover. It's important and interesting to note that 98 per cent of small units have a turnover of less than 15 crore. That means, with this change in definition hardly 2 per cent would attain the status of MSMEs at the cost of 98 per cent," said the National Co- convenor of the Swadeshi Jagran Manch, Ashwini Mahajan.

"Due to the obsession of political leadership and bureaucracy for globalisation and corporatisation, several policies were made which were detrimental to the interests of Small Scale Industries (SSIs) and favoured big corporate at the cost of SSIs," Mahajan said.

"This is our considered opinion that there is no reason or legitimacy for this change in definition of MSME," he added.

Mahajan also said the change in definition would incentivise small industries entrepreneurs to shun their industries and become importers/traders or assembly units. He urged the Prime Minister Narendra Modi and the MSME Ministry to immediately halt the process of passage of the MSME Bill in the interest of the small industries.

"It is feared that with change in definition, small and medium enterprises would be able to enjoy the benefits of MSME by shifting from manufacturing to trading and assembling," he said.

https://www.thehindubusinessline.com/economy/macro-economy/sjm-opposes-move-to-change-definition-of-msmes/article24547561.ece

SJM wants India to uphold TRIPS flexibilities in UN forum on TB

Ashwani Mahajan, National Co-convener of SJM, tweeted a message this morning (July 24). "Don't cave into US pressure tactics, TRIPS flexibilities are key to protecting public health", read the message, tagged to the twitter handles of Prime Minster Narendra Modi, Health Minister J. P. Nadda, Foreign Affairs Minister Sushma Swaraj and BJP National President Amit Shah.

Mahajan was attempting to sensitise Indian top decision makers on an issue where developing country members of the United Nations (UN) were allegedly facing immense pressure from the United States. The negotiators and representatives of UN member nations are currently finalising the text of a political declaration that will be made by its leaders after the first UN high level meeting on tackling tuberculosis (TB) scheduled to be held in September.

This declaration will set the tone of the policy direction in which global community will move to tackle the menace of TB. India and several other developing nations where TB is a major health problem would like to use all flexibilities provided in the World Trade Organization's (WTO) Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) to ensure access to affordable TB medicines. This includes the permission to grant compulsory licenses to local drug manufacturers to supply low cost generic versions of patented TB drugs if they are not available in the country at affordable rates. The US does not want such an explicit endorsement of the use of TRIPS flexibilities in the declaration and hence wants the negotiators to drop all references to protecting the rights of individual nations to take fully legal actions to access affordable medicines for their patients.

As his tweet suggests, Mahajan wants India, and other developing countries, to retain and exercise their rights to get MDR-TB sourced at an affordable price, while retaining the option to get it locally made by exercising public health emergency related flexibilities in the global trade order. The absence of a political declaration at a UN meet will not take away that flexibility, but it may send a conflicting signal that does not align with the sustainable development goals of the UN, that give prominence to access and affordability of healthcare.

https://www.businesstoday.in/current/economy-politics/sjm-wants-india-to-uphold-trips-flexibilities-in-un-forum-on-tb/story/280635.html

SJM alleges BMGF of lobbying for pharmaceutical companies

SJM has demanded banning such NGOs working in India that are facing allegations of conflict of interests and promoting certain pharmaceutical companies manufacturing 'contentious' vaccines.

SJM demanded from the Central and state governments to review working of the international NGOs such as Bill and Melinda Gates Foundation (BMGF), Global Health Strategies (GHS), Programme for Appropriate Technology for Health (PATH) in India.

SJM co-convener Ashwini Mahajan alleged that the department of financial services was investigating appointment of BMGF's national head on the board of Reserve Bank of India (RBI) which is also a regulator to monitor foreign funds. There are serious charges of conflict of interest on a Joint Secretary in the Ministry of Health, appointment on a panel of GHS have been reported. Mahajan said that the same joint secretary was responsible for the National Immunisation Programme and GHS has been lobbying for the use of vaccines like HPV. Questions are being raised about the influence of the pharma giants on the National Immunisation Program. "The track record of GHS was also not clean. Parliament Standing Committee on Health in 2013 found serious lapses on part of PATH in taking informed consent of parents, the process of taking regulatory clearances as well as conflict of interest of the NGO with certain quarters of the government. The Committee had also recommended strict action against the NGO. But nine years hence, far from getting penalised, these individuals continue to work freely with the government influencing our policies and programs as they did a decade ago," said Mahajan. The SJM alleged that there are reports about these organisations pushing their agendas in various states to influence the health policy making through direct and indirect representatives, consultants and public policy professionals. SJM has regularly been alerting the central government agencies of these outfits' ill-designs and in most of the cases the agencies started reviewing their role thereafter. SJM also noted that these NGOs, along with their subsidiaries and affiliates are actively lobbying with the state governments to meet their end goal, that too circumventing the laws of the land. It will be appropriate, if the state, as well as, central agencies issue advisories and immediately stop interacting with them. There is a strong case for reviewing their functioning and programmes these outfits run.

These outfits in the last few years spread their wings in states like Bihar, Uttar Pradesh and Jharkhand. The outgoing Akhilesh Yadav government in Uttar Pradesh signed MOU with BMGF, which operates through foreign organisations like University of Manitoba, Clinton Foundation et al in the state. The MoU is up for renewal. "We demand from the present Uttar Pradesh government to come up with a white-paper on the progress of the understanding. There is an urgent need to take a relook and ensure Indian organisations are given due preference. The BMGF also uses serving and retired IAS officers on high salaries for influence peddling."

https://www.oneindia.com/india/swadeshi-jagran-manch-alleges-bmgf-lobbying-pharmaceutical-companies-2734659.html

SC slams social networking sites for failing to prevent offensive materials

The Supreme Court on Friday raised concern over irresponsible behaviour of search engines and social networking sites like Google, Facebook, WhatsApp and Yahoo in promoting objectionable material leading to lynching of people, and warned imposing Rs five lakh per day on them if they fail to develop a foolproof mechanism to prevent uploading of such material. A bench of Justice Madan B. Lokur and Justice Deepak Gupta granted one month to the social media sites to ensure a foolproof mechanism to prevent uploading of objectionable materials including child pornography, gangrapes, and so on, on the social media sites. It said it will impose a fine of Rs five lakh per day on Google, Microsoft, Yahoo, Facebook and WhatsApp till they come up with mechanism to prevent such materials, and gave one month to companies after they sought time.

The NGO has contended that despite several assurances by the search engines and social media sites, child pornography continues to be available on the internet medium.

https://www.abplive.in/india-news/sc-slams-social-networking-sites-for-failing-to-prevent-offensive-materials-733571

Chinese investments in NBFC sectors like Alibaba in Paytm threat to national security

Bharatiya Janata Party's member of parliament, Narendra Jadhav has made a strong remark on Chinese investors in India. According to him picking up stakes in Indian payments and NBFC firms by Chinese companies such as Alibaba in Paytm could pose a grave danger to national security. The development comes just after Paytm's argument with offshores payments firm over local data storage.

The nominated Rajya Sabha MP who previously served as a member of the Planning Commission of India and the National Advisory Council has clarified that Chinese authorities are asking for board seats and involvement in corporate decisions of multinational companies such as Alibaba.

Alibaba is a major stakeholder in Paytm, which has applied for NBFC licence. In this way, if Alibaba is allowed to dominate the NBFC sector, it could lead to predatory pricing as well as risk to a large amount of private and financial data.

He also said that these multinational companies chose NBFC over private banks because there is a restriction of at least 26 per cent local ownership in the banking system, as well as no individual investor, can own more than 10 per cent in it. On the other hand in NBFC there is no restriction in terms of foreign ownership. While Paytm had picked up a stake in NBFC platform CreditMate, Alibaba is reportedly offering financial aid through its tie-ups with Aditya Birla Group's NBFC arm, IDFC Bank, and Kotak Mahindra Bank.

Not only Alibaba, Shunwei Capital, the venture capital firm started by Xiaomi founder Lei Jun also showing interest in NBFC space through their recent investments in microlending platform KrazyBee and lending platform for salaried professionals, LoanTap.

Meanwhile, Paytm is also foraying in Japan with the help of Masayoshi Son-led investment giant SoftBank. This is not the first time when a political party or group in India raised its voice against Chinese investors. Earlier, RSS-affiliated Swadeshi Jagran Manch had appealed to the government to disallow investment in companies such as Paytm, which is getting funding from China.

Apart from Chinese investors, these political parties/ groups have also raised voice against US dominance in the Walmart-Flipkart deal.

https://entrackr.com/2018/07/bjp-mp-alibaba-paytm-nbfcs-threat-security/

Indians no longer require airport transit visa: France

France has announced that Indian passport holders will no longer require an airport transit visa while transiting through the country.

"I'm pleased to announce that, with effect from July 23, 2018, holders of Indian passports will no longer require an Airport Transit Visa (ATV) while transiting through the international zone of any airport in France #ChooseFrance," France's ambassador to India Alexandre Ziegler said on Twitter last week. France forms part of the Schengen Area comprising 26 European states and is the world's most popular tourist destination but reports say there has been decline since terror struck the nation in 2015 and 2016. However, in the past three years or so there has a been a sharp rise of tourists visiting from India.

Those going to the European nation enjoy great food, picturesque villages, bright blue skies and delicious wine, art alongside the Mediterranean. Lately, Paris, especially, has been overcrowded resulting in local anger and visitor disappointment.

https://www.abplive.in/india-news/indians-no-longer-require-airport-transit-visa-france-733628

World's 'highest' village in Spiti Valley runs dry as global warming hits the Himalayas

With a backdrop of the snow-capped Himalayas stretched out across a vibrant blue sky, it is hard to dispute the sign as you enter Komik that declares it to be the world's highest village with a road. Others also boast the title — from Nepal's Dho Tarap to Bolivia's Santa Barbara. But at 4,587 metres (15,050 feet), this remote Buddhist hamlet near India's border with Tibet is no doubt among the planet's topmost motorable human settlements. Yet despite its coveted status, life is harsh for the 130 residents of Komik, a quaint collection of whitewashed mud-and-stone houses located in the desolate Spiti Valley.

The region is a cold trans-Himalayan desert cut off from the rest of India for six months of the year when snowfall blocks mountain passes. Phone and internet connectivity is almost non-existent. Schools and clinics are a tough trek away.

But Spiti's nearly 12,000 inhabitants, who eke out a living farming green peas and barley, have a much bigger concern: their main sources of water — streams, rivers, ponds — are drying up.

"We are used to being in a remote place. We have our traditional ways of living," said farmer Nawang Phunchok, 32, as he sat tying bundles of a prickly desert bush together to insulate the local monastery's roof.

"But these days the water is not coming like it used to. The seasons are changing. We see there is less water than before." There is little doubt India is facing a water crisis. Decades of over-extraction of ground water, wasteful and inefficient irrigation practices, pollution of surface water like lakes and rivers, and erratic weather patterns attributed to climate change, have left many parts of the country thirsty.

https://www.hindustantimes.com/india-news/world-s-highest-village-runs-dry-as-warming-hits-the-himalayas/story-QSAB2bLTwWSFobNrm56uxM.html

Rampant sale of unapproved GM processed food in India

Raising an alarm over the availability of unapproved genetically-modified processed food, Delhi-based think tank Centre for Science and Environment (CSE) alleged large-scale illegal sale of such food items in the country.

A study conducted by the advocacy and research group found 32% of the total of 65 randomly selected samples tested positive under the genetically modified category. This includes infant food, edible oil and packaged food snacks. Most of these are imported from the US, Canada, Netherlands, Thailand, and the UAE.

"Every second-imported product we tested was genetically-modified positive that were mostly from developed countries. Nine out of 10 products were from the US," said Chandra Bhushan, CSE deputy director general. Of the 65 samples, 35 were imported products, whereas 30 were locally produced. Bhushan said imported samples from reputed firms fared worse accounting for 80% of the products found GM positive. These products were produced from or contain soya, cotton seed, corn or rapeseed (canola), which are known GM crops of the world. While some of the products containing GM ingredients were found not to have declared the same on their labels, there were also products which declared themselves GM positive but lacked requisite government nod, CSE said.

https://timesofindia.indiatimes.com/india/rampant-sale-of-unapproved-gm-processed-food-in-india-finds-study/articleshow/65156455.cms?utm_medium=referral&utm_campaign=iOSapp&utm_source=twitter.com

Cash-on-delivery deals not authorised: RBI

Cash-on-delivery (CoD), which accounts for almost half the ecommerce purchases in the country, could be a regulatory grey area, going by the Reserve Bank of India's reply to a Right to Information (RTI) query. The method involves Flipkart, Amazon and other marketplaces collecting cash from customers on behalf of third-party vendors at the time the goods are delivered.

"Aggregators/payment intermediaries like Amazon and Flipkart are not authorised under Section 8 of the PSS (Payments and Settlements Systems) Act, 2007," the apex bank said in its response to the RTI application. However, some legal experts said the rules don't necessarily invalidate cash-on-delivery. The Act mentions electronic and online payment, but doesn't make explicit mention of money received through the cash-on-delivery route.

The query had asked RBI to "confirm if cash-on-delivery payment collection and disbursement to ecommerce merchants by ecommerce marketplaces

such as Flipkart and Amazon (are) covered under the definition of payment system and system provider of the Payments and Settlements Systems Act, 2007, No. 51 of 2007 by acting as intermediaries and system providers. If yes, are these payment systems authorised as per Section 8 of the said Act?" To be sure, the central bank hasn't laid down the law with respect to such transactions.

"RBI has not issued any specific instruction in this regard," RBI said in its reply.

It elaborated on the definition of intermediaries in the Act: "Intermediaries would include all entities that collect monies received from customers for payment to merchants using any electronic/online payment mode, for goods and services availed by them and, subsequently, facilitate the transfer of these monies to the merchants in final settlement of the obligations of the paying customers."

This definition was included in RBI circular DPSS.CO.PD.No.1102/02.14.08/2009-10 of November 24, 2009, on "directions for opening and operation of accounts and settlement of payments for electronic payment transactions involving intermediaries," the central bank said.

Flipkart introduced cash-on-delivery in 2010 to take ecommerce to the masses as online transactions were not mainstream at that time and to combat a reluctance to use credit cards. Experts said this was one of the reasons for ecommerce gaining a foothold in India. Flipkart and Amazon declined to comment. The RTI application was filed by Dharmendra Kumar of India FDI Watch, a grouping of trade associations, unions, farmers' groups and small-scale industries working toward "building awareness and facilitating grassroots action to prevent the takeover of India's retail sector by corporations". A lawyer said the system wasn't unlawful.

"This by no means makes the cash-on-delivery model illegal or unauthorised," said Abhishek A Rastogi, partner at Khaitan & Co. "The Payment and Settlement Systems Act, 2007 should apply to cash-on-delivery transactions by e-commerce operators."

The legislation seeks to regulate payment systems, which are defined as anything that enables such transactions between payer and beneficiary, he said.

"It cannot be said that collection of cash by ecommerce operators is unauthorised," Rastogi said. "It (COD) can be done through a contractual arrangement between ecommerce operators and merchants. These will be regulated by the Payment and Settlement Systems Act, 2007, rules and regulations framed thereunder."

Kumar, who filed the RTI, didn't agree.

"If ecommerce firms have been collecting cash-on-delivery on behalf of merchants without RBI's authorisation, there must be a grey area in the law they are exploiting," he said. "The RBI should have a system in place to ensure such things do not happen."

https://economictimes.indiatimes.com/news/economy/policy/e-commerce-cash-on-delivery-deals-not-authorised-says-rbi/articleshow/65111881.cms

Supreme Court protects right to protest, allows stirs at Jantar Mantar

Delhi got its "protest" site at Jantar Mantar back, with a bonus of Boat Club, with the Supreme Court striking down on Monday a ban on demonstrations at the historic observatory imposed last year by the National Green Tribunal.

The court restored the two venues, close to the seat of power in central Delhi, for protesters and said people had a fundamental right to demonstrate peacefully. Their displacement to Ramlila Maidan had proved a non-starter and robbed protests, including sit-ins, of a historic venue like Jantar Mantar. The decision to allow protests at Boat Club is significant as all public demonstrations were banned from the sprawling greens for long since large rallies in the late 1980s and early 1990s were seen to have been too disruptive. Rallies are still out of bounds, but protests will be allowed in accordance with guidelines.

Suggesting likely parameters, the court said there could be restrictive and limited use of the venues with provisions for regulating the number of persons, prescribing a minimum distance from Parliament House, North and South Blocks, the SC and residences of dignitaries where no demonstrations will be allowed.❑❑

https://timesofindia.indiatimes.com/india/supreme-court-protects-right-to-protest-allows-stirs-at-jantar-mantar/articleshow/65110515.cms?utm_medium=referral&utm_campaign=iOSapp&utm_source=twitter.com