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*Economic mess:
Blame it on
India's Political
Consensus*

MR Venkatesh



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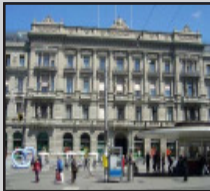
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Punish terrorists without delay

The much publicised arrest of Zabiuddin Ansari, the alleged 26/11 terrorist handler, bears testimony to the success of India's patient pursuit of those who perpetrated that heinous crime. Now, that Ansari has been apprehended, his trial must be put on fast-track. More sooner than later, he should be made to pay back in the same coin with which those 164 people who were killed in Mumbai paid for their lives.

However, going by the dilly-dallying over the execution of Parliament attack mastermind Afzal Guru and the lone surviving 26/11 attacker Ajmal Kasab, both of whom are on death row, the people are skeptical that the accused will be ever punished. Similarly the hype given to help provided by Saudis is misplaced. It is highly doubtful that Saudi Arabia is indeed cooperating with India, given its hard-line Islamist leanings and years of support to Pakistan. There is something else in this story than what meets the eye. It's not all that straightforward. Someday, the truth will surely come out. It also needs to be underlined that terrorists are not representatives of Muslims. So Muslims must not feel bad if these terrorists are punished. In fact as law abiding citizens every Indian irrespective of religion should pressurise govt. to act fast.

- Krishna Manhas, Mandi (H.P.)

Golden Glitter

The Indian families' attraction to the precious yellow metal is centuries old. It is also guided by economic considerations. Some three centuries ago India had all mineral resources except gold. In a way the craze for gold adds to nation's wealth that never depreciates.

The gold trade in general and the jewellery trade in particular is largely disorganised. It is done mainly through cash dealings. The excise on the import of raw gold and the tax on jewellery proposed in the 2012-13 Budget was a move in the right direction. But, unfortunately, it was dropped under pressure from gold traders. There is a strong possibility of the black money being transformed into gold deposits to avoid suspicion. This angle needs scrutiny. It is time the Prime Minister, who now holds the Finance portfolio, re-imposes the tax.

- Jagdish Pal, Bangalore

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Quote-Unquote



Patriotic Indians need to join hands to protect, preserve and strengthen the economic independence of the country that shall guarantee peaceful, prosperous and enlightened humanity.

Arun Ojha

National Convener, SJM



UPA government is doing a great job of demolishing the Indian Economy from within.

M.R. Venkatesh

commentator on International Trade and Economic Affairs



AIADMK's stand on the issue is that Chidambaram won the election in a fraudulent manner.

J Jayalithaa

Tamil Nadu Chief Minister



The mindset of killing progressive and intellectual people in Pakistan should be stopped. I won't accept this mindset.

Asma Jahangir

Pakistani rights activist



It is difficult to achieve peace in Afghanistan as long as there is safe haven for terrorists in Pakistan.

Leon Panetta

US Defence Secretary

Sinking economy; Deceitful Mismanagement

"This mismanagement is not helping anyone,""

— (Mark Foley)

Not long back we as a country were ecstatic on learning that India had joined an elite club of currencies that have their unique symbol. Symbol of our rupee - a blend of the Devanagari 'Ra' and Roman 'R' was considered a reflection that the Indian currency, backed by an over-trillion dollar economy, was finally making its presence felt on the international scene. An elated Information and Broadcasting Minister Ambika Soni told reporters soon after the cabinet meeting that approved the symbol, "It's a big statement on the Indian currency... The symbol would lend a distinctive character and identity to the currency and further highlight the strength and global face of the Indian economy." But this global face of Indian economy is hit by a downslide that refuses to be checked. Sharp plunge in the rupee in recent weeks, and the fear that it could further crush against the-dollar on continuing risk aversion in international currency markets appears to be real. It is not the sliding rupee only, Indian economy as a whole has been crushing down for quite a while now. Deficiencies of Indian economy are rather piling up than decreasing. Country's trade deficit hit a record high of \$184.9bn - or 9.9 per cent of GDP - for the fiscal year that ended in March 2012. The figures compared adversely to the previous year's deficit, which was \$118.7bn, or 7.1 per cent of GDP. Exports grew 21 per cent, to \$303.7bn, but imports surged 32.1 per cent over the previous fiscal year, to \$488.6bn. While oil imports soared 46.9 per cent to \$155.6bn, Gold and silver accounted for \$61.5bn of imports, up 44.4 per cent from the previous fiscal year. Coal imports, meanwhile, rose 80.3 per cent, to \$17.6bn. According to the CSO's press note, growth of gross domestic product came down from 8.4 per cent in 2010-11 to 6.5 per cent in 2011-12, and from 9.2 per cent in the last quarter of 2010-11 to 5.3 per cent in the last quarter of 2011-12 (that is, between the first quarter of 2011 and of 2012). That is a big and rapid fall. Indian telecommunications industry, the erstwhile poster boy of Indian growth story, did not see much expansion either. It lacked momentum, and the operators did not do anything significant to spread out their network as per the requirement, directly affecting the balance sheet of equipment manufacturers. The Indian telecom market could generate revenues of `113,188 crore only in FY12 compared to `114,133 crore a year ago dragging it back some 0.83%. The industry was anticipating a slow growth but never a negative one. In short every sector of the economy is under strain and people are predicting a 1991 like financial crisis. Surging Inflation continues to be a serious matter of anxiety. Repeated RBI intervention is not proving to be helpful.

Why did it happen? Who killed the Indian growth story? The government seems clueless and ineffectual. It has no idea either, to understand ways to get out of this trouble. Government was first reluctant to acknowledge the problem in first place. Responsible people in the government reacted to the decline in ratings by various international agencies in strange manner saying stating that the agencies ratings are understating the Indian politics. After reluctantly accepting the existence of crisis started the blame game. Now, the solutions suggested by various people managing the economy smell conspiracy of using the crisis to push reform agenda that has been stalled because of strong resistance by the people of India. Completely ignoring the facts and figures and also the experience of several other countries this government is pushing for FDI in retail and further raising the cost of diesel and LPG in the name of cutting subsidy Bill. It refuses to take steps like creating a robust domestic telecom equipment manufacturing industry to check the ballooning import bill for electronics manufacturing, projected to touch \$400 billion by 2020. Similarly it has no courage to deal with the international pressure and procure crude oil from countries like Iran that is ready to trade in Rupee denomination. Required steps to correct the trade deficit are also not forthcoming. In short UPA government instead of taking corrective measures to save the economy and provide relief to the Aam Aadmi of this country, is busy in exploiting the worsening economic scenario to push for reforms favouring foreign players. Country needs to be careful.

Economic mess: Blame it on India's Political Consensus



Consequent to the bankruptcies of ideas within the UPA government it is important not to expect anyone from within the UPA government to take a lead role in fixing the Indian economy. We do not have policy or operational alternatives from the main opposition party. And there is a complete consensus out there. It is this consensual politics that is the root of our moral malaise, policy paralysis and the extant economic crisis, explains M.R.Venkatesh

Let me make an honest confession. With due apologies to the managers of the UPA government, one must admit that it is doing a great job of demolishing the Indian economy from within. This paradigm was brilliantly captured by a Tweet: Given the success of the UPA in dismantling our economy there is a distinct possibility that ISI could actively consider winding up its Indian operations shortly!

Consider this: Overall growth is plummeting. Rupee is tumbling by the day. Inflation continues to soar. The key Index of Industrial Production (IIP) is already into negative territory. Agriculture, ex-

ports and infrastructure are spluttering stagnating. Crucially, cabinet ministers are facing serious charges of corruption adding to the overall dismal scenario.

Despite all this, the Prime Minister has been maintaining a Zen like silence. The last time he spoke was when he was administered the oath of office in 2009. Of course he spoke last week when Team Anna hurled serious corruption charges against him directly.

The message was clear — I may be incompetent but do not question my integrity. But honestly who cares about his honesty?

Surely if you are known by

the company you keep, the PM cannot claim to be lily-white as he pretends. Recall his defense to the charges made by Team Anna was limited to his own integrity.

That privilege was not extended to his colleagues in the cabinet thereby implying the obvious. Put pithily he could well be a saint; but little does he realise that he is akin to a saint who heads Al Qaeda!

Governance the mother of all issues

The net result is that India suffers from an unprecedented policy paralysis. The framers of the Indian Constitution did not fathom a complete breakdown of law and order at the centre & hence did not provide the equivalent of Article 356 for the central government — the imposition of President's Rule.

Frankly one is unable to figure out whether we have mis-governance (where the decisions of the Government are one of omission) or mal-governance (where the decisions of the govt. are fashioned by commissions pun intended).

Naturally, given the scenario where the decisions alternate between mis-governance and mal-governance the confidence within the Indian economy is evaporating faster than petrol on a hot tin plate.

To explain the same in nu-



merical terms a bit of technical explanation becomes necessary. If savings in an economy can be equated to fuel in a car, incremental capital output ration (ICOR) can be equated to fuel consumption per KM travelled and growth rate likened to distance travelled.

Needless to emphasise, to travel more — read higher growth — either we must increase the fuel in the tank (savings) or lower the consumption. mileage.

In the Indian context we have a savings rate of 32 per cent and an ICOR of 4. That gives us a growth rate of 8 per cent. To go up to 10 per cent growth paradigm, we have two options — increase savings to 40 per cent or lower ICOR to 3.2.

Obviously, lower the ICOR, higher the growth (ICOR is measured in an inverse scale — lower the rate, the better). In the alternative, with a constant ICOR, increase savings to increase growth.

What is interesting to note here is that our savings had peaked to 36 per cent in 2007. That was in the pre-global economic crisis period.

Since then our savings rate dropped to approximately 32 per cent now. More importantly the growth rate of 5.3 per cent for the fourth quarter of FY 2011-12 indicates that the ICOR has dramatically gone up to 5.7 from 4 — indicating enormous inefficiencies have crept into the economy.

Frankly, this double whammy — of reducing the savings rate and simultaneously increase the ICOR is a herculean task achieved by relative ease by the UPA.

Yet the UPA government has the gall to go about telling us that the fundamentals of the Indian economy are intact implying that the

domestic savings, consumption and investment are well and truly intact.

The unsaid portion is equally ominous — “we from the government have done our best to increase taxes to ensure Indians do not consume more, ensured higher inflation to erode the savings of the Indians and fashioned a dismal investment climate to prevent Indians from investing!”

In short we have done everything possible to stymie the great Indian economy story. India growing at even 5.3 per cent is indeed a miracle.

Time for UPA to go

Consequent to the bankruptcies of ideas within the UPA government it is important not to expect anyone from within the UPA government to take a lead role in fixing the Indian economy. The recycling of old ideas of austerity is a case in point.

Put bluntly, the days of team Manmohan comprising of Pranab Mukherjee [Images], P Chidambaram [Images], Montek Singh, Kaushik Basu, Rangarajan are all over.

They are well beyond their sell by date. Naturally to expect the very deformers of the economy for the past few years to nurse it to health is an assault on our intelligence.

As a first step to fix the economy is that the UPA has to go — lock, stock and barrel.

Let us not forget that there is an important yet immeasurable in-

redient within the economy — confidence. This is a highly nebulous and extraordinarily dimension in an economy susceptible to the performance or lack of it from the government.

And one may well, as the current incumbent to the office of the PM does, enjoy the confidence of 272 members in the Lok Sabha. Surely that is out of political compulsions and fear of mid-term poll and a case of self preservation.

That in turn implies a PM commanding the confidence of the Lok Sabha has by no stretch of imagination necessarily the confidence of the economy. Recent events demonstrate exactly the reverse. What we are singularly witnessing is a lack of confidence of the economy in the UPA government lead by an economist Prime Minister.

In short, if the UPA government resigns tomorrow, things may well possibly improve the day after. But will it? Who is the alternative? Or better still what is our alternative?

Simply put it is not the question of personality but of alternative policies that matter. And herein lies the rub. But that solves half the problem.

Let me hasten to add — the UPA, its (non) performance or the Prime Minister is only half of the problem. The other half is the relative failure of the main opposition party the BJP.

While the leaders of the opposition in both the houses of the Parliament have been eloquent, media savvy and pointed in attacking the government, the fact of the matter is that in terms of coming up with alternatives, the BJP has been an abysmal failure.

***We have done
everything possible to
stymie the great
Indian economy story.***

In fact, if some analysts are to be believed there is a great deal of understanding between the main opposition party and the Congress party to form what is called as the ruling elite, aided and abetted by sections of the Corporate India, media and of course our bureaucracy.

It is this tiny yet powerful cabal that ensured that there is consensus in everything beginning presidential elections to economic policies. Contrary to the popular belief (of course aided by acrimonious debates at prime time) that our polity is divided, confrontationist and adversarial, the fact remains that it is extremely consensual.

To this cabal it matters very little whether it is Dr Manmohan Singh or whether it is anyone from the Congress Party or BJP that matters as long as they do in the

overall collective interest of this cabal. No wonder the BJP is loath to attack the Congress on corruption, black money and on tax havens.

What else would explain that the BJP has not come about with any repeat any alternative to tackle the extant economic crisis? If the UPA is ideologically bankrupt and hence unable to come up with anything refreshingly new, so is the BJP.

If the UPA is besieged with old tired (and not retired) leaders, so is BJP. If the UPA has its share of corrupt, the BJP is equally perceived to be corrupt.

In short, we simply do not have policy or operational alternatives from the main opposition party. And there is a complete consensus out there. It is this consensual politics that is the root of our moral malaise, policy paralysis and the extant economic crisis.

The sound and fury demonstrated by the BJP spokespersons in the media is pure hogwash and can impress only the naive. Scoring quick brownie points does not absolve the BJP of all constitutional and moral obligations. Surely India deserves a better Government as much as a better opposition which comes up with bigger, creative and workable alternatives.

Silently but brilliantly this politics of consensus has been fashioned by vested interests. It is this ruling cabal that is now rooting for an alliance between BJP and Congress to form the next Government. That would be one step away from merging both the parties.

Did I hear someone talk of democracy as an elaborate exercise in alternatives? ☐☐

<http://www.rediff.com/business/report/economic-mess-blame-it-on-indias-political-consensus/20120605.htm>

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Economy in doldrums



*Fast rising cost of imports and the failure of exports to increase proportionately have led to the burgeoning trade deficit, says **Dr. Ashwani Mahajan***

Recently Central Statistical Organisation (CSO) has published statistical data for last quarter of the year 2011-12. According to the results published, CSO has abridged the growth estimates for the year 2011-12 to 6.5 per cent. In 2010-11, GDP growth rate was 8.4 per cent. No eyebrows were raised when CSO slashed the estimates of growth rate, as last two quarters also had not shown encouraging results. Almost all sectors of the economy have shown decline in growth rate.

Better growth is recorded only in electricity, gas, water supply etc. Service sector has maintained marginally good results even this year. But the overall statistics of GDP growth indicates clearly at the spoiling health of the economy. These are not merely some numbers, they demonstrate culmination of the mishandling of the economy in the last few years. Health of the economy is indicated by some indicators, such as exchange rate of domestic currency vis-a-vis foreign currencies, rate of inflation, interest rates, balance of trade and balance of payment, fiscal deficit etc. Coincidentally the country's economy is being governed by 'economists' who very well understand the significance of these indicators.

But it seems, that situation is not under their control.

In the last few months, rupee has been depreciating as compared to other international currencies. Exchange rate of rupee, which was Rs 48.7 per US\$, has jumped to Rs 57. Trade Deficit is widening due to sky rocketing import of gold and silver, rising imports from China and rising crude bill. A large outflow of foreign exchange by FIIs has also been considered to be responsible for downfall of rupee. Unfortunate is the fact that despite downfall is international

crude prices, decline of rupee has continued unabated, as other reasons responsible for depreciating rupee have not shown much change. RBI is also not doing enough to stem the fall of rupee.

Inflation is on rise for the last three years. Initially inflation was more concentrated in food products and thus it was more appropriately termed as food inflation. This has been mainly due to neglect of agriculture and resulting imbalance between demand and supply of food products. But due to constantly declining growth in



manufacturing sector, now prices of even non-food products (factory products) have also started increasing. Due to all these reasons rate of inflation has been rallying between 7 and 11 per cent in the year 2011-12. In the last 3-4 months due to fast declining value of rupee, the problem of inflation has become even more intricate because prices of imported products especially petro products, metals and other raw materials have increased by at least 15 per cent. Rising fiscal deficit has been fuelling the inflation further. But government is simply without any clue to contain inflation.

Low interest rates

In the name of taming inflation, RBI has been holding steadfast to the repo-rate and reverse repo rate, after raising them for 13 times in about 18 months. It is worth noting that in the year 2000, when interest rates started declining, though a section of population dependent on interest income did get adversely affected, it did give a push to the economy. Declining interest rates gave a boost to the demand for houses, cars and other consumer goods. This also helped the government to reschedule its loans to lower interest rates and government's interest liabilities were reduced significantly. Sectors like housing, infrastructure, manufacturing and others grew fast, and India joined the club of fastest



growing economies of the world, next only to china. One can conclude that the lowering of interest rates played a significant role in India's growth story.

Recently though RBI did reduce the interest rates a little two months back, but could not gather courage to reduce interest rates further. Effect of high rate of interest is visible on all sectors of the economy as investment in housing, infrastructure, consumer goods sector have been badly affected, and the same is demonstrated by the figures of declining growth rates.

Fast rising imports on the one hand and failure of our exports to increase proportionately on the other have been causing our trade deficit to widen consistently. Escalating government expenditure and failure of the revenues to rise proportionately have taken our fiscal deficit to mount to nearly 6 per cent of the GDP, and there is no sign of improvement in the same. In year 2010-11, the trade deficit reached US\$ 130 billion, which was an uphill task to be filled up. But in the next year (2011-12), this has gone up to US\$ 185 billion, which is nearly impossible to be filled up through normal channels.

Whopping trade deficit is making our rupee weak. This phenomenon of twin deficits (fiscal deficit and trade deficit) has created a crisis like situation in the country.

Despite worst crisis post 1990, government seems to be totally clueless and has failed to provide any meaningful policy alternative. It is not even tapping the possible solutions to suit the situation. One simple way to reduce our dollar import bill for crude imports is to increase our imports of crude from Iran, for which we can pay in rupees to the extent of 45 per cent. But instead of increasing imports from Iran, we are reducing the same citing 'technical reasons,' due to pressure from USA (in April 2012, our oil imports from Iran were down by 34 per cent compared to March 2012). We also need to impose quantitative restrictions on imports of gold and silver and imports from China need to be contained. Last but not the least, we do need to cut the Central government expenditure, but for this we require political will and an iron-hand dealing, for which the UPA government is simply unable to muster the courage. □□

Rising fiscal deficit has been fuelling the inflation further.

In conversation with Convener

Sh. Arun Ojha, the National convener of Swadeshi Jagran Manch is essentially a man of action. He is a firm believer in the work on the field and is futuristic by nature. He has a commendable command over issues ranging from ancient Indian socio-economic past to the tribulations troubling present day India. He is conscious of his responsibility as the National Convener of a strong people's mobilization movement like SJM and is constantly on move attending meetings, addressing conferences, confabulating with colleagues and team members and guiding workers in every part of the country. Arun Ojha was in Delhi for a brief period during his return journey from Bhilwara Rajasthan; where he had gone to attend the Rashtriya Vichar Varga of North Zone.

On the insistence of swadeshipatrika Arun ji spared some time to talk about current economic scenario and the role & responsibility of SJM. The conversation of Ajay Bharti, Editor of Swadeshi Patrika with sh. Arun Ojha ji is reproduced hereunder.

Swadeshi Patrika: *Swadeshi Jagaran Manch has completed 20 years of its existence. How do you view the journey of Swadeshi over the most happening two-decades of independent India?*

Arun Ojha: From the very dawn of Indian independence, much before the formation of SJM as an organisation nationalist Indians had been raising their voice against the wrong and erroneous policies of governments of India, economic policies included. These nationalist forces have openly opposed those policies of the government of India which were framed under pressure from abroad particularly United States of America. Nationalists also vehemently opposed agreements detrimental to Indian interests signed under pressure. For example Indus water treaty between India and Pakistan. This treaty was obviously signed under pressure from World Bank and USA. This treaty has harmed Indian interests substantially and continues to debilitate our progress as a nation. It was not a treaty that was agreed and signed as an accord beneficial to both the approving parties. RSS and its Sarsanghchalak of that time, Param Pujniya Shri Guruji vociferously opposed the Indus Water Treaty and condemned the surrender of national interests under foreign pressure.

Even later when successive governments yielded under pressure particularly after 1980, organizations like BMS and ABVP were in forefront of opposing the approach of the union government succumbing to the dictates of powerful and developed countries.

BMS in fact was the first to coin the word/phrase foreign economic imperialism and popularized it in economic and political fields in the context of India.



The people of India have a strong sentiment against the imbecile mindset of the ruling class. That sentiment was eager to find an out let.

With this type of background prevailing in the country SJM came into existence as a response to the emerging situation at that point of time in the year 1991. It was the period when the Government of India as a paradigm shift in its approach decided to unleash new economic policies. This policy shift even though a poor imitation of the capitalist West, was termed as economic liberalization under globalization. It was very clear from the very beginning that India was being entrapped into economic slavery.

SJM was a collective response of all those forces which were fighting for economic independence, sovereignty and self reliance of the country. All these forces joined hands rising above narrow differences to oppose the policy onslaught. The forces that joined

hands included nationalists on one side and socialists and communists on the other side. Even Marxists joined the dissent.

Prominent leftist thinker Justice V.R. Krishna Iyer, Outspoken editor journalist, Sh. Nikhil Chakraverty and socialists, like Roza Deshpande, S. Kulkarni, and Chandrashekhkar became part of the renewed swadeshi campaign. Today after 20 years when we take a re-look what we find is that “Swadeshi” as an idea and philosophy (विषय एवं विचार) has gained acceptance all over across the socio-political spectrum. It may not have become assertively visible and effective in adoption, but it exists and is perceptible.

Swadeshi Patrika: *How can you claim that Swadeshi as an Idea and Philosophy has expanded and is accepted across the board? Can you explain it?*

Arun Ojha: when we review the economic policies of these past two decades certain interesting facts come to the notice. First thing that we find very clearly visible is a major shift in stance of most of those people who are considered big names in their respective fields in industry, business, politics and academics. These people were ardent supporters of economic liberalization and globalization at that point of time and were in fact responsible for building an atmosphere in support of the liberalization process by projecting a nice-looking make-believe picture of globalised India. Most of them seem to have realized the fact that it was a mirage. All these people are now accepting the inevitability of Swadeshi. Even the person who was in-charge of this so-called economic liberalization and globalization process under the Prime Ministership of late P.V. Narsimha Rao in just a span of one decade declared publicly in a statement in New Delhi that there was an urgent need to review all these policies. Statistics and official figures amply support this understanding.

Therefore, it is clear that “Swadeshi” has emerged as consensus idea. Everybody accepts the fact that we as a country need to be self-sufficient reduce our dependence on external factors in every sector. But the danger of economic enslavement which stared us in our face in 1991 has not vanished. It has actually increased manifold in both quantity and intensity.

Our industry, business, agriculture, employment and every similar sector is under the attack of FDI and westernization. MNCs have stepped up their ef-

forts to influence the decision making process in this country. With an eye on our ‘market’ developed countries are imposing their policies in unfair ways.

Corruption in high places is further aggravating the already deteriorated state of affairs. But the comparative strength of ‘Swadeshi’ movement or forces opposing this anti-national and anti people policies has not increased in the equal measure. In spite of the fact that there is a general consensus on the need of having ‘swadeshi’ approach to policy planning yet the same is not reflected in the actions of the government.

Swadeshi Patrika: *How will SJM address this problem?*

Arun Ojha: We at SJM realize that the Need of the hour is to understand the urgency and comprehend the future challenges in the fast changing global scenario.

Countrymen in general also need to understand that the time is slipping out of our hands. Particularly all those forces that realize the threat in economic and political fields to the independence and sovereignty of the nation and are actually actively fighting the forces of economic imperialism in different fields and at different places need to come together. They need to join hands and put a collective effort to protect preserve and strengthen the economic independence of India that shall stand a guarantee to peaceful, prosperous and enlightened humanity.

We have already steeped up our efforts in this direction and are contacting all right thinking people irrespective of their ideological background. We are confident that now all Indians will come together to write a new chapter in the history of global economy. It will be the golden chapter that will bring glory to our motherland and economic prosperity, sustainable development and peaceful coexistence to every part of the world. The Swadeshi ideals of Dattopant Thengdi will guide us in this noble endeavour. The environment of the planet is endangered by the culture of the western countries whose scientific progress is reflected in their egoistic behaviour. These countries have tried to instill the feeling of inferiority complex among Indians through science. The biggest superstition of today is science and not religion. Materialism is the philosophical base of capitalism and socialism. While capitalism is on the verge of extinction, socialism and communism have already failed. Now, it is the responsibility of India to show a new path to the world. □□

Supreme Court Ruling on Novartis' Plea Crucial For Affordable Health Care



Scrapping of section 3 (d) of the Indian Patents Act would not only eliminate affordable generic versions of this anti-cancer drug Glivec alone, but, would lead to ever greening of hundreds of patents of other life saving drugs, now and in the years to come. This evergreening would finish thousands of formulators and generic manufacturers in the country, cautions Prof. Bhagwati Prakash Sharma

The ultimate ruling of the Supreme Court (SC) on the plea of the Swiss pharma company Novartis, challenging the validity of section 3(d) of the Indian Patents Act and scheduled for hearing on July 10, 2012, would be crucial to stop evergreening of patents in India, which otherwise, is likely to seriously jeopardize availability of life saving drugs at affordable prices. Acceptance of the plea of the Novartis would also endanger the Indian pharmaceuticals sector, comprising 20,000 plus pharma companies, besides, undermining the R&D and education in the field of Pharmacy in India. The Su-

Protests growing world over against Novartis

If the Swiss MNC Novartis would win in the patent case scheduled for hearing in the Supreme Court of India on July 10, 2012 it would:

- Spell a death knell for blood cancer patients in India and abroad
- Pave way for evergreening of patents and for grant of frivolous patents there by leading to manifold increase in prices of hundreds of life saving drugs
- Endanger the pharmaceuticals in industry in India as well as education & research in pharmacy, ultimately making India foreign dependent in health care and pharma sector.

preme Court has to decide, whether the government had the right to deny a patent to Novartis for its anti-blood cancer medicine Glivec, which it is selling at a rate of Rs. 1000 per capsule in India vis a vis the generic versions being made

available by Indian generic manufacturers at Rs. 90. If the Novartis' plea is accepted, all generic manufacturers offering this drug at less than Rs. 90 per capsule in India shall be stopped from manufacturing this drug and eventually, it (Novartis) may start charging 1400 capsule as is being done by it elsewhere. This would deny access, to this life saving medicine, to almost 90% of the 40,000 plus blood cancer patients in India. Poor patients in more than 60 countries are also dependent on the imported generic versions of Indian origin, as it is not available for less than Rs. 1400/- per 100 mg tablet which they cannot afford, and shall have to wait for a painful death. Even, for almost 1,70,000 patients spread into 16 countries this cheaper generic version of Glivec, available at less than Rs. 90 per tablet is also not





affordable. Therefore, they are dependent upon a French NGO 'Medicines Sans Frontiers' (MSF) which is importing it from India and distributing it free. A much bigger number of patients is being treated worldwide by Cancer Patients Aid Association (CPAA). But, It would be out of reach, for such philanthropic associations too, to keep this vast number of cancer patients alive by distributing free medicines, if the Novartis would win and generic manufacturers are stopped from producing and selling it at affordable prices. Even in India alone, where the generic version is available for less than Rs. 90, almost 18,000 people die a very painful death every year as the treatment cost per day comes to Rs. 360/- a day, with 4 pills a day which they cannot afford (while, the Navartis charges Rs. 1420/- per tablet so treatment cost would be Rs. 5680 per day and Rs. 1,70,400 per month). The question therefore arises is that, if the Novartis would win, then how many of the 24,000 patients contacting blood cancer every year would be able to continue their treatment at Rs. 1420/- per tablet and moreover when the treatment cost would shoot to Rs.

5680/- per day. Moreover, the Novartis might then charge much higher price up to 7-10 thousand also if it acquires monopoly. It is charging Rs. 1000/- per 100 mg capsule in India just because, the generic version of same tablet is available at Rs. 90, but, after acquiring monopoly, it would resort to higher price as in the practice of MNCs worldwide.

A Novartis victory in this case, scheduled for hearing on July 10, 2012 in the SC, would equip all the multinational pharma patent holder companies with the right of perpetual evergreening of their patents. They would then keep on extending their patents by introducing minor changes in their drugs and shall permanently inhibit introduction of cheaper generic molecules at affordable costs. This would also deprive many of the

Novartis victory would cause a lethal blow to healthcare worldwide, besides, jeopardizing the future of generics industry in India.

generic manufacturers who have introduced medicines at less than 1 to 3 percent of the original price being charged by the patent holder for that medicine.

India is the only country producing and selling costly life saving medicines at just 1-3 percent of the prices being charged by the monopoly patent holders worldwide, and therefore, NGOs like MSF (which treats 40 percent of AIDS patients worldwide free) buys 80 of their generic AIDS drugs from India. Novartis victory would cause a lethal blow to healthcare worldwide, besides, jeopardizing the future of generics industry in India which is making available, all medicines at just 1 to 3 percent of their international prices in India and in many countries abroad. Almost, more than 90 percent of all medicines are 10 to 60 times costlier in all the other 200 countries except India. The amendment of Indian Patents Act in 1999 and 2005 have already deprived Indian generic drug manufacturers from their right to manufacture any drug molecule invented after January 1, 1995 by evolving their own processes. Therefore, all newer molecules would continue to be unaffordable for common masses for years to come. Since, 97 percent of the drugs being prescribed in India by the doctors are older molecules, invented before January 1, 1995 so, they are better affordable. But, gradually, when the older molecules would loose their efficacy or be banned or better newer molecules would emerge, these newer molecules would be out of reach of masses and jeopardize public health.

This single case of astronomical difference in the price of Glivec

(Rs. 90/- V/s Rs. 1000/- per capsule), out of hundreds of such examples reflecting the dangers of 'Product Patents Regime' is enough to arouse the public opinion against this new 'Product Patents Regime. This case of Novartis has began, when the Indian Patent office granted exclusive marketing rights (EMR) to Novartis for its anti-cancer drug imantinib in pursuance of an amendment in the Indian Patents Act in 1999 to comply with the agreement on Trade Related Intellectual Property Rights (TRIPS) of the WTO, with effect from January 1, 1995. Novartis was having an international patent for this molecule since 1993. So, it was neither eligible for an EMR nor for a product patent for this product. But it (Novartis) began enforcing the EMR for Glivec (Imantinib) by asking Madras High Court to restrain generic manufacturers like Cipla, Ranbaxy, Sun and Hetero – from manufacturing, selling, distributing and exporting this anticancer drug imantinib (branded as Glivec). The court, unfortunately granted an injunction in January 2004 which was later made absolute by a single judge of the High Court.

To comply with this court order, the generic manufacturers had to stop producing and selling Imantinib (being sold as Glivec by the Novartis) and the price of it jumped from Rs. 90/- per 100 mg capsule to Rs. 1000/- per capsule in India. It is being alleged that thousands of patients suffering from chronic myeloid leukaemia (CML) - a life threatening form of blood cancer, had to succumb to death from this disease, who could not continue the treatment after this jump-over in price due to Novartis' monopoly.



"EMR was a transient arrangement, that too under a mailbox facility defying any scrutiny till December 31, 2004"

Since, EMR was a transient arrangement, that too under a mailbox facility defying any scrutiny till December 31, 2004, so, in 2005 India amended its patent law to comply with agreement on TRIPS (of the WTO) to provide for product patent. However, on the apt counsel of late B.K. Kaeyla and pressure campaigning of the organizations like Swadeshi Jagaran Manch, the Parliament had simultaneously introduced a significant provision to prevent evergreening of patents and also to prevent frivolous patents – i.e. the section 3 (d), which disallows patents on incremental research without any meaningful improvement in the original product covered by an earlier patent.

So, after the transient arrangement for EMR was over and the application of Novartis for grant of patent on Imantinib (Glivec) was pending in the patent office, the CPAA and four generic manufacturers who were earlier selling this medicine at better affordable price, filed a pre-grant opposition to oppose the grant of patent for Imantinib to Novartis on the plea that Novartis has a patent on this molecule since 1993, so, this molecule is older than 1995 and the newer version for which it had filed an application in 1997 into the In-

dian Patent Office has no marked difference. So, in January the Patent Controller in Chennai, in a landmark decision, refused to grant Novartis a patent on Imantinib (branded as Glivec) agreeing with the contention that the product under consideration for grant of patent lacked novelty over its earlier patent of 1993, was obvious and not patentable under section 3(d). Novartis, thereafter, had lost its case before the Intellectual Property Appellate Board (IPAB) as well, when it appealed against the rejection of its patent application.

With the rejection of patent application by the Indian patent office, generic companies got free to produce and sell the generic version of the Imantinib molecule in India and abroad. So, they resumed supplies at just 1/11th of the Novartis' price in India, and at 1/20th of its price abroad. Now the case is pending in the Supreme Court, where in the Novartis has requested to scrap section 3(d) of the Indian Patents Act, as its patent application was rejected under this sections 3(d) which disallows patents on incremental research without any marked improvement in original product.

Meanwhile, if Novartis' plea would be accepted by the Supreme Court, in the hearing sched-

uled on July 10, it would spell a death knell not only for the blood cancer patients in India but abroad as well, since, at no where else the Imantinib is available at such an affordable price. Worldover, more than 2 Lakh blood cancer patients are surviving, painlessly, by consuming this medicine being made available at affordable price by the Indian generic companies, solely by virtue of section 3(d) of the Indian Patents Act. In India alone, 24,000 people are afflicted by CML (blood cancer) every year and 18,000 succumb to the disease, mainly because they cannot afford to buy even these cheaper generic brands.

Therefore, the awakened sections of society have already begun to fortify world over against the Novartis' case In India. Recently, during the run up to the annual general meeting of the shareholders of Novartis company in Basel (Switzerland) on February 23, 2012, protests have been held in various cities of US and Europe demanding Novartis to drop its case in Indian Supreme Court. Demonstrations have been organized in Cambridge, Massachusetts, Basel and so on in front of Novartis office world over. More than 50,000 Signatures have been collected on an internet petition as part of a social media campaign.

But, unfortunately these protests organized worldwide have gone unnoticed in India and the protests against the Novartis in India are lack luster. While, scrapping of section 3 (d) of the Indian Patents Act would not only eliminate affordable generic versions of this anti-cancer drug Glivec alone, but, would lead to ever greening of hundreds of patents of other life saving drugs, now and in the

years to come. This evergreening would finish thousands of formulators and generic manufacturers in the country. Not more than 10 percent of the total 24,000 pharma firms of India would survive beyond 2020 if the section 3(d) is scrapped. Consequently, masses in India would find it hard to have access to better and effective drugs, invented not only after 1995 but even before 1995. Majority of medical practitioners too would be deprived to practice on and prescribe newer molecules, which would be beyond the reach of common man. Majority of Indian middle class shall have to siphon out 10-15 percent of their monthly income on health insurance to get access to the newer molecules, as many MNC pharma lobbies would not hesitate to sponsor fake researches to generate evidence against off the patent older molecules for a ban against them.

Therefore, activist organisations should launch a powerful mass movement against the Novartis to compel it to withdraw the case. Organisations of patriotic and humane medical practitioners, should also put pressure by the threat of total boycott of Novartis products if it insists on scrapping of the section 3 (d) of the Indian Patents Act. Medical practitioners' associations should also appear as intervener in the S.C. to counter the controversial claim of Novartis that there is any marked novelty in the beta crystalline form of imantinib mesylate, for which it has applied for a patent in 1997, over the imantinib mesylate of the free base, Imantinib patented in 1993. The Novartis' claim for a fresh patent is liable to be rejected if the medicos can prove that beta crystalline form of Imantinib mesylate is not a novelty worth grant of a patent over its earlier patent of 1993. □□

Discussion on Current Economic Scenario

The monthly discussion on current economic scenario was held in central office of SJM on 26th of June 2012. Dr. Ashwani Mahajan in his key note address raised certain pertinent questions. He asked , now that government is accepting the economic crisis and pressing panic button it must tell people how did situation turn ugly? He further asked if in spite of problems in USA sectors like IT which are more exposed to US were able to increase their profits and if the prices of crude fluctuated constantly even before the present crisis in India what was the reason for economic mess? He opined that weakening of our currency, increasing trade deficit and burgeoning debt-GDP ratio is the result of gross mis management of the economy.

Senior Journalist Sh. Shiva ji Sarkar seconded the observations made by Ashwani Mahajan and added the problem of cartelization that was major reason behind price rise. He cited the example of cement in this context. He further said that government was unable to point out reasons for inflation in spite of normal supplies. Shivaj sarkar also felt that RBI was overburdened beyond its recommended role. Gopa Kumar in his intervention raised the issue of the crisis being used to push second generation reforms. Rajinder Gupta, Ambar Agarwal, Neeraj Sharma, Deepak Kaushi and shailendra Sene-gar also participated in the discussion. Ajay Bharti conducted the proceedings. □

Is Kalki the only hope?



Sonia Gandhi-Manmohan Singh duo has produced some 80 big & small scams, involving over '19 lakh-crore! Adding the amount of black money of India said to be stashed abroad, the scams equal half of nation's GDP in 2011-'12, discloses S Gurumurthy

With each passing year of the United Progressive Alliance rule, scams are rising in numbers and in the sums looted. According to one compilation, there were seven scams in 2008, nine in 2009, 14 in 2010, 23 in 2011 and 22 so far in 2012. The Indian political landscape had seen scams earlier, but now the scams seem unending, their rapidity unbelievable and monies plundered unprecedented. No one disputes that the coalition headed by Sonia Gandhi, once hailed as a saint, and the government led by Manmohan Singh, once regarded as honest, are the most corrupt ever. The saint-honest duo has produced some 80 big and small scams, involving over '19 lakh-crore! Adding the amount of black money of India said to be stashed abroad, the scams equal half of nation's GDP in 2011-'12.

An active and insistent judiciary uncovered some major scams. It has, at least temporarily, disabled the political power that was harbouring, at times even honouring, the corrupt. It forced the telecom minister to quit, and he was sent to jail. A Congress MP, caught in the CWG scam, had to spend a full summer and winter in jail. A Congress chief minister in Maharashtra, Ashok Chavan, had to resign



and with his predecessor, Vilasrao Deshmukh, he is facing a CBI probe in the Adarsh housing fraud. Two former Congress chief ministers are under police lens in the Goa mining case. B S Yeddyurappa, former BJP chief minister in Karnataka, lost his office and is facing criminal charges. Bangaru Laxman, a former BJP president, has been convicted for accepting '1 lakh in a sting operation. The Marans and many more are in the queue. The hope of the corrupt now seems to rest on clever lawyers and crucial retirements in judiciary! A huge fall indeed.

A principal reason for this precipitous fall is the paradigm shift

in the political, and even intellectual, class from being shy to becoming shameless. Even a decade earlier, a higher rule of public morality operated on the political class. A political leader accused of bribery or immorality would defend his honour invariably by resigning or suing or volunteering to face the probe. That political class was shy of its integrity being questioned. Today's political class has become shameless. Now when their integrity is questioned, politicians remain silent or brazenly ask for the case to be proved against them in a court of law. However, the government, which has to probe and prove the case in court, is under

their control. They refuse to sue the accuser as suing would land them in the witness box where they would be questioned. Take a telling case of this type.

Schweizer Illustrierte, a popular Swiss magazine, unrelated to politics in India, had reported in 1991 that Rajiv Gandhi had \$2.5 billion in secret Swiss bank accounts. It would have now grown to over \$10 billion at US treasury rates. Later, Russian journalist Yevgenia Albats, in her research book on the Russian spy agency KGB, uncovered documents that showed that the Gandhi family was receiving, with 'gratitude', payoffs from the KGB. These reports have been cited in news items and in columns repeatedly in 1988, 1992, 2002, 2006, 2009 (twice) 2010, and 2011 in The Hindu, Times of India, Statesman, India Today, and repeatedly in The New Indian Express. Yet, the Sonia Gandhi family and the ruling party have been maintaining an intriguing silence on these serious exposes. They did not dare sue the newspapers or the writers. A few weeks back, 'Business Insider', a fairly well regarded e-magazine based in US, had listed 23 world's richest politicians. Sonia Gandhi, with her wealth estimated at between \$4-19 billion, stood fourth in the honour list. Only the Saudi king, Sultan of Brunei, and Michael Bloomberg (New York mayor) were above her in the list. Again the Gandhi family and the ruling party are deafeningly silent on this report. Should they not sue them if the reports were false? Intriguing, isn't it? The government is helpless, understandably. Why is the opposition too silent? More intriguing, isn't it?

A minister in Rajasthan got a young woman he was close to



Kalki seems to offer the ultimate hope to the hapless people.

murdered and disposed off the body. A Congress party spokesman, a senior lawyer, was caught on video in a compromising position with a woman lawyer seeking his influence to become a judge. She might well have become one had his driver, angry with him on other counts, not circulated the video. This brings us to judges. The law of contempt once prevented exposing judicial corruption but not anymore. K G Balakrishnan, former chief justice of India now heading the human rights commission, stands accused of bribery. His three relatives, including son-in-law, are found to have huge amounts of black money. Justice P D Dinakaran, a chief justice of high court — accused of bribery and land grabbing — had to resign in disgrace. But, the judiciary still looks only outwards. The media, glorified as the fourth estate, stands charged with selling its news space — cash for news. Yet, it still only pontificates. The ruling party has been charged with buying votes in Parliament — cash for votes. Still it rules and loots. Rich men are increasingly and shamelessly ostentatious. A Mukesh Ambani has built a house at over a billion dollars. Still the media celebrates him. There is shamelessness all around. The ordinary people, however, still feel shy to do things wrong. So they

looked beyond politics, Parliament, and court for hope towards an Anna Hazare. But with Anna too failing, where would they look for hope?

Srimad Bhagawatham, a great epic, compiled some 1,200 years ago, tellingly describes the ongoing Kali Yuga, the Age of Darkness. It says: "In Kali Yuga, wealth, not virtuous conduct, will determine a man's worth. Might will decide what is good and bad. Thieves will lead the country. Rulers, greedy and cruel, will degenerate into brigands and plunderers. Business will be tantamount to practicing fraud. Cheats will take to trade and business and introduce dishonest practices. Poverty will be regarded as sufficient proof of guilt in courts. Ostentatious show will be the hallmark of character. A master of (abusive) vocabulary will be considered a scholar. Moral values will be observed solely for popularity, not by conviction." It goes on and on. Is it not a running commentary of the nation today? The text predicts more decline. Finally it gives hope. It says that when the decline is total, the Lord will be born as Kalki to destroy the evil and revive values. So Kalki seems to offer the ultimate hope to the hapless people. □□

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Power Politics cannot be the Instrument of Social Transformation



In the month of January 1990 ALL INDIA CONFERENCE of Rashtriya Sikh Sangat was held in Patna Sahib Patna. Takht Shri Harimandir Sahib Ji is situated in this city. Revered Dattopant Thengadi was in the city to participate in this conference. After Conference concluded Thengadi ji had to board the Train at Patna railway station for his return journey. Since there was sufficient time in between, his lunch and rest was planned accordingly. Dattopant ji had lunch at the residence of the then President of the Bhartiya Mazdoor Sangh unit of Bihar state, Sh. Ramdev Prasad ji. I providentially got opportunity to be present and get the benefit of being in the benevolent company of such a great personality. We were having a chat after lunch. The subjects discussed naturally were contemporary and of national importance.

During the discussion the issue of The Communist Party of India (Marxist–Leninist) also cropped up. The Communist Party of India (Marxist–Leninist) or CPI(ML) was formed by the All India Coordination Committee of ‘Communist Revolutionaries’ at a congress in Calcutta in 1969. The foundation of the party was declared by Kanu Sanyal at a mass-meeting in Calcutta on the birth day of Lenin that is 22nd of April.

CPI (ML) advocated armed revolution and denounced participation in the electoral process. The party leaders belonged to the left-wing within Communist Party of India (Marxist) in northern West Bengal. They had mobilized a revolutionary peasants movement in Naxalbari, which evolved into an armed uprising of the mostly Santhal tribal inhabitants. CPI(ML) saw Naxalbari as the spark that would start a new Indian revolution and the movement came to be known as ‘naxalites’ and continues to be a major problem for the country even at present though in different format. In several parts of India, for example Uttar Pradesh, Bihar, different parts of West Bengal and in Srikakulam in northern Andhra Pradesh CPI(ML) organized guerilla units. The party got support from China, which actively encouraged the attempts of CPI (ML) to launch armed rebellion.

Dattopant Thengadi ji asked me to collect some literature of (Marxist- Lennist) and arrange its delivery to him. He was of the view that these people are demonstrating an urge to effect change. They can be useful in social transformation. It was clear from his expression that he was looking beyond the visible appearance of these left wing extremists. His statesmanship and nationalist approach urged him to see possible good in even outlaws.

Ram dev ji agreed and added that these people were becoming effective and were gaining strength with every passing day.

These CPI(ML) people had actually formed a Political front by the name of Indian People’s front (IPF). IPF had contested state Assembly election and several of its candidates had returned victorious as MP & MLA’s.

The Indian People’s Front as a political organisation was active between 1982 and 1994. It functioned as an open, mass front of the Communist Party

***Power and Politics can't be
foundation of social change.
Expecting it is useless.***

of India (Marxist-Leninist) Liberation, and contested national & state elections.

IPF won a Lok Sabha seat from western Bihar, the Arrah constituency, in the 1989 parliamentary election. Rameshwar Prasad was the IPF parliamentarian from Arrah. In 1990 the organisation was able to win seven seats in the Bihar legislative assembly. So it was seen by ordinary people as an emerging force.

Ram dev ji shared the information regarding elections by telling Thengadi Ji that 7 MLA's of IPF have won elections in the then held assembly election. On hearing this Thengadi Ji was surprised and spontaneously asked "what" as if to confirm what he had heard.

Thengadiji continued in that inquisitive manner. So have these people also decided to fight elections and their MLA s are now in state legislative? The moment Ramdev ji consented affirmatively Thengadi Ji turned towards me and commented philosophically when they have decided to join the politics of Power & election no purpose will be served by studying their literature. So do not collect or send their literature to me. It will be wastage of time and energy. These people cannot be instruments of social Transformation. Their strength will finish slowly.

Today IPF is no where. Not a Single MLA is there in Assembly who would claim to represent the ideology or Party. The words of Danttopant Ji come to my mind frequently. How deep was his understanding? How basic was his thinking? Such a foresight and complete communion with Indian Tradition of knowing that state Power and Politics can't be foundation of social change. Expecting it is useless.

Farsighted statements of Dattopant Thengdi stated in a casual and seemingly insignificant conversation was loaded with his personal practice, familiarity with history, vast experience and undiluted commitment to the all-round development of the nation.

The incident demonstrates that the people who were considered to be out laws were acceptable to him as instruments of change but after finding their indulgence in electoral politics and temptation for power Dattopant ji considered them to be worthless. □□

Arun Ojha (National Convenor of Swadeshi Jagaran Manch)

KISSAN JAMAWADA

**21-22 August 2012
New DELHI**

In accordance with the expression of intent stated in NEC meeting Agra to focus on issues related to Land Acquisition, privatization of Water, Farm suicides and Farming a meeting of prominent people was held in central office of Swadeshi Jagaran Manch on June 12, 2012.

Over 45 leaders including Sh. Prabhakar Kelkar from Bhartiya Kissan Sangh, Sh. Yudhvir Singh of Bharatiya Kissan Union, former Union Minister Sh. Satpal Malik, Dr. Krishanvir Chauchary from Bhartiya Krishak Samaj, Sh. Omprakash Bhankhad of Bharatiya Janta Kissan Morcha. Well known Agriculture scientist Dr. Devinder Sharma, besides Sh. Bhagirath Chaudhary, Sh. Rampal Jat , the well known farmer leader from Rajasthan, Sh. Umendra Dutt from Punjab, Dr. Mahesh Chander Sharma former MP and Sh. Saroj Mitra, All India co-convenor SJM were also present. Sh. Kashmiri Lal, Rashtriya Sangathak chaired the meet.

It was unanimously decided that a massive programme will be organized in Delhi to highlight the problems confronting the Agriculture sector. Accordingly it was decided to organize a "**Kissan Jamavda**" on 21st & 22nd August 2012. Farm leaders, prominent people active in this sector including intellectuals, economist and activists will be invited to be the part of the "Jamavda".

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We should abolish Rs 500 and Rs 1,000 notes completely



In our country, cash transactions are more to avoid taxes and generate black money. The higher the denomination, the easier it is to transact and transport, believes
Prof. R. Vaidyanathan

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

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

Domestic black money is a no-confidence motion on the government of India while illicit money kept abroad is a no-confidence vote on India itself – its stability and its people.

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



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

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

tion is \$100 – and the differential is 100 only.

Not only that, we find from Table 1 below that the Reserve Bank of India (RBI) seems to favour printing higher denominations currency even though the mass of poor people may transact only in lower denominations. We find that in 2005-06, around 57 percent of the total amount of Rs 43 lakh crore of coins and notes introduced in circulation comprised Rs 500 and Rs 1,000 notes. But by 2010-11, the share of the higher notes had become 79 percent of the total value of Rs 95 lakh crore.

This implies that more and more of the denominations in circulation are skewed to higher value notes when the mass of people may need lower value denominations. The very high denominations also facilitate transactions in black money.

If the government wants to reduce domestic black money, it should withdraw Rs 500 and Rs 1,000 notes from circulation, and replace them with lower denominations such as Rs 100 and Rs 50. This can be undertaken in an orderly fashion over a period of say three to four months and all those who possess the higher denominations can exchange it with banking channels for lower denominations. It will automatically bring a huge amount of the funds kept in these denominations into the banking channels.

When this happens, the government can decide the nature of penalties to be levied if the amount has not been declared earlier for tax purposes. For instance, for the year 2010-11, nearly Rs 75 lakh crore would be converted from Rs 500-1,000 notes to new Rs 100s, etc. Of course, an adequate number of new Rs 50-100 notes should be made available from the operational point of view for this conversion.

Another issue about holding cash in our context is this. The black money report says: "As of now there are no legal restrictions to keeping very large amounts of cash with oneself or transporting it from one place to another. One is neither required to report it nor provide any explanation for it. There have been suggestions that the government may consider amending existing laws, including

the Coinage Act, 2011, the Reserve Bank of India Act, 1934, FEMA, and the Indian Penal Code, or enacting an entirely new statute aimed at regulating the possession and transportation of cash above a particular threshold limit. This may include creating a limitation on cash holdings for private use, as well as provisions for confiscation of cash held beyond such prescribed limits. However, such laws need a broader political consensus to emerge for their acceptance in Parliament."

We find that political parties do disburse cash to voters prior to elections and for which a huge amount of cash is held and transported from one location to another. For instance, one report suggests that in the recent Andhra Pradesh by-elections cash valued at as high as Rs 32 crore was seized prior to the polls. These were presumably meant for distribution to voters.

An earlier report pertaining to last year's elections in Tamil Nadu suggested that Rs 24 crore in cash was seized by election officials.

There are many other reports which give us a clue that cash is held and transported in huge quantities not only for bribery at elections, but for other black money transactions. It is important that we bring in the necessary changes in the Coinage Act, 2011, and other relevant acts to make holding of cash above a threshold level, say Rs 10 lakh, punishable. This threshold can be arrived at by the Reserve Bank after taking into account the requirements for genuine cash transactions in the economy like marriage and religious ceremonies, wage disbursements in construction activities, etc. This limit should not be applicable to obviously banking institutions and corporates hav-

ing construction/project activities where substantial amounts of cash disbursements take place.

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

In our country, cash transactions are more to avoid taxes and generate black money. The higher the denomination, the easier it is to transact and transport. Taking into account our situation, we should evolve laws to prohibit the holding of cash beyond a threshold level and this will go a long way in preventing disbursements for black transactions.

These two steps – demonetising Rs 500 and Rs 1,000 currency notes and creating a threshold limit for cash holdings – will facilitate a reduction in domestic black money transactions. These decisions will not eliminate domestic black money, but will help reduce it to some extent. Probity in public life comes in an incremental fashion since we have reached the nadir. Are our parliamentarians and other opinion makers ready for at least incremental steps to reduce domestic black money? □□

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Source: www.rbi.org.in

World of Finance, Global Corporations and Greed



It is very sad to know that a man, who was leading a very successful and has everything that a human being aspires in life, was convicted for securities fraud and conspiracy. His personal net worth was estimated to be more than \$100 million. The why did he break the law, asks Prof. P. Kanagasabapathi?

One of the most successful Indians in the US, the iconic Rajat Gupta, was convicted on June 15 for leaking inside information in the much-awaited case in New York. The case pertains to the sharing of privileged information relating to Goldman Sachs with the hedge fund manager Rajaratnam during 2008. Rajat Gupta was one of the board members in the global investment firm Goldman Sachs during that time.

Srilankan born Tamil American Raj Rajaratnam, who founded Galleon Group, the New York based hedge fund management firm, was a friend of Rajat Gupta. Rajaratnam built up a very successful business and his net worth was reported to be worth \$1.8 billion. He was charged with trading in the shares of several companies with the help of inside information in what was called as the largest hedge fund insider trading case in the US history. He was given an eleven year jail sentence and fined with a civil penalty of more than \$90 million in 2011.

It was reported that two of the jurors in the Rajat Gupta case were in tears when they returned to the courtroom to deliver their verdict. It was because they believed that Gupta lived a “story book life”

and the “American dream.” Yes, Gupta’s life history thus far is an inspiring story for anyone.

Rajat Kumar Gupta was born to a journalist father in Bengal, who moved to Delhi when he was very young. He was orphaned at the age of 18 with his siblings, after his parents died one after another. Rajat completed his engineering in IIT, Delhi and went on to get an MBA from Harvard Business School. Thereafter he joined McKinsey & Company, the well-known consultancy firm in 1973. He worked hard and was ultimately elected as the Managing Director of the company in 1994. He was hailed as the first chief executive of the company born outside the US. He is also recognised as the first Indian to head a multinational corporation, thus breaking the ‘glass ceilings’ in those days.

He stepped down after being elected to the post for three terms, remaining thereby the chief executive for nine years, the maximum period allowed as per the rules of the company. He contin-



ued with the company as a managing partner and later was made senior partner emeritus with a good salary and other facilities including office and staff. Meanwhile after his retirement from active practice, he became associated with many reputed companies, organisations and bodies in different capacities such as chairman, director and advisor.

He became a member of the board of directors of big corporations, including two multinational firms, namely Goldman Sachs and Proctor and Gamble. He was closely associated with some of the top-notch educational institutions such as Harvard Business School, MIT and Kellogg Schools of Management and University of Chicago in capacities such as member

of the board of directors or board of trustees.

He was also involved in the activities of many high profile non-profitable organisations. He was on the advisory board of Gates Foundation, Chairman of the International Chamber of Commerce, trustee on the board of Rockefeller Foundation, founder board member of World Economic Forum, Special advisor on management reforms to the UN Secretary General and a member of the American Academy of Arts and Science.

He was engaged in India related activities also. He founded the Indian Business School, Hyderabad with another Indian American Anil Kumar and was its Chairman. He also co-founded the American Indian Foundation, which is one of the largest American organisations supporting development activities in India. He was also a member of the Advisory Council to the Prime Minister.

Thus Rajat Gupta involved himself in many activities connected with different fields such as business, education and charity. Besides he co-founded companies and non-profitable organizations. He remained a role model for many in the US and India. He is perhaps the only person from India who adorned many organisations at the highest levels in the fields of business and academics in the US. It is a remarkable story of success for a boy who was orphaned during his early years.

It is very sad to know that this man, who was leading a very successful and happy life, was convicted for securities fraud and conspiracy. He has everything that a human being aspires in life. He has a happy family and all the comforts.

His personal net worth was estimated to be more than \$100 million. So he does not require anything further in life. The why did he break the law and pass on information to Rajaratnam before it was made public? That is the question for which a clear answer is not forthcoming at the moment. It is believed that he might have expected something in return from the very rich and powerful Rajaratnam in future.

Anil Kumar is another high profile Indian executive who was arrested in 2009 in connection with the Rajaratnam case. This gentleman completed his studies in IIT Mumbai, Imperial College UK and Wharton School, US. He was working with Rajat Gupta at McKinsey and by hard work became a senior partner and director in the company. He is recognized as the one who pioneered the concepts of Business Process Outsourcing and Knowledge Process Outsourcing. With his good social standing, he was also associated with some of the elite bodies. Besides, he was also the Chairman of the Confederation of Indian Industries, US.

He was known to Rajaratnam from his days at Wharton School. In his ambition to go further, Rajaratnam cleverly used some of his connections such as Anil Kumar to get inside information regarding companies and used them for his trading. It is learnt that whatever he gave to Anil Kumar in return was very little. Anil Kumar was also a rich person and had everything in life. The why did he pass on the information? After his arrest, he pleaded guilty to the charges and was cooperating as a witness to the government. He also settled the amount that he had received from

Rajaratnam secretly with the Securities Exchange Commission.

All the three characters discussed above have their qualifications from reputed educational institutions at the international level, were in very good positions earning high incomes and possessing assets worth millions of dollars. Rajaratnam was considered as the richest Srilankan born person in the world. Rajat Gupta and Anil Kumar enjoyed a very high status in the society, both in the US and in India. Then, what motivated them to do what they did? In the case of Rajaratnam it was greed. In the case of the other two, it was their hidden desire to amass more. In the case of all the three, there lingers an utter lack of respect for ethics.

Reports note that if Rajat Gupta fails to convince the court in the appeal, the prison sentence could be long, up to twenty years. But many people hope that the sentence would be lesser, based on his background and the fact that he did not get any direct benefit out of his activities. Whatever it is, the damage has already been done. An icon who remained a model to many has failed them.

The latest episode from the US only proves that in the competitive world of global financial markets, the role of greed has not diminished. It also reveals, once again, the ugly side of the high profile executives of the multinational corporations who, with all their wealth, earnings and reputation, are still not satisfied with what they have. But this time they have succumbed to the temptations of a few extra millions and expected benefits, throwing ethics to the winds. □□

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Small coin shortage: Common man loses Rs 27,000 crore a yr



The practice of the banks and credit card issuers to round off the change mostly to the nearest higher rupee makes people lose tons of money. Banks are becoming richer with many unethical practices and surreptitious increase in bank charges. It is affecting the core of the economy, unveils Shiva Ji Sarkar

One is to mint plastic tokens with security marks may be with a small metal foil type cover and also issue small currency notes with plastic lamination. The other is also to print currency notes of odd denominations like Rs 6, 7, 9, 11, 15, 19 and so forth. The problem is often with odd figures. This may solve the problem to a large extent.

The government and Reserve Bank of India policy is adding to at least three to five per cent inflation. The decision to scrap small coins makes products dearer for the consumers as the sellers big or small do not return small change.

On an average every individual loses at least Rs 3 a day in such transactions. Sometimes the loss may be even Rs 10 or more if one enters into a multiple transaction. Apart it has led to rounding of most products to Rs 5 or 10. Recently the railway ministry even took this specious argument to raise (they say round off local train fares). Now even Rs 5 coins are vanishing so should such departments round it off to the next Rs 10 and when Rs 10 coins and currency notes become scarce it would be raised to the next higher amount.

It is a vicious method of depriving the common man, of their precious earnings. Lower availability of small coins leads to a rising price level.

Let us assume that of a population of 121 crore only 25 per cent – 30 crore people – are losing Rs 3 a day. It comes to Rs 90 crore a day. If they are losing it for 300 of the 365 days, the loss to the common man is a whopping Rs 27000 crore a year, larger than budgetary allocations to many ministries.

In cities like Delhi, the customer demanding small changes back is looked down upon by the shopkeepers, taxiwallahs. In fact, in many cases, they pocket even Rs 10 or Rs 50. The cheated people grumble but with little relief.

It is also interesting to note that more affluent a region is larger is the loss to the consumers. In some of the remote areas of Orissa, Bihar and Jharkhand, the shopkeepers take it as insult if someone does not take back small changes like ten or 20 paise. Yes,



The coin shortage is also posing problems for the businesses. In some cases, as in Kolkata, shopkeepers have been purchasing coins from beggars at a premium.

despite RBI having stopped minting of coins of 5 and 10 paise, these still remain in circulation in these areas.

It calls for a review of the RBI policy to do away with such small denomination coins. It has a wider social ramification as well. It causes bad blood among the people. In many cases, people avoid shops which gobble up their small changes. The shopkeepers are also known to be gruff with people who insist on having their coins back. Some shopkeepers force on people products like toffees or lozenges they do not need.

Acrimony in retail or vegetable markets is a common phenomenon. In reality, consumers have a grudge that it is adding to the inflation. Businesses crib that people are so small minded that they demand such small amounts back.

The coin shortage is also posing problems for the businesses. In some cases, as in Kolkata, shopkeepers have been purchasing coins from beggars at a premium.

India claims to have developed. It, however, still suffers from the psyche of poor developing nations. In the US, a consumer is returned 96 cents in coins if his bill is for say \$1 and 4 cents. It is unthinkable in India.

If businesses have to grow smoothly, the RBI has to make arrangements for easy supply of small coins. It needs to innovate.

Coins worth crores get locked in donation boxes of large

temples like Tirupati or Vaishno Devi. The RBI needs to formulate policy to bring these back into circulation. Some of the temples send these coins into their chambers where with time the value gets appreciated.

The practice of the banks and credit card issuers to round off the change mostly to the nearest higher rupee also makes people lose tons of money. Banks are becoming richer with many unethical practices and surreptitious increase in bank charges. It is affecting the core of the economy.

Many other service industries like telephone, gas, or petrol pumps also do the similar rounding off – gobbling up consumers' money. Shortage of coins is having a ruinous effect on the economy.

Thomas J Sargent and Francois R Velde in their recently published book Big Problem of Small Change say that for the last many centuries shortage of small coins has been a phenomenon and governments have been finding it difficult to face the challenge.

In a way it has been afflicting nations in different times. But the governments have to innovate to look for new ways to overcome such shortage. The RBI certainly has a case for deciding the intrinsic value of such coins. It is stated that the razor blade industry melts one-rupee coins to manufacture six blades. In other words, they are earning huge profits as the quality of metal is unmatched and sell-

ing the blades at premium.

Some artificial jewellers also melt the coins as the intrinsic value is more than the face value of the coins. The RBI is not supposed to provide raw material to this kind of industry. But it needs to evolve a system to mint coins with metals which should have a junk value. It calls for RBI to carry out research for minting coins or printing small value currency notes.

Sometime back there was a proposal to print small value plastic tokens with due security marks. Any metallic coin is certain to have the value appreciated. Of late, RBI has decided to change the raw material used for manufacturing of coins from Copper-Nickel to FSS (Ferritic Stainless Steel). But FSS is also a coveted metal for some industries, which would like to melt it to make fancy items and earn larger profits.

The challenge is perennial. The answer is not in giving up small denomination coins or currency notes. It is true that small coins and small denomination currency notes get soiled soon. Their intrinsic value also has to be kept lower than their face value. These call for looking for new methods.

It can be done in two ways. One is to mint plastic tokens with security marks may be with a small metal foil type cover and also issue small currency notes with plastic lamination. The other is also to print currency notes of odd denominations like Rs 6, 7, 9, 11, 15, 19 and so forth. The problem is often with odd figures. This may solve the problem to a large extent. But in no case giving up the small coin is the solution. It has a severe economic and social cost. □□

Constitutional Authorities responsible for corruption and black money



*The real objective of the White Paper on Black Money placed by Finance Minister Pranab Mukherjee on the table of the Parliament is to distract attention of the people from the deep seated corruption among the politicians as He has not said a single word regarding the role of politicians in generation and circulation of black money. When the Ministers are themselves deeply involved in generation of black money, then who will put a stop to this, asks **Dr Bharat Jhunjhunwala** ?*

Problem of corruption and black money is global. On a flight from London to New York I was sitting by the side of a London shopkeeper. He was travelling to New York to buy shoes for his shop. He said he had to go personally because he was to pay part of the price in cash so that the bill could be raised for lesser amount and he would have to pay less import duty in England. Objective of the businessman is to make money. It is his natural tendency to evade taxes. It falls upon the government to control the evasion.

Truth is that the Ministers do not want to stop these illegal activities because they themselves are deeply involved in them. Officials are unwilling to take action because that steps on the toes of the Ministers. Saying is *yatha raja tatha praja*—"as the king, so the people." I had an occasion to visit Kolkata when the Harshad Mehta matter was in the news. The taxi driver tried to overcharge me. When I protested, he replied, if the Prime Minister is making money from corruption then why not me?

The power and corruption of the Ministers has grown such that in the Voluntary Disclosure Scheme announced by the Vajpayee Government the maximum amount disclosed, as per my mem-



ory, was Rs 274 crores by a politician from Andhra Pradesh. It was established in the Bofors case that grease money had been paid. The alleged culprits, however, were let off on grounds that there was no solid evidence. The hawala case implicated many politicians. Again they were let off on grounds of lack of evidence. The Reddy brothers in Karnataka bled the government and small businessmen alike. A Chief Minister of UP would have a notification issued raising sales tax on a particular commodity. The notification was withdrawn promptly within a few days as soon as grease money was paid. The officials simply cannot

take action against black money in the economy because that would imply acting against their politician bosses.

It is in this background that we must assess the White Paper on Black Money placed by Finance Minister Pranab Mukherjee on the table of the Parliament. The Finance Minister has not said a single word regarding the role of politicians in generation of black money. Fundamental problem is that when the Ministers are themselves deeply involved in generation and circulation of black money, then who will put a stop to this? It is like expecting the thief to put a stop to thefts. Instead of focusing on

The real objective of the White Paper is to distract attention of the people from the deep seated corruption among the politicians.

the main cause of complicity of Ministers, the Finance Minister has highlighted the petty corruption by ordinary people. And the solutions proposed are entirely cosmetic. It is said, for example, that use of debit cards should be encouraged. It fails to dawn on the Finance Minister that a person buying goods with black money will have the wisdom not to charge it to his bank account. In any event, debit cards are used by ordinary people for ordinary transactions. Another solution suggested is to deduct TDS on property registration. Indeed, this may help bring some of the benami deals into the open. But the major problem is that of undervaluation. Deduction of TDS will not track the huge amount of money making the rounds in the property markets.

The real objective of the White Paper is to distract attention of the people from the deep seated corruption among the politicians. The Finance Minister is focusing on the purchases of few thousands of rupees that are made by the common man in cash. He has nothing to say about the few thousands of *crores* of rupees of black money that is generated by the politicians by milking the Public Sector Undertakings and government contracts, issuing notifications that are designed to bring black money to the Ministers; and making policies that provide special benefits to specific business houses.

The Finance Minister has said that the Lokpal Bill should be passed expeditiously. The suggestion is in the right direction. The problem, however, is that passage of the Bill may not bring about a qualitative change in governance. Reason is that the Lokpal will be appointed by the Government. Other Constitutional authorities like the Chief Justice of Supreme Court of India, Director of Central Bureau of Investigation, Chief Vigilance Commissioner and Comptroller and Auditor General of India are similarly appointed by the Government. These authorities are supposed to be as independent of the government as the proposed Lokpal. Yet they are more often than not acting as organs of the government. Reason is that the persons appointed to these offices are selected by the same government which they are expected to check.

The government picks such persons who are pliable and willing to follow diktats of the government. Moreover, these individuals have their sight on the post-retirement positions that they may get courtesy the government. For example, retired judges of the Supreme Court are appointed to National Green Tribunal, Competition Commission of India and National Human Rights Commission. This creates a spontaneous tendency among these individuals to toe the government line so that

their chances of getting the post-retirement appointments are not impaired. Recently Jaganmohan Reddy was arrested by CBI. Most analysts are of the view that the timing was orchestrated by the Congress Government from Delhi to send a message to the Congress MLAs that similar fate awaits them in case they decide to join the Jaganmohan Reddy outfit. Such partisan role of supposedly independent Constitutional authorities happens because the individuals are appointed, and granted post-retirement benefits, by the same government whom they are supposed to check.

Solution to this problem is to take the appointment of these Constitutional authorities out of the hands of the government. The President of India may be elected directly by the entire electorate of India like in the United States. The Chief Justice of India and Comptroller and Auditor General of India can be appointed by a Committee of heads of Bar Council of India, Confederation of Indian Industry, Medical Council of India, Institute of Chartered Accountants of India, etc. The Chief Vigilance Commissioner and Director of CBI can be appointed by a Committee of the four Shankaracharyas and heads of Muslims, Christian, Jain and Sikh religious organizations. More importantly the persons appointed to these posts should be barred from accepting any post-retirement assignments from the government. Such a process of appointments will place truly independent persons in these key positions. They will be able to take action against corrupt Ministers. That will help clean the rot from the top to bottom. □□

Indian State and Representative Democracy

The present expanding Indian state that is trying to control every aspect of Individual and socio-family life leading to discriminatory and powerful centralized system of economic structures destroying village level economic sufficiency needs to be restricted, suggests Anil Javalekar

Indian state has celebrated 60 years of its parliamentary system and all parliamentarians praised it in one voice. It is true that the system has helped most of the parliamentarians in their all types of adventures in one way or the other, be it political, social, economical or even criminal and brought a great prosperity to them along with politico-socio-economic power. The tragedy is that all parliamentarians were united in one thing and that is to protect the present system so that they get the supremacy. They naturally tried to convince the media and public that the parliament is supreme and cried out that Anna and his team is threat to the parliamentary system. The fact is that no parliamentarian considered it necessary to say that the threat is not from outsiders like Anna and his team but from within the parliament-the parliamentarian themselves. By crying out a foul with outsiders is nothing but to fool people and the nation. This is therefore, the right time to revisit the entire system of this representative democracy and this parliamentary system which allows mostly the bad representation.

1. Historical Perspective of Indian state & its representation

i. The historical perspective of Indian statehood and its ruling

style is important and must be understood to deal with today's statehood and its representative character. Historically, Indian ancient state was not prone to kingship that rules over all the life aspects of society and its members. Moreover, Indian ancient philosophers had not considered the king as god as most other ancient civilizations believed. Instead, Indian kings were to listen to then knowledgeable people or follow the regime of 'Dharma'. They were treated as representatives and were not supreme.

ii. In ancient Indian societies the life aspects of individual and family were left to the codes pre-

scribed by knowledgeable people and implemented by leading head of socio- family groups. This was the reason why life of Indian people was stable and socio-economic structure at village level was self reliant. The history of India shows that the stable Indian life and village level self sufficiency continued till the departure of Harshvardhan (650 AD). The entry of outsiders thereafter changed everything.

iii. The Period after 700 AD was bad for India as the era was of small kingdoms engaged in fighting continuously with each other allowing outsiders to come and loot. The Afghan, Turk and Mo-



The parliamentarians are more concerned about 'winning' the elections and happy with the subservient people.

gular took advantage of the situation and Indian life was disturbed. The era can be extended to the period of Moguls and British. Both tried to destroy the stability of Indian life and its culture. The British Empire completely destroyed the village level self sufficiency and made Indians subservient to their culture and their life lifestyles. (Period 700 to 1947).

iv. One more thing happened during this phase. It has changed the face of Indian kings and their administration for it laid the foundation of today's representative democracy and lifestyles of our parliamentarians. This was the era of the kings and their administration turning in to the opportunists and selfish. They started looking after only their own interest and most of the time forgot the interest of their countrymen. They just became the subservient to their masters-Moguls first, British later and party high command now. Most of their kith and clans participated in the experimentation of Indian democracy and adjusted to the new system of elections keeping their socio-economic and political status intact.

2. Need for a new approach

i. The present status of Indian state is that it is expanding and, in the process, trying to control every aspect of Individual and socio-family life making the life more and more dependent and helpless.

This expansion, again in the name of welfare state, has led to discriminatory and powerful centralized system of economic structures which destroyed the village level economic sufficiency, ultimately resulting in destruction of the stable Indian system of socio-economic life. Therefore, there is a need for restricting the expansion of the state powers and its failing administrative efficiency. The least governance is the best governance as many thinkers and philosophers put it.

ii. Ancient Indian small 'gantantra rajyas' were more stable and prosperous compared to the larger kingdoms. Most of the issues used to be settled within the localized socio-family groups and rarely gone to the king or the state powers. The present status is of expanding state but failing administration. This has happened mainly because the administration is subservient to state representatives instead of codes, rules and responsibilities. There is a need to delink the administration from the state powers and democratic representation. Therefore, the need is to evolve the localized administration system so as to make it more responsible towards people.

iii. There is also a need to reduce the dependency level of individual and socio-economic life on state apparatus as well as on the monopolistic, big and dominating economic systems and structures for livelihood. This can be done by localized consolidation of socio-cultural life and restoration of economic self sufficiency model at village level. This will bring the stability in socio-cultural-family relations and economic systems and will assure the food security and source of livelihood to all.

3. New Approach

i. The new approach should necessarily be different from the current westernized model of statehood and representative democracy as it is mostly emerged from colonized aspect of governance and dominance of economic aspect of life. The colonized aspect was based on war strategies of warring and exploitation of 'other' people so as to make them subservient. The dominance of economic aspect of life was materialistic one and was based on selfish ends. This is precisely adopted by our parliamentary system of representation. The parliamentarians are more concerned about 'winning' the elections and happy with the subservient people. They are more interested in serving more to their selfish ends of accumulation of properties and profit making. **New approach thus must be based on Indian ethos and Indian socio-cultural value systems of knowledge and localized governance where righteous conduct was valued more than the power and material life.**

ii. 'The society was protected by righteous conduct of all' said Bhishma Pitamah in Mahabharata while describing the life in ancient society before corruption and emergence of kingship. The society must aim at this protection by righteous conduct and state should minimize its role in influencing socio-cultural economic life of society and individual.

4. Steps forward to new approach

i. The first and most important step should be to bring righteous conduct in Indian political system. For this, it is necessary that the entry to the political system

should be restricted by following some value system. Presently entering in politics has become a lucrative business. **Promotion of righteous conduct and elimination of bad elements in society from the electoral process should be the first priority.** It is important that the new system gives a clear message to all those desirous of joining the political system, that, bad will immediately be caught and punished severely only because they are in the electoral process or in political field of representation. All those entering in politics or political system should be brought under the legal and public scrutiny along with their kith and clans in every aspect of their life, private or public, their properties and profit /nonprofit avenues. Becoming politician should be a liability and not asset.

ii. Secondly, there should be certain parameters and a defined valuation system by which the representation and its level should be allowed. It should not be simple manipulation or by whims and fancies of high command that one should become a MLA or MP or minister or prime minister. For instance many get election tickets or become ministers not for their capabilities for governance but they are subservient to high command or simply are manipulators. Even Present Indian Prime Minister falls in this category. Thus new approach should move towards the system of putting 'right man at right job' by allowing independent **national level organization consisting of knowledgeable people** and reputed NGOs to define the parameters and valuation systems for all political entrants and their level of representation.

iii. Third, the system of political parties needs to be revisited. Political parties should be the approved way for political entry. Entry to Socio-economic activist's field should be separately treated and should not be mixed with political entry. Entry to Political field must be made compulsory to enter in to electoral process and it should be through political parties. It is observed that election process is being manipulated by allowing dummy contestants who are not serious but help win or loose the main candidates. This is the main reason why wining candidates win with lower percentage of votes. The contest should always be between main rivals or parties.

iv. Fourth, the parties should have a minimum understanding for not entertaining the requests of the punished and expelled members of other parties for entry in to their party. This will help maintain discipline and promote the righteous conduct in political system. The political parties should not nominate all those who have some allegations particularly in regard to the properties and money laundering or corruption irrespective of the legal pending status. **The parties should follow the parameters and valuation system suggested by knowledgeable people.** The parties should also not allow nomination to kith and clans of representatives simply because of the relations.

v. Fifth, the marking of constituencies should be homogenous. It is necessary that new approach should propose for such constituencies where manipulative voting like solid or block voting should not become a decisive factor. Where there are chances of solid

Parties should have a minimum understanding for not entertaining the requests of the punished and expelled members of other parties for entry in to their party.

or block voting by one community or cast or religion etc such constituencies should be divided.

5. Conclusion

The Parliamentary system is based mainly on representatives, elected or nominated, and functions through these representatives by way of their government and their ministries including their administrative set up. The system is open to everyone and anyone can represent. It looks very good to read and take it on face value. But the fact is that the prescribed election and nomination system has been manipulated by money and corrupt practices in such a way that good one rarely dare to enter in to the system of elections. The committed and socially conscious representation is definitely thrown to edges. Thus Indian state and its people cannot afford the luxury of allowing bad organized element of society to continue in parliamentary system and protect it for their own self interest. If not changed, the intent of our Indian constitution in regard to the sovereign socialist secular democratic republic and securing to all its citizens the Justice, liberty and equality will remain a dream. □□

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Pranab: Inflation, self-reliance & Reliance

Anirban Ganguly recounts moments from the past when Pranab Mukherjee had to face uncomfortable questions from opposition MPs.

In view of spiraling prices, Finance Minister Pranab Mukherjee had to make a statement in the House on the price situation. In his characteristic manner, marshalling statistics, he ended his statement by telling the House that ‘the behaviour of prices in our country is a complex matter and requires continuous and close monitoring and surveillance. Even a small decline in the availability of specific items, or an unanticipated change on domestic or international market can easily disturb the prices situation.’

He once again sought ‘the cooperation of this House in continued efforts to contain inflation.’

In the ‘re-discussion’ on the statement that followed one of the

young MPs, a former professor in economics, took the FM headlong on his statement. ‘I am bringing the matter to focus the attention of the House because the object of the government is to camouflage, to confuse you and they think that everything is okay.’

‘So, I am trying to unravel it for you and show what the heart of it is. The finance minister has been giving periodic assurances to this House and to responsible bodies that the price situation will be controlled, prices will be brought down and then he is not accountable for it. On no occasion has the finance minister come and said, ‘I was wrong, I am sorry, I have not been able to understand the situa-

tion and these are the things I am going to do and if I do not control the prices, then honourably I will resign and go away.’

‘That is the way in which I could take him seriously This is an absentee government we have today. They are all in the tamasha of international meetings while the people of India are suffering under the crushing burden of rising prices.’

Though it sounds uncannily familiar to the situation today, this discussion and repartee took place in the seventh Lok Sabha in the winter of 1983. Pranab, then in his new avatar as FM and Indira Gandhi’s leading confidant was mouthing the same excuses that he continues to do even now under similar circumstances. The young MP, Subramaniam Swamy, is back in action attacking the government in much the same vein and garnering support for Pranab’s opponent in the presidential race. India’s economy and politics seems to have completed one more of its cycles and Pranab has witnessed it all.

Despite the ‘statesman aura’ that Pranab is being imbued with today, not all his moments in Parliament were covered with glory, golden rhetoric or flourish. For those who remember it, Pranab had his ‘crocodile’, ‘fiasco’ and ‘black money’ moments even then, when opposition stalwarts caught



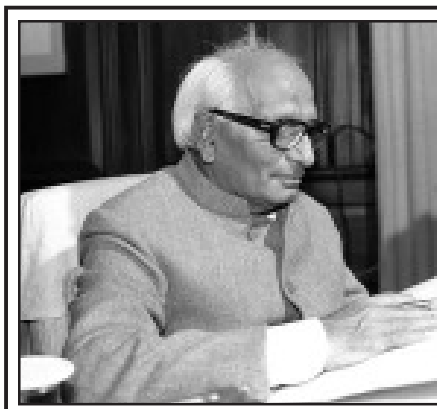
him on the back foot, fenced him down and cried 'touché'.

It would be interesting, for example, to know that Madhu Dandavate, veteran socialist, brought a privilege motion on December 2, 1983 against Pranab accusing him of 13 times repeating to Parliament wrong information in connection to questions on 'Purchase of Shares by Non-Resident Indians in Various Companies' (27.7.83), 'U.K. Companies who sought shares of Reliance [Get Quote] Textiles' (26.8.83) etc, between July and December 1983. Minutes before Dandavate raised the privilege issue, Pranab hurriedly tabled the correction, thus averting the motion.

A charged up Dandavate expressed shock that from September 16 when the London correspondent of the Calcutta Telegraph disclosed that some of the companies in the list shared with Parliament 'were not all registered' and that one of them had gone under liquidation eight years back, no action was taken to correct the misstatement till December 2 when the threat of his privilege motion loomed large and real.

Dandavate was surprised that when he actually tabled the privilege notice, his notice was 'discussed through the editorial of the Times of India, was also commented upon by the Telegraph' but that he was the only 'poor soul who had not got an opportunity to say something in the matter.'

Having done a massive background work and information gathering Dandavate decided to force Pranab to a discussion through a 'calling attention' motion on 'Reported Irregularities in Investment by Non-Resident Indians in Reliance Textiles' on December



'Finance minister in replying to my queries and queries of colleagues will give evidence that he is the minister for self-reliance and not minister for Reliance.'

14, 1983 and bring to the notice of the House the fictitious character of companies in the list provided by the FM.

Chitta Basu of the Forward Bloc, Satish Agarwal of the BJP and Somnath Chatterjee of the CPI-M all having a done a great deal of homework participated in the motion of pinning the FM down.

Chitta Basu sought Pranab's assurance that the 'government will exercise strict vigilance and see that those ill gotten money or black money cannot get any chance of being turned into white money through Indian nationals' and said that it was evident that all 'eleven companies are created by bogus people.'

Satish Agarwal again placing a detailed questionnaire regarding the listed companies asked Pranab not to misjudge the members' intentions, it was clear, 'We are simply cautious. If there is some ill-gotten money coming through certain source, then it is our duty as Members of Parliament of the opposition to draw attention to all those facts.' Agarwal, much to Pranab's chagrin, demanded the setting up of a parliamentary committee to investigate the issue.

In a masterly speech full of legal positions Somnath wanted to know the truth and asked Pranab

whether it is true that 'all these companies have been registered for only one client? Whoever he is, I don't want to take that name This was a dangerous proposition.'

Madhu Dandavate's, however, was the most masterly participation in the debate. He spoke for 40 minutes and divulged a huge amount of information that even astounded the habitually nimble-minded Pranab. But what perhaps touched the rawest nerve was Dandavate's remark made at the beginning of his speech, hoping that the 'Finance minister in replying to my queries and queries of colleagues will give evidence that he is the minister for self-reliance and not minister for Reliance. I hope all queries that will be made will be adequately met and the details will be given, which unfortunately we could not get through more than 13 questions that we have tabled in both houses of parliament.'

Finally, Dandavate finished his salvo throwing a challenge to Pranab — by then busy rattling away his points — 'Give us one month's time, we will get you all the skeletons from the cupboard of the relevant company.'

Pranab, it appears from the records, wisely chose not to accept that challenge! □□

(Courtesy Rediff.com)

Swiss banks come up with new safe haven

Amidst a global crackdown against alleged black money in secret Swiss bank accounts, their bankers are selling a new safe haven idea to their rich clients from India and other countries — the high-value 1,000 franc notes to be stored in safe deposit boxes.

These boxes, kept inside the premises of Swiss banks, are also reportedly being used to stash gold, diamond, paintings and art works among other valuables — apparently because of limited risk of being caught by the preying eyes of countries having banking information exchange treaties with Switzerland.

According to industry sources, bankers are telling their rich clients that Switzerland's tax and information exchange pacts with In-

dia and other countries are mostly limited to funds in customers' savings, deposit and investment accounts, and do not apply to the safe deposit boxes.

As a result, the demand has soared to record high levels for the safe deposit boxes and the 1,000 Swiss franc banknotes in Switzerland, as the world's rich are rushing to get them. As per the data available with Switzerland's central bank SNB (Swiss National Bank), the 1000-franc notes now account for 60% of total value of all Swiss banknotes in circulation, up from about 50% a year ago.

Just one 1000-franc banknote is worth about Rs 60,000 in Indian currency, making it easier to store large amounts of money in the form of these notes. □

GAAR draft guidelines & PM

Prime Minister Manmohan Singh has distanced himself from the draft guidelines on the General Anti Avoidance Rules (GAAR) released by the revenue department, saying these have been put out at the official level and are only meant for consultations and stakeholder feedback.

"These have not been seen by the Prime Minister and will be finalized with the approval of the Prime Minister, who holds the finance portfolio, only after considering the feedback received," the PMO said in a statement. PMO spokesperson was not immediately available to comment on what prompted Singh to issue the statement. The PM has already announced his intent to rework the tax framework. "There have been many factors that have contributed to this general negative mood. There are problems on the tax front which need to be addressed," he had said during his first meeting with the finance ministry brass.

India bigger threat for Pakistanis

Only one in five Pakistanis have a favourable view of India with almost six in ten considering it a bigger threat to their country than the Taliban, or Al Qaeda, according to a new survey made available here.

But as the survey of Pakistan by the Pew Research Centre's Global Attitudes Project notes 22 percent of Pakistanis having a favourable view of India is actually a slight improvement from 14 percent last year.

Pakistanis have consistently identified India as the top threat since the question was first asked in 2009, it noted. The percentage fearing India has increased by 11 points to 59 percent since then, while the percentage naming the Taliban has decreased by nine points.

Despite these negative sentiments, 62 percent of Pakistanis say it is important to improve relations with India, the survey found. And roughly two-thirds support more bilateral trade and further talks to try to reduce tensions between the two nations.

According to Pew Research Centre, the survey in Pakistan is part of the larger Spring 2012 Pew Global Attitudes survey conducted in 21 countries under the direction of Princeton Survey Research Associates International. Results for the survey in Pakistan are based on 1,206 face-to-face interviews of adults conducted March 28 to April 13, 2012. The sample is disproportionately urban, but the data are weighted to reflect the actual urban/rural distribution in Pakistan, Pew said.

Mumbai plot fetches Rs 600 crore in Resale

An eight-acre plot in Kalachowkie in the heart of central Mumbai, which was sold for a throwaway price of Rs 1.75 crore a decade ago by a Madhya Pradesh government undertaking to a small-time developer, fetched Rs 600 crore last month. South Mumbai property redeveloper Haresh Mehta, who was in possession of the property for the past two years, sold it to the Lodha Group, it is learned. The Lodhas have

Sunita Williams' spiritual space odyssey

When Sunita Williams is thousands of miles above the earth taking a bird's eye view of the universe from her space shuttle window, she will try to understand universal truths of the Upanishads. The Indian American astronaut — who will spend six months in space from July 14 — is carrying with her an English translation of one of the most important Hindu scriptures.

Her father, Deepak Pandya, is hoping that the farther she goes from earth, the closer she will come to understanding her Indian roots. It was his idea that she carry a copy of the Upanishads with her.

Pandya, himself a Shiv bhakt, says that up in space his daughter will perhaps be able to better chart her spiritual journey with the Upanishads assisting her.

The astronaut is all set to go into quarantine ahead of her second space odyssey after which it will become increasingly difficult for the family to stay in touch with her. Williams last worked aboard the International Space Station for six months in 2006. She will take off from the Baikonur Cosmodrome in Kazakhstan with two other astronauts, a Russian and a Japanese. □

already announced a residential project on this land.

Mehta's company, Rohan Lifescapes, sold around five lakh square feet to Lodha about a month ago.

The sprawling plot has a controversial past. It was owned by Provident Investment Company Ltd, a MP government undertaking, when it decided to call for tenders in 2002. The highest bidder was Esque Finmark, a firm owned by a politically connected developer, Paras Porwal. What raised eyebrows was when it was discovered that the highest bid was just Rs 1.76 crore, a price of a mid-sized apartment. The controversial transaction between Provident Investment Company and Esque Finmark came out in the open only last year when some tenants of Ambewadi, as the enclave is popularly known, dug up information about the status of the land. These residents were perturbed when Porwal began pushing for redevelopment. Residents alleged the Slum Redevelopment Authority "hurriedly" declared the entire 32,000 square metre (1 acre equals approx 4,000 sq m) sprawl as a slum, although they are legitimate chawl tenants.

Retrieving black money may revive economy

The Federation of Indian Chambers of Commerce and Industry (Ficci) has said that retrieving black money from abroad could be one of the solutions to bring the economy back on track. "Ficci has given a 12-point agenda to the (former) finance minister Pranab Mukherjee to revive the economy," Ficci president R V Kanoria said. He said the issue of repatriation of black money from abroad without asking the countries to disclose the identity of the depositor could bolster the economy which is in doldrums. Few

countries have entered into an agreement with Switzerland to get back their money, he added.

Appealing to the Centre to work towards lifting up the overall negative sentiment, he said, "While on one side there is the poor performance of the Union government, on the other there is the rise of independent states that are outperforming other states."

Multi-brand FDI to hit kirana shops

It is not just small traders and kirana stores who are worried over loss of business if foreign direct investment (FDI) in multi-brand retail is allowed. Even international chains such as German retailer Metro Cash & Carry believe that the reform move may impact local businesses.

While the influx of international retail giants will bring in investments in back-end and supply chain management, the Indian arm of Metro Cash & Carry said this will decrease the importance of small traders in the country as consumers would shift to large format stores from the local kirana shops.

"Consumers will shift to large format stores, so the relevance of small traders will decrease. Because of substantial increase in disposable income due to a growing economy, the focus has today shifted from small to large format stores," said Rajeev Bakshi, managing director, Metro Cash & Carry, India.

The statement by the German company comes as a surprise especially after international chains have been waiting for the opening of FDI in the sector as they reason it would benefit smaller players by way of technological enhancements as well as creation of new jobs, besides giving them an opportunity to tap into the growing retail market in India. □□

US court lets off Union Carbide

In a setback to 1984 Bhopal gas tragedy victims, a US court has held that neither Union Carbide nor its former chairman Warren Anderson were liable for environmental remediation or pollution-related claims at the firm's former chemical plant in Bhopal.

US district judge John Keena in Manhattan dismissed a lawsuit accusing the company of causing soil and water pollution around the Bhopal plant due to the disaster, and ruled that Union Carbide Corporation (UCC) and Anderson were not liable for re-

mediation or pollution-related claims.

The court ruled that it was Union Carbide India Ltd, and not its parent company UCC that was responsible for the generation and disposal of the waste that polluted drinking water, and the liability rests with the state government. Plaintiffs Janki Bai Sahu and others had alleged that "toxic substances seeped into a ground aquifer, polluting the soil and drinking water supply in residential communities surrounding the former Bhopal Plant site". □

China's manufacturing growth slows down

China's manufacturing expanded at the weakest pace this year as new orders and export demand dropped, showing the government has yet to arrest an economic slowdown. The Purchasing Managers' Index (PMI) fell to 50.2 in June from 50.4 in May, the Beijing-based National Bureau of Statistics and China Federation of Logistics and Purchasing said.

Obama healthcare law upheld

A sharply divided Supreme Court upheld the centerpiece of President Barack Obama's signature healthcare overhaul law that requires that most Americans get insurance by 2014 or pay a financial penalty. "The Affordable Care Act's requirement that certain individuals pay a financial penalty for not obtaining health insurance may reasonably be characterized as a tax," Chief Justice John Roberts wrote for the court's majority in the opinion. "Because the Constitution permits such a tax, it is not our role to forbid it, or to pass upon its wisdom or fairness," he concluded. The vote was 5-4.

Indian envoy awaits Queen nod

Four months after the new Indian high commissioner to the United Kingdom, Jaimini Bagwati, arrived in London, Britain's head of state, Queen Elizabeth, hasn't found time to accept his credentials. Apparently, such preoccupation on her part is the latest in a series of inadvertent or intended tit-for-tats between the two countries.

After previous Indian high commissioner Nalin Surie completed his term, he wasn't replaced for seven months. Now, with his successor in place for four months, Elizabeth has been too busy to receive him.

A spokesman for Elizabeth said presentation of

credentials is "slotted in at the first available opportunity". He did not see the delay as unusual. The British foreign office indicated "India is moving up the list" for an appointment, but wasn't hopeful this would happen until after the Olympics.

Indeed, while the British monarch was busy in recent weeks celebrating the diamond jubilee of her reign, for her not to be able to spare a single moment prior to this has raised eyebrows. It's learnt that there was a window in the second half of April, but it wasn't utilised.

Jundal case hints at Pak patronage

Influential American intelligence analysts are concluding that Pakistan is not budging from its use of terror as part of its statecraft going by the country's reluctance to act against perpetrators of the 26/11 Mumbai attacks. Endorsing the Indian charge, further confirmed after captured LeT trainer Abu Jundal's disclosures, that the attack had Pakistan's official sanction, the analysts point to Islamabad's continued patronage of LeT chief Hafiz Mohammed Saeed as one sign that Islamabad has embraced terrorism as official policy.

"Pakistani officials argue that they don't have the capacity to deal with these groups in a comprehensive and consistent way. But this argument rings hollow when Sayeed roams the country freely making speeches and raising funding for his LeT front organization," Heritage Foundation scholar and former CIA analyst Lisa Curtis wrote amid growing disquiet in Washington over Pakistan's rampant use of terrorism in the region.

Riedel also pointed out that David Headley said the same thing, as did Ajmal Kasab, the only survivor of the group captured Indian cops. In an op-ed in the Daily Beast, Riedel said because Abu Jindal was actually in the control room in Karachi "his accusa-

Financial giants are moving jobs off Wall Street

New York's biggest investment houses are shifting jobs out of the area and expanding in cheaper locales in the United States, threatening the vast middle tier of positions that form the backbone of employment on Wall Street. The shift comes even as banks consider deeper staff cuts here, which could undermine the state and city tax base long term.

Consultants say they have seen a sharp pick-up in this trend, known as near-shoring, as opposed to offshoring overseas. Goldman Sachs, during a presentation to investors in late May, even boasted of the cost savings that relocating jobs can bring.

Low-level jobs have already migrated to call centers and back offices overseas, while top-end traders and bankers are secure in the New York area, experts say. Instead, services like accounting, trading and legal support, and human resources and compliance are being shifted to places like Salt Lake City, North Carolina and Jacksonville, Fla.

The federal government does not specifically track securities jobs in Utah, North Carolina or Florida, popular locations for near-shoring. But data from firms illustrates the trend. □

tion is even more powerful" and if these are confirmed "then the ISI was involved directly in the decision to murder Americans" .

Some experts, including India's B Raman, a former intelligence official, have suggested this is one of the reasons Washington leaned on Saudi Arabia to extradite Jundal to India. Riedel and Raman say the Saudi role in capturing Abu Jindal is significant given that Riyadh is Islamabad's closest ally and the ISI has very strong links with its Saudi counterparts.

US bill to curb tax break on outsourcing

In the next few days, the US Senate will consider a Bill backed by President Obama and his Democratic party that has the potential to make it less attractive for American companies to send work to locations such as India.

The so-called Bring Jobs Home Act, which is due to be introduced in the Senate later this week as the presidential election campaign heats up, is sponsored by two Democratic lawmakers and supported by AFL-CIO, the largest federation of trade unions in the US.

If passed, the law will end tax breaks for firms that move jobs overseas and provide tax incentives for those moving jobs back into the US.

Iran to fight back 'malicious' oil ban

Iran pledged to counter the impact of a European Union oil embargo which took full effect, saying it had built up \$150 billion in foreign reserves to protect itself. The EU ban on crude imports is part of a push by Western countries aimed at choking Iran's export earnings and forcing it to curb a nuclear programme they fear includes weapons development.

"We are implementing programmes to counter

sanctions and we'll confront these malicious policies," Mehr news agency quoted central bank governor Mahmoud Bahmani as saying.

The EU banned new contracts for imports of Iranian crude in January, but allowed existing ones to continue until July 1. So far, sanctions have not forced Iran into concessions on its nuclear programme. In fact Iran has demanded that the sanctions stop before it will take steps to curb uranium enrichment.

But there are signs of the embargo having an impact on Iran's economy. Its crude oil exports - which according to EU estimates represent half the government's income - have fallen by 40% this year. Iran used to export a fifth of its crude to EU countries.

GlaxoSmithKline to plead guilty

GlaxoSmithKline LLC will pay \$3 billion and plead guilty to promoting two popular drugs for unapproved uses and to failing to disclose important safety information on a third in the largest health care fraud settlement in US history, the Justice Department said.

The \$3 billion fine also will be the largest penalty ever paid by a drug company, deputy attorney general James M. Cole said. The corporation also agreed to be monitored by government officials for five years to attempt to ensure the company's compliance, Cole said.

It is illegal to promote uses for a drug that have not been approved by the Food and Drug Administration, a practice known as off-label marketing. Prosecutors said GlaxoSmithKline illegally promoted the drug Paxil for treating depression in children from April 1998 to August 2003, even though the FDA never approved it for anyone under age 18. □□

India defends generic drugs

India, Brazil and China have defended the right of poor countries to access cheap generic medicines at WTO, resisting attempts by the US, Japan and some other developed countries to club counterfeits or copies of patented drugs with fake or spurious ones. In a recent meeting of the WTO's Trips Council, developed countries such as Canada, Switzerland and the EU said they considered counterfeiting to be one of the most serious problems to be discussed by the council. These countries said counterfeit medicines not only cause economy loss but also put the lives of patients at risk as they could be "dangerously sub-standard".

India, Brazil and China, however, argued that infringing intellectual property rights should not be confused with sub-standard products. Intellectual property violation in medicines should not be mixed with sub-standard products and the issue of fake drugs should be discussed at other forums and not WTO, the three countries said at the meeting in Geneva.

EU, US, Japan on China rare earths

The European Union, the United States and Japan have requested a dispute settlement panel at WTO after failing to resolve a battle over China's export restrictions on rare earth minerals. The move followed a complaint the three trade powers took to the WTO in March, the first they have launched jointly, and comes amid a series of clashes with China over economic issues, including the value of the Chinese currency.

The case concerns the 17 rare earth metals, as well as tungsten and molybdenum, which are used in advanced technologies for the defence, electronics and renewable-energy industries. They go into products such as the iPhone, disk drives and wind turbines.

The damage done to European manufacturing runs into billions of euros because it is nearly impossible to diversify away from the Chinese supply, according to EU officials. China accounts for about 97 percent of world output of the 17 rare earths and the three powers accuse Beijing of trying to hold down prices for its domestic manufacturers & pressure international companies into moving operations to China.

WTO 'trade facilitation' pact

The heads of the World Bank and other international lending agencies have urged countries to salvage an agreement to help poor nations increase trade from the remains of failed world trade talks

that began in 2001.

"More than a decade after the launch of the Doha Round, this agreement could be a down payment on the commitment WTO (World Trade Organization) members have made to linking trade and development," World Bank President Robert Zoellick and the heads of five regional development banks said in an op-ed.

However, developing countries want a credible commitment from richer countries "to support implementation costs such as technical assistance and capacity building," they said.

A World Bank study estimated the cost of implementing the commitments at about \$7 to \$11 million in each developing country, spread over a number of years, they said. About 100 of the WTO's 150 members are developing countries, including 32 that are "least-developed countries."

Lamy: "Multilateralism is at a crossroads"

WTO Director-General Pascal Lamy, in a speech at the Humboldt-Viadrina School of Governance in Berlin on 26 June 2012, said that "multilateralism is at a crossroads. Either it advances in the spirit of shared values and enhanced co-operation, or we will face a retreat from multilateralism, at our own peril. Without global cooperation on finance, security, trade, the environment and poverty reduction, the risks of division, strife and war will remain dangerously real."

US to take on India at WTO

The US will formally fight India at WTO over import restrictions imposed by New Delhi on poultry products from countries reporting outbreak of low-intensity bird flu, hoping to grab the country's growing market for chicken legs.

The dispute settlement body of the WTO accepted Washington's request for a dispute settlement panel on India's restriction on poultry which the US says is "unscientific". India had rejected US' attempt to establish a dispute panel last month on the ground that its restrictions were based on science and there was scope for more discussions between the two countries on the issue.

According to the US, the ban imposed by India on import of poultry products from countries' reporting outbreaks of low pathogenic notifiable avian influenza have no basis in science and was also not supported by World Organisation for Animal Health. □□