CONTENTS

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Spotlight Swadeshi Patrika

The article of Sh. Arun Shourie does not seem to have been written for Swadeshi Patrika nor is it a freshly written piece. The editorial ethics demanded that source of article was mentioned.More serious lapse in reproduction of article is absence of mention of developments which took place after/or at the time of writing of article. The readers should have been told about the course correction done by NDA govt. after its coming to power in 1998.

– Raj Kumar Bhatia, *C-2, Ashok Vihar, Phase-1, Delhi-52*

(Annexation Through Technicalities by shri Arun Shourie was written in 1999 and was re-circulated on net after the tirade of the Congress party against Baba Ramdev and Trusts owned or headed by him. Decision to publish the article was taken to inform readers about the record of the first family of Congress. Not mentioning the source was an inadvertent error which, we regret-Editorial team)

IAS in Indian languages

The UPSC deserves to be appreciated for its decision that candidates who opt for an Indian language medium other than Hindi for the written civil services exam can now give the interview in the same Indian language, English or Hindi. This move will enable the students who do not have command over English or Hindi to perform better in interviews. It has been observed most of the times that the candidates often fail to impress the interviewers as they can't express clearly in a medium other than their mother tongue. These candidates usually have a rural background. As they are not educated in elite schools, they are not exposed to proper pronunciation of words or communication skills. This inability becomes a hindrance for them to qualify the interview, and hence the IAS.It becomes quite easy for a person to communicate in his mother tongue as he knows its nuances, idiom and grammar. With the change in pattern, it is expected much more talent will come to fore, and make the IAS really a distinguished service.

– Amit Gupta, *Rajendra Place, New Delhi*

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Quote-Unquote

Permitting MNCs to operate in the retail sector will take away the livelihood of more than one crore twenty lakhs families.

S. Gurumurthy
Noted columnist, economist & National Co-convener of SwadeshiJagaran Manch

Clamor over lack of storage facilities for agriculture produce is to legitimize the entry of the multinationals in Retail Sector.

P. Muralidhar Rao
National Secretary BJP

The economist Prime Minister has completely failed in his examination.

Nitin Gadkari
BJP President

BSP leaders will erase marks, if any, that Mr Rahul Gandhi may have left behind on affected farmers in Uttar Pradesh.

Mayawati
Chief Minister of Uttar Pradesh

Am I supposed to be ashamed that I am half-Asian I mean no Rahul Gandhi is half-Indian half-Italian, so?

Katrina Kaif
Bollywood Actress

EDITORIAL

Incapacitated Governance

"Yet, much of what lies beneath the ocean's surface remains a mystery, and our nation continues to rely on a confused, antiquated system of ocean governance. "

— (Tom Allen)

Mumbai has been attacked again and again and again. Serial blasts on 13/7 brought back the nightmares of the 26/11 terror attacks that had struck the city in 2008. More innocent lives have been lost, Property damaged. But the loss is not limited to life and property only. It is the confidence in the government that has taken a severe beating. The reactions after the blasts were usual of anger, frustration, fear and helplessness. Common man in the street has come to believe that nothing is going to change and he has to learn to live with what is happening and the way it is happening. FBI arrests an ISI front man Syeed Gh. Nabi Fai in USA for his illegitimate activities. Fai was using millions of dollars paid by disreputable Pakistan's spy agency for anti-India propaganda particularly on Kashmir. He was inviting several prominent Indian activists, senior journalists and academicians to his conferences for giving value to his anti-India tirade. Soon after the arrest of Fai by FBI Indian agencies and responsible people in government issued statements claiming they knew it from the beginning that ISI was behind Fai. But all these conscientious people did not divulge anything about the action they or the government took to counter the ISI game plan and also to prevent "self-proclaimed" Indian liberals to provide much required legitimacy to this proxy ISI man. Governance deficit in almost every other area also, is well-reported and overtly admitted by even senior most members in the government. Inability to take routine small decisions not to speak of bigger ones and/or profusion of gigantic scandals is affecting the everyday working of the government. Multiple power centers with conflicting interests at the top have further added to the bewilderment leading to almost crippling of the government. The experience has been summed up by experts aptly, "This government is becoming an expert at not taking even simple non headline-grabbing but crucial decisions that keep policy going". This evasion of taking decisions is upsetting every sphere of governance; be that management of the economy including the issue of inflation, national security issues and the much hyped enhancement of capacity to prevent any breach in future, infrastructure building, food security measures and host of similar issues. What we are seeing is the constitution of Group of Ministers followed by empowered group of Ministers who go on to constitute committees and sub committees of experts and super experts leading ultimately to the interruption of decisions being taken. And finally if any decision is somehow taken the time elapsed in between makes it sterile and extraneous.

It is crystal clear that intense power struggle is on within UPA in general and Congress party in particular. Powerful leaders of the party close to president and the heir apparent want Prime Minister to be replaced without any further delay. A Party spokesperson speaking in a television debate, referred to Manmohan's prime ministership as an "experiment". She quickly retracted saying it was a slip. No chance is missed to undermine the credibility of people in government including that of the Prime Minster and the most important person and trouble shooter by their own colleagues. Credit for every presumed good and pro-people decision is attributed to congress president or the heir apparent while no time is wasted in distancing from the botched up decisions, claiming them to be purely a government assessment. In the absence of strong leadership, discipline in the Cabinet has collapsed. Dr. Manmohan Singh is a prime minister in indeterminate state and has postponed the monsoon session of Parliament by two weeks, an unprecedented move. When Parliament does convene, the government will find it difficult to push through legislative business. There is no visible agreement on the Lokpal Bill not only between the representatives of the Government and civil society after a series of meetings, but within the government itself. the Sonia (Maino) Gandhi-headed National Advisory Council (NAC) is another worry for the government. Most of the UPA's key legislations-most importantly the long-pending Food Security Act-are stuck because of differences in opinion between the Government and the NAC, or because of opposition from allies. The prospects for improvement in governance in the near term looks bleak. This is already having serious political consequences. Need to wait for general elections in 2014 may not arise.

Economic reform to reform of economics

Domestic consumption and domestic savings and investment constitute the core drivers of India's economic rise. And yet the economic debate in India still centres round the ideas imported from the US, which haven't worked. And, despite the tectonic changes taking place in the very discipline of modern economics, India still copies from the economic theories of US/West developed in the last 3 decades, points out **S. Gurumurthy**

The 2008 crisis seems to call for a review and reform of the reform process — and 30 years of economic theory.

Socialism was always incompatible with the culture and traditions of India. But the Congress Party had thrust it on the people of India through catchy slogans such as 'Garibi Hatao'. But, in 1990, with Soviet Russia itself losing its trust in the socialist order, the Congress Government here had to begin undoing the damage caused by its juvenile socialist pursuit.

This undoing of 'deforms' caused by socialist pranks was however popularised as reforms in 1990s; the guilty deformers became heroes as 'reformers'! But the catch came later.

Besides undoing the damage, the 'reformers' endeavoured for 'next generation' reforms, to marketise the Indian economy, particularly the financial sector, on the American — read Anglo-Saxon — model. But this process, sold as deepening the reform, pushed vigorously from within and outside, did not take off sufficiently.

The reason is that the elite reformers, trained to think, speak and live like Americans, could not understand that without creating a 'market society' on the US model, they could not create a 'market economy' of the US type. But this significant mismatch was never debated in the Indian economic discourse. Understandably, Indian reforms on the US model hit a roadblock in early 2000.

Shift in balance of power

Meanwhile, crisis after crisis hit the world — the Asian Crisis in 1997, the dotcom crisis in 2000, the 9/11 terror in 2001 and, finally, the global meltdown in 2008. Yet, even as the US/West has slowed, Asia, particularly India and China, has risen and continues to rise, threatening to shift the balance of global power from US/West to Asia. The 2008 crisis is also changing the very discipline of economics and rewriting the textbooks and theories of economics.

So much has happened in the world, and in India, in the last two decades that it calls for a review. Twenty years of experiment with liberalisation is a vantage point to stop at, recall the past, and look ahead. Here is an illustrative analysis of a vast subject.

The ideas and principles of Indian economic reforms were imported principally from the US in SKD (Semi-Knocked-Down) condition and assembled here by the Singh Parivar — Messrs Narasimha Rao, Manmohan Singh and Montek Singh Ahluwalia — and marketed

Debunking the myth of Indian democracy

From 2008 to 2009, India nearly doubled its number of billionaires according to Forbes' Rich List to 52. In 2011, the country increased its tally to 55 billionaires.

The combined net worth of India's 100 wealthiest people in 2009 was $276 billion. More than China's 100 wealthiest with $170 billion.

According to a Reuters article, they also account for one-fourth of India's GDP. Let that sink in... 100 people make up about 25% of India's economy.

Before the collective Indian chest swells to bursting-point with pride, consider that the International Monetary Fund (IMF) calculates India's per capita GDP in 2010 at $1,265. Less than Yemen with $1,282.

The combined net worth of 1 million average Indians is $126.5 billion - still less than half the top 100 individuals.

But that's just the White Economy...

According to data provided by the Swiss Bankers Association, Indians have $1,456 billion in Black Money stashed in Swiss Accounts. That's more than the rest of the world combined!

Who do you suppose *those* Indians are? A report by Global Financial Integrity confirms that "High Net-Worth Individuals (HNWIs) and private companies were found to be the primary drivers of illicit flows out of India's private sector."

I don't begrudge the rich. But I do have something to say to the ignoramus thumping his chest about living in the "largest democracy": "You don't count buddy!"

India's economic growth story is not - I repeat, NOT - about you. At best you'll be held up as one of the bottomfeeders benefiting from the "trickle down".

If you are naive enough to believe that the government is the "common man", I pity you.

Look up the list - if you can find a comprehensive one - of individuals and bureaucrats who accompanied the Finance Minister of India, Mr Pranab Mukherjee for discussions and negotiations with US bureaucrats and businessmen. India will open up its Financial and Retail sectors. And the US may widen the H1B visa allotments to Indian companies.

Look up the list of private business people who went with Manmohan Singh on his visit to Addis Ababa. You have no idea what our government is complicit in.

You think reforms and liberalisation is to give YOU a better standard of living? Far from it... According to the Human Development Index, India ranks next to East Timor. And incredibly, the Indian States that have the least industrialisation and the least investor-friendly environment are the best off.

Coincidence? Hardly...

The same report on India's Black Economy by Global Financial Integrity adds: "In the post-reform period of 1991-2008, deregulation and trade liberalization accelerated the outflow of illicit money from the Indian economy."

There's one more thing... Some 58% of India's Members of Parliament are multi-millionaires in Rupee terms. And you find the same inverse relation between MPs' wealth and Human Development Index, states-wise. And the average declared assets (yes, just the declared wealth) of MPs grew 186% over a 5-year period from 2004.

Still think democracy is what you thought it meant?

(Posted by Shanty Mathew on his blog)

in India.

The instalments of SKD imports were branded as next generation reforms. Take some of the marketing techniques of the reforms:

- **that without** foreign investment, India would not develop and, on a capital output ratio of 4:1, India would need foreign investment up to 8 per cent of GDP to add 2 per cent to the GDP to increase it from 6 per cent to 8 per cent based on a capital output ratio of 4:1;
- **that India's** infrastructure needs exceeded $400-700 billion, which the country could not finance with domestic savings;
- **that India** can develop only by accessing foreign markets; domestic demand is inadequate.

Assumption disproved

The un-admitted assumption was that Indians could not build India. In the early 1990s, many Indian manufacturers were even told, though indirectly, that manufacturing was not their cup of tea and Indians were essentially traders; the implication being that "let the MNCs do the manufacture and let us do trading". (But today, the proposal is to hand over trade itself to the MNCs through FDI in retail!) Now back to the sequence.

The experience of India, particularly in the last decade, has to-

Liberalization policies and their effects

The economic reforms initiated in the early 1990s are responsible for the collapse of rural economies and the agrarian crisis currently underway. As journalist and the Rural Affairs editor for The Hindu, P Sainath describes in his reports on the rural economy in India, the level of inequality has risen to extraordinary levels, when at the same time, hunger in India has reached its highest level in decades. He also points out that rural economies across India have collapsed, or on the verge of collapse due to the neo-liberal policies of the government of India since the 1990s. The human cost of the "liberalisation" has been very high. The huge wave of farm suicides in Indian rural population from 1997 to 2007 totaled close to 200,000, according to official statistics. That number remains disputed; with some saying the true number is much higher. Commentators have faulted the policies pursued by the government which, according to Sainath, resulted in a very high portion of rural households getting into the debt cycle, resulting in a very high number of farm suicides. As professor Utsa Patnaik, India's top economist on agriculture, has pointed out, the average poor family in 2007 has about 100 kg less food per year than it did in 1997.

Government policies encouraging farmers to switch to cash crops, in place of traditional food crops, has resulted in an extraordinary increase in farm input costs, while market forces determined the price of the cash crop. Sainath points out that a disproportionately large number of affected farm suicides have occurred with cash crops, because with food crops such as rice, even if the price falls, there is food left to survive on. He also points out that inequality has reached one of the highest rates India has ever seen. In a report by Chetan Ahya, Executive Director at Morgan Stanley, it is pointed out that there has been a wealth increase of close to US$1 Trillion in the time frame of 2003-2007 in the Indian stock market, while only 4-7% of the Indian population hold any equity. During the time when Public investment in agriculture shrank to 2% of the GDP, the nation suffered the worst agrarian crisis in decades, the same time as India became the nation of second highest number of dollar billionaires. Sainath argues that

Farm incomes have collapsed. Hunger has grown very fast. Public investment in agriculture shrank to nothing a long time ago. Employment has collapsed. Non-farm employment has stagnated. (Only the National Rural Employment Guarantee Act has brought some limited relief in recent times.) Millions move towards towns and cities where, too, there are few jobs to be found.

In one estimate, over 85 per cent of rural households are either landless, sub-marginal, marginal or small farmers. Nothing has happened in 15 years that has changed that situation for the better. Much has happened to make it a lot worse.

Those who have taken their lives were deep in debt – peasant households in debt doubled in the first decade of the neoliberal "economic reforms," from 26 per cent of farm households to 48.6 per cent. Meanwhile, all along, India kept reducing investment in agriculture (standard neoliberal procedure). Life was being made more and more impossible for small farmers.

As of 2006, the government spends less than 0.2% of GDP on agriculture and less than 3% of GDP on education. However, some government schemes such as the mid-day meal scheme, and the NREGA have been partially successful in providing a lifeline for the rural economy and curbing the further rise of poverty.

tally disproved the reform marketing assumptions. First, the net foreign investment into India for the last 20 years adds to less than 2 per cent of the total national investment against the projected 8 per cent, to post a GDP rise from 6 per cent to 8 per cent and, yet, India has achieved more than 8 per cent growth in GDP. So FDI did not drive India's growth. Second, India's export has always been less than its imports.

It is only its domestic demand that is sustaining the economic growth. India's domestic consumption is almost 60 per cent, against which, for example, the export-dependent China's is less than 40 per cent.

So, exports did not drive India's rise. 3rd, Indian domestic savings rose from 23 per cent of GDP in early 1990s to over 35 per cent of GDP now, despite huge interest cuts to promote consumption.

Core drivers

According to the Goldman Sachs Global Economic Paper No 187 (2010) India's infrastructure investment in the next decade would exceed $1.4 trillion. But for financing such huge infra cost, the domestic savings generated by Indian families will suffice and India

would not need any FDI. The Goldman Sachs paper says that India would be generating over $800 billion of cash savings, which would be more than all the bank advances of today put together!

Viewed cumulatively, domestic consumption and domestic savings and investment constitute the core drivers of India's economic rise. And yet the economic debate in India still centres round the very SKD ideas imported from the US, which haven't worked. And, despite the tectonic changes taking place in the very discipline of modern economics, India still copies from the economic theories of US/West developed in the last three decades. Read on for a brief on the drastic debates in US/West for changes in macroeconomics that are hardly noticed in India.

The global trends question the very character of the reforms set by the Indian economic establishment in 1990s.

The near collapse of the world financial order during the crisis of 2008 has raised fundamental questions about the US-led theories and model of economics. It has caused civil war within the guild of economists over the macroeconomic theories deployed in and by US/West on which the Indian financial reform is largely founded.

Paul Krugman, a Nobel Laureate in economics, virtually howled, "Much of the past 30 years of macroeconomics was "spectacularly useless at best and positively harmful at worst"; Barry Eichengreen, the prominent American economic historian stated in disgust, "The crisis has cast into doubt much of what we thought we knew about economics"; Larry Summers, Former US Treasury Secretary lamented, "Economics has forgotten a fair amount that is relevant and it has been distracted by an enormous amount"; Bradford Delong, Professor of Economics University of California at Berkley, confessed, 'Economics (is) in Crisis'.

Economics in crisis

If US economic schools faced civil war within, Continental Europe (mainly France and Germany) began a war on the "Anglo-Saxon financial model".

France threatened to walk out of the G-20 meeting in April 2009, unless the theories of financial freedom — called 'Casino Capitalism' — were revised and/or rejected.

With the US-devised financial model losing sheen, Japan, which was consistently derided by the West as promoting and operating the inefficient bank-centric financial market, proudly claimed, in March 2009, that while the Western — read Anglo-Saxon — world's finances were in a shambles, its financials were stable.

The Prime Minister of UK admitted at a G-20 meeting in April 2009 that the old Washington Consensus, which became the foundation of free market globalism, free convertibility of currencies and particularly financial capitalism, was over.

The IMF, which had championed free convertibility of currencies based on the Washington Consensus, ultimately had to give up the idea explicitly and accept, in 2010, capital controls as part of the policy-mix.

The global trends question the very character of the reforms set by the Indian economic establishment in 1990s. So, the 2008 crisis seems to call for a review and reform of the reform process itself.

QED: The pillars of what was considered as economic reforms in the 1990s and till 2008 collapsed in 2008. With the result that while till 2008, the global agenda was "economic reforms", the agenda now is "reform economics". It needs no seer to say that India should "reform economics" before moving ahead with further "economic reforms". ❑❑

Agriculture reforms will deepen the agrarian crisis

Privatisation in agriculture in the name of 'reform', especially for a country like India, would only acerbate the prevailing crisis by bringing in unsustainable technologies through inappropriate policy changes, cautions **Dr. Devinder Sharma**

The news that Prime Minister Manmohan Singh wants an annual agriculture survey from next year, similar to the pre-Budget Economic Survey, is perhaps aimed at kick-starting agricultural reforms. Agriculture had remained on the back burner ever since the Economic Reforms were unleashed in 1991, and has been literally crying for attention.

The Prime Minister's office, says a media report, has called for an "analysis of policy issues, evaluation of schemes and their impact on farm economy." This is certainly a welcome step. But if what the Prime Minister told a select group of editors the other day is any indication, agriculture is in for still a worst crisis. Why I say so is because the word 'reform' only means more of privatisation. And privatisation in agriculture, especially for a country like India, would only acerbate the prevailing crisis by bringing in unsustainable technologies through inappropriate policy changes.

As per report: *In case of retail, where a proposal to allow global chains to enter the Indian market is awaiting government decision, PM sought to push the case for allowing foreign investment arguing that it would help improve supply-chains and distribution of food supply. At the same time he tried to soothe swayed nerves of small traders who fear they might be out of business. "There is fear of small traders, but without breaking such institutional barriers, there is fear of food inflation. I am hoping we can make a beginning in these areas. These are some of the ideas that are uppermost in my mind," Singh said.*

Although the Prime Minister did not mention the contentious term 'FDI in Retail' when he talked of allowing foreign investment to help improve supply chains thereby streamlining distribution of food supply, he actually implied that. I am aware that allowing FDI in Retail is uppermost in Prime Minister's mind and some news reports have indicated that an approval might come within a fortnight or so. As I have said earlier, that of course will be the beginning of the end of Indian agriculture.

Agriculture today is suffering from a terrible crisis resulting primarily from economic unviability and deepening unsustainablity. The tragedy of farm suicides and the growing economic distress is directly proportionate to the imposition of Green Revolution technology. It is true that farmers are burdened with mounting debt but what is not being realised is that the growing indebtedness is because farmers have been forced to buy technological inputs that have not only created the second-generation environmental impacts but also turned farming into a losing proposition.

From Green Revolution, India is fast moving towards what is popularly called Rainbow Revolution. All policies are being amended/designed to help facilitate the take over of small scale agriculture by corporates. Contract farming, future trading and FDI in food retail are some of the measures that can help agribusiness to take control over farming. And it is primarily to strengthen the control of agribusiness over agriculture that farmers are being pushed out of agriculture. The growing, often violent, conflicts over acquisition of land by the government on behalf of the companies only testify the government's resolve to hand over agriculture to the industry.

Is this the way forward?

I don't think so. What India needs is a kind of agriculture that encourages production by the masses, and not for the masses. Displacing farmers, acquiring fertile land in the name of economic development, and allowing FDI in food retail are some measures that will destroy the very foundations of country's food security. Unfortunately, unlike corruption, the Supreme Court is not coming down heavily on the government's ineptness in handling agriculture. Somehow farming and agriculture has remained outside the thinking frame of the middle class. It is the least understood and the most exploited sector of the economy.

Reviving agriculture would therefore depend upon a right mix of public policies with appropriate action. ❑❑

Big Money and Big Powers make UPA Bend & Crawl

The multi-layer retailing is the most decentralized economic activity in India after agriculture & it constitutes almost 98% of total trade with an estimated 12 million outlets, out lines **P. Muralidhar Rao.**

It seems the government of India run by UPA led by Sh. Manmohan Singh is listening to Wal Mart, other big retail companies and United States of America authorities more than common masses of this country. Recently, Mr. Kaushik Basu, advisor to finance minister- GOI, has spoken about the recommendations of IMG on inflation.

If one carefully follows the recommendations, it becomes clear where from the command has come. It is completely cut and paste from the reports prepared independently long back by the hired consultants of Wal Mart, other big retail corporate, IMF and American establishment. There is no difference in the recommendations given by IMG from the suggestions emanated from American establishment whose business interests are evident.

Prime Minister, Finance minister and few others related to such departments which are managing economy have given statements at periodic intervals that the inflation will be reined in soon but they have completely failed in taming the same. People all over the country, especially the poor who are in very big number are made to suffer on account of this dismal performance from the government. Now to the shocking of all, they have come with the suggestion that by introducing foreign players with foreign capital in to the retail trade they can effectively control the inflation. It is clear demonstration of bankruptcy- lack of ideas and understanding, and abdication of its primary responsibility of managing the economy on the sound footing to the benefit of all.

Retail trade in India is a family driven business and many times community centric undertaking in most parts of the country. The unorganized retail trade represents the traditional, low-cost and employment-intense retailing that includes wide variety of enterprises like kirana shops, proprietor run general stores, street corner paan/ beedi shops, convenience stores, hand cart and vending on pavements. Here, whole family including young conducts retail trade and a whole community is engaged in the trade in a defined area. It is collective and an unincorporated enterprise formed by communities entirely on the basis of trust generated through relations now increasingly termed as social capital. IMG in its eagerness to push through the foreign companies in to Indian market, it has completely ignored the critical contribution of the present retail trade to the Indian economy and society.

This multi-layer retailing from top metros to tiny villages is the most decentralized economic activity in India after agriculture and it constitutes almost 98% of total trade with an estimated 12 million outlets. The organized trade accounts for just 2%. After agriculture, it is the largest employment provider, employing nearly 40 millions. Whereas, the largest retail giant Wal Mart employs only 5 lakh persons. Global retail giants are highly capital intensive and generate less employment. Retail trade in India contributes to over 14% of India's GDP, while the share of all companies in the BSE 500 index put together is some 4%! This segment has been growing at an average of over 8% per year for the last 8 years [1999-00 to 2006-07] which is second only to the construction trade that grew at some 10%.

If the FDI is allowed, 12 million small shopkeepers, 40 million hawkers will be adversely affected. Arguments in favour of FDI like it will generate more employment' is not qualified by the empirical data.

Presently, India allows 51 per cent FDI in retail for single-brand retailing and100 per cent FDI is permitted under the automatic route in wholesale cash-and-carry trading, including business-to-business trade and export trading. Also, up to 100 per cent FDI is permitted with prior government approval in the trading of items sourced from the small-scale sector and also for test marketing.

The parliamentary committee, after interactions with policymaking bodies, trade and government

'Don't allow FDI in retail trade'

Traders of Tamil Nadu stand against entry of MNCs

"If the multinational companies are allowed to operate in the retail sector in India, it will take away the livelihood of more than one crore twenty lakhs families, said Sri S Gurumurthy, noted columnist, economist & National Co-convener of Swadeshi Jagaran Manch (SJM).

In a conference on 12th July, 2011, organised by the Tamil Nadu Federation of Traders' Associations in coordination with SJM, Tamil Nadu, he said that the retail trade is the base for our economy and it gives confidence to many aspirants of entrepreneurship. The destruction of retail trade, which is possible once MNCs are roped in, will lead to lower productivity forcing us to depend on foreign countries for all products.

While referring to America, he said, ''we should learn a lesson from America's experience where retail trade flourished 15 years ago, but now there is no evidence of its existence. After the trade was corporatized, the big companies with profit motive started importing products for cheaper price which pulled the productivity down. Now they largely depend on other countries for most of the products".

He also said that the American economy is credit based economy where 22 crores people possess 120 credit cards and they are indebted up to 120 lakh crore rupees. 'The big retail companies encouraged sales for credit which ruined the financial status of the families and ultimately the family system got collapsed which pushed America to be dependent on other countries financially" he enlightened. He also cautioned the policy makers that if the same system is followed then the same destruction in India is imminent.

Speaking about a success story he quoted diamond cutting business as an example in which out of 24 billion dollar business happening in the world, 16 billion dollar is India's contribution and out of 10 polished diamonds 9 is done in India. "The credit goes to the retailers belonging to Patel community in Gujarat" he added.

While talking about the relationship based society he opined that there will be a great relationship between the retailers and the customers which cannot be substituted by the bigger companies. "The retailers are part of the social activities conducted in the locality. Their bondage with the local people and the society is incredible. So, allowing foreign companies into retail business will not only affect the retailers but it will affect India's economy, culture, entrepreneurial spirit, relationship, savings and spirituality" he asserted.

Agricultural scientist, Dr Nammalwar strongly condemned the foreign firms'entry in retail sector. He said that agriculturists and retailers are mutually dependent and apprehended that the entry will have a major impact on farm trade.

Sri Vikramaraja, State President and Sri Mohan, State General Secretary of the Tamil Nadu Federation of Traders' Associations, Sri Jeyaprakasam, President, Tamil Nadu Food Products Traders Association, Sri Rama. Nambi Narayanan, State Organising Secretary, SJM, Tamil Nadu & Sri Shanmugavelayudham, Former President, Tamil Nadu Small and Tiny Industries also spoke on the occasion.

"Namma Ooru Kadai" a skit was staged by Rail Priya Troupe that highlighted hilariously the ill-effects of intrusion of MNCs in retail business. More than 1,000 retailers from different parts of Tamil Nadu took part in the event and resolutions were passed condemning the entry of FDI in Multi brand Retail Trade.

- **(N. Rathi Chithra)**

organizations and trade representatives had submitted its report in June 2009. Wherein, it has explained the possible threats and also suggested following few steps to create a level playing field before thinking of opening of this sector to foreign capital

• Allowing FDI in single-brand retailing and only cash-and-carry wholesale retailing is not adhered to strictly, and the companies through the back door in violation of policies resort to multi-brand retailing & consumer retailing.

• Big retail chains, by offering cheap prices initially, would wipe out competition, thereby destroying small retailers, and then they would dictate prices. The same would be the fate of farmers who will be forced to sell produce at cheap rates as a result of the existence of a monopolistic situation.

Entrepreneurs will lift India up

"India has got enormous potentials to emerge as a self-sufficient country in trade and commerce. There is no need to depend on foreign investment and Indians are much more competent to run industries than anybody else in the world, perhaps that is their inbuilt strength", said noted Economist, columnist and National Co-convener of Swadeshi Jagaran Manch (SJM), Sri S. Gurumurthy, in a programme organized by Tamil Nadu SJM, to mark the 5th anniversary of 'Paathai, Payanam and Paarvai' a monthly programme to promote indigenous entrepreneurs, in Chennai on 17th July, 2011.

As quoted by him, the economic paper presented by Goldman Sachs says that India will develop extensively at world level and it would need 1.2 trillion dollars to build its infrastructure but it would not need a penny as FDI because the domestic savings of the Indian families will be adequate for financing such huge infrastructure cost. He also said that only in India the annual savings will reach 800 billion dollar by 2016.

He said that two decades ago when he spoke against foreign investment many people rejected his ideas but they started believing the concepts only after his predictions on collapse of American economy came true. "Many industrialists, intellectuals began accepting Swadeshi movement and its prophecies only now" he said.

While quoting Economic Nobel laureate Paul Krugman's conclusion that much of the America-led economic theories are useless and harmful, Sri Gurumurthy said that revolution in the thought process is the need of the hour and people from all caste, religion, section should look at the Indian way in depth and change their intellectual perception.

While delivering an introductory speech, Dr Srinivasan, State Co-Convener of SJM, TN said that in west business is a war whereas in India it is a relationship and never a western model of modern economic policies can rebuild India. Our industries are formed from families which give altogether a different meaning to business.

Introducing the objective of the programme, Sri Rama. Nambi Narayanan, State Organising Secretary, SJM, TN said that initially SJM appealed to the consumers not to use foreign products but a little late it realized that it is the traders who lure the customers towards foreign commodities as they get more commission for them, hence they started targeting on indigenous entrepreneurs who can bring about a change. "Viewing all these aspects, SJM has started organizing monthly programmes titled 'Paathai, Payanam, Paarvai' in which an entrepreneur will share his/her experiences and nuances in the business" he added. On the occasion 12 entrepreneurs who participated in the series were honoured with Swadeshi Entrepreneur Awards.

Distributing the awards, Sri Gopal Srinivasan, CMD, TVS Capital Fund Ltd. drew reference to the Global Entrepreneurship Monitoring Report and said that the more number of people with entrepreneurial spirit are in India than in America and China and so India's development lies in the hands of small and medium scale entrepreneurs.

Dr. Shivaprasad, Councillor from Malleswaram, Bangaluru, who has taken to political service from running a business, shared his experiences as a Social entrepreneur.

On the occasion, 'Nurture Entrepreneurship Development Trust', to help and guide entrepreneurs was launched by Dr. Ashwani Mahajan, National Steering Committee Member, SJM. Introducing the objectives of the Trust, Sri Badri Seshadri said, 'Nurture' will share knowledge and promote the spirit of entrepreneurship among youngsters.

The event also marked the release of the book captioned "Path Breakers" authored by Smt Meera, that contains the experiences of 50 entrepreneurs who participated in the last five years of the Paathai Payanam Paarvai Program. ❑ - **(N. Sridhar)**

- A regulatory framework and enforcement mechanism should be put in place to ensure that small retailers are not forced out by unfair means by the big players.
- The government should establish a national retail commission to study the problems facing

The government will be considered insensitive to problems of poor, if it opens up retail sector for multi brand retailing by foreigners.

this sector.

- There should be a retail regulatory authority before this sector is opened up.
- The government should take appropriate steps to provide credit facilities to small retailers to empower them to face the competition.
- A model central trade law should be put in place after consulting the State governments to regulate the sector as a whole.

Any disturbance in the present model with out preparing the grounds as suggested by Standing committee of Parliament will have devastating impact on the overall employment and economy. There are studies conducted by experts, which say "The agriculture sector in India is already overburdened as it employs nearly 60 per cent of the total workforce, so it cannot absorb any more. The manufacturing sector, which absorbs only 21 per cent of the workforce, cannot accommodate more because there has been no capacity addition to it in recent years, so services sector is the only alternative and in this sector too, retail is the biggest employment provider," the study says. They are already under heavy stress due to non-availability of capital including working capital from formal banking institutions. Heavy dependence on moneylenders for capital needs is creating a non-level playing field with the big domestic organized retailers.

Argument of World Class Supply Chain, Warehousing and Storage Infrastructure: Misplaced

It is unfortunate that to legitimize the entry of the multinationals in Retail Sector, the department is taking the shield of lack of storage facilities for agriculture produce. The government could have created this storage capacity either on its own or encourage private sector to create this by providing subsidies, fiscal concessions or other incentives. The paper circulated by government department gives an argument that creation of this infrastructure requires an investment of rupees 7687 crores, therefore we need FDI in retail sector. The money required to create this infrastructure would be infused by TNC is the belief of the present establishments. This argument is hardly convincing. In a country where the size of annual budget is more than 11 lakh crores, for this small investment of merely 7687 crores we cannot legitimize the death warrant for small retailers, especially when they are not at fault.

The argument given in the report that in the new format existing retailers could be rehabilitated is ridiculous, as everybody knows that the existing small retailers cannot be employed in the malls in any respectable manner. *The government will be considered insensitive to problems of poor retailers like rehri, patri, khomcha and small shopkeepers if it opens up retail sector for multi brand retailing by foreigners.*

Indian retail market: on sale

Indian retail market estimated to be more than $400 billion and which is growing propelled by the ever-increasing savings from the middle class. This is a precious asset of our economy. Instead of protecting and effectively utilizing the same to promote Indian entrepreneurship and effectively leveraging in the future negotiations in the process of emerging as an important player in international politics, the government is putting it for sale. The decentralized retail market is best serving the consumers and producers. If big players are allowed to operate, over the years consolidation of market in the hands of few will become the reality. Once it happens, then they will dictate terms for both consumers and small producers including farmers. Today the channel cost unlike in other countries of the west is least and very efficiently managed by resource conscious retailers of India. The argument that the farmer would be getting better price is with out any ground and forwarded with dubious intention. Very same argument was given in the context of commodity trading which has not worked. ❑❑

Department of Posts? or
Department of Rural Banking?

Technological developments have made postal delivery outdated. It is cheaper to talk on mobile phones than to send a letter. Email has reduced the need to send many letters. The Department of Posts should pursue financial products to regain profitability. Ten years down the line, the Department of Posts may be renamed as Department of Rural Banking, explores **Dr Bharat Jhunjhunwala**

The Department of Posts has sent the Draft Post Office Bill, 2011 to the Cabinet for approval. Courier Companies will be required to charge double the amount charged by the Post Office for letters up to 50 grams sent by Speed Post. Present charge for Speed Post is Rs 25. It will obligatory for Courier Companies to charge minimum Rs 50 for such letters. This will provide some relief to the Department. Postal delivery will become cheaper than Courier. This restriction will be removed after 15 years.

The imposition of minimum charges defies logic, however. Objective of the Government should be to bring about a reduction in the cost of these services. The Government is making efforts to bring down the cost of infrastructure such as by privatizing distribution of power in metropolitan cities. The same policy should be applied here.

It will be difficult to implement such a provision anyways. Small courier companies will issue a receipt for Rs 50 but charge only Rs 30 from the customers. The Government will be providing encouragement to the people to violate the law. This provision will be especially harmful for small courier companies. Bigger Companies presently charge about Rs 40 to Rs 100 for a letter. They will be scarcely affected. Small Companies presently charge Rs 25 to Rs 40. They will come under pressure. Some may have to close down. This will be harmful for the country. The Government must provide protection to small companies and enable them to stand up to the big brothers. Such competition alone will save the customers from the tyranny of big business.

The purpose of providing protection to the Department of Posts is to compensate it for the services provided by it in the rural areas. The Department runs many post offices in small villages. These Post Offices provide less business but cost of running them is high. On the other hand Courier Companies only serve the large-volume big city markets. Thus the costs of the Department are high. This needs to be compensated. The argument is correct. However, this compensation can be provided by imposing an 'Access Deficit Charge' on Courier Companies along the lines imposed on telecom companies.

The courier companies can be classified in categories such as those providing services in metropolitan cities, state capitals, district headquarters, small towns

The objective of reduction in budget deficit can be better attained by allowing courier companies to fix charges but imposing higher taxes on them.

and rural areas. The rates of service tax can be lowered and subsidies provided to both private- and government players on a staggered basis. This will encourage courier companies to provide courier services in small towns and help spread economic development to remote areas. Higher use of courier services in small towns will reduce the losses of Department of Posts.

We have successfully followed this model in mobile telephony. The Private players pay Access Deficit Charges on the services supplied by them in urban areas and Government-owned Bharat Sanchar Nigam Limited collects subsidies on services provided by it in rural areas. Private players too are entitled to receive subsidy on provision of services in rural areas. This has led to intensified competition for provision of services in rural areas. It has also exerted pressure on BSNL to improve its services both in terms of cost and quality. The same model can be applied to the postal services.

Another objective of the Government is to reduce its budget deficit by increasing income of the Department of Posts. The idea is that restriction on carrying of letters by courier companies will lead to an increase in the business of the Department of Pots and reduction of losses that are to be met from the Union Budget. It is doubtful whether this approach will be successful. Courier companies work as grease in the economy. They collect cheque from one company and deliver to another the next day at a low cost leading to growth of business. The resultant economic growth leads to higher tax receipts by the government. Restriction on Courier Companies, therefore, will impact the economy negatively. It will lead to slower delivery of documents and bring down the growth rate of the economy. That will lead to lower tax receipts and higher budget deficit of the government. The Government will also get less service tax, income tax because of less business done by courier companies. On the positive side, the new law will lead to more income for the Department of Posts and reduction of budget deficit. The final impact will depend upon the sum of two impacts. In my opinion, the budget deficit of the government will increase. The proposed amendment will, in the main, provide more opportunities to Postal Inspectors to harass small courier companies and for indulging in corruption.

The objective of reduction in budget deficit can be better attained by allowing full freedom to courier companies to fix charges but imposing higher taxes on them. The government can calculate the amount of subsidy it wishes to provide to the Department of Posts for its rural services and impose taxes of like amount on courier companies. The economy can bear the burden of such taxes but not that of restrictions on charges.

The Department argues that Postal Departments enjoy monopoly on delivery of letters in most countries. India is only trying to follow this international best practice. This is only partially true. The Civil Society Exchange tells on its website that the Postal Department has monopoly on letters weighing less than 350 grams in England, 250 grams in Australia and 50 grams in Netherlands and Germany. On the other hand there is no restriction in New Zealand. Japan is slated to privatize its postal services. European Union also requires its member countries to open up their postal services to private players. Clearly the international best practice is moving in the direction of privatization, not monopoly. Indeed the Postal Department has monopoly in many countries today but this is being dismantled.

The basic problem is that technological developments have made postal delivery outdated. It is cheaper to talk on mobile phones than to send a letter. Email has reduced the need to send many letters. The Department is moving into provision of financial products to regain profitability. 4000 post offices will soon have Core Banking Services. It will be possible to encash a cheque at any CBS post office. This step is in the right direction. The Department of Posts should pursue this reorientation actively and not derail the courier industry. Ten years down the line, the Department of Posts may be renamed as Department of Rural Banking. ❑❑

Black money

Supreme Court's no confidence in government

Appointing the SIT is in effect a subtle but definitive expression of no confidence by the Surpeme Court in the government of the day. Unfortunately, the government pretends that it is not so, finds **M R Venkatesh**

For some, their expansive vo cabulary has failed them. Some have called it a resounding slap in the face of the government. Some have simply smiled at the discomfiture of the government.

Some constitutional experts, while welcoming the decision, have in private conversations termed this as a blatant overreach of the judiciary.

Surely, the interim order of the Bench of Justice B Sudershan Reddy and Justice S S Nijjar, on appointing a Special Investigation Team to monitor the black money issue, has set the Yamuna on fire.

Perhaps never in the history of independent India has one pillar of the Constitution implicitly castigated another pillar — the executive, in this case — as heavily as the Supreme Court has done this time.

And this order of the Supreme Court will surely have serious repercussions not only on the functioning of this government, but also on succeeding ones.

What is interesting to note is that in the said order, the court noted that it was worried not merely of the quantum of monies said to have been secreted away in foreign banks, but also the brazen manner in which they may have been taken away from the country.

The court further noted that such monies may endanger the nation, both in terms of the concentration of economic power and the possible transfer of such funds to forces inimical to the nation.

Interestingly, the court was also worried about such monies being transferred abroad and then routed back to India. In the opinion of the court, this created a culture that extolled the virtue of such 'cycles.'

Finally, the court realised the systemic incapacities, in terms of institutional resources, in keeping an account of the monies generated by various facets of social action in the country. This, the court opined, prevented the development of effective response mechanisms.

Distressed at these negative developments, the Supreme Court observed that these incapacities go to the very heart of constitutional imperatives of governance.

The need for an SIT

The Supreme Court noted that large amounts of unaccounted monies were stashed away in banks located in jurisdictions that thrive on strong privacy laws protecting bearers of those accounts to avoid scrutiny.

This, the court concluded, clearly indicates a compromise of

the ability of the State to manage its affairs in consonance with what is required from a constitutional perspective. Strong words, indeed.

It does not require a constitutional pundit to state that this failure reflects failure of the State in India. What is interesting is that the Supreme Court has rationalized that beyond 'a particular point, the State may spin into a vicious cycle of declining moral authority, thereby causing the incidence of unlawful activities'.

The court rightly concluded that the quantum of such monies may be rough indicators of the 'weakness of the State'. Depending on the volume of such monies, and the number of incidents through which such monies are generated and secreted away, it may very well reveal the degree of 'softness of the State'.

More to the point, the court pointed out in a soft State there is a greater likelihood of an unholy nexus between the lawmaker, the law keeper and the law breaker.

Naturally the court concluded that if the State is soft — especially in tackling the unholy nexus between the law makers, the law keepers, and the law breakers — the moral authority and also the moral incentives to exercise suitable control over economy and society would vanish.

Expressing serious reservations on the responses of the government the court stated that its attempts in tackling the issue of black money were clearly evasive, confusing or in denial mode. It was only upon being repeatedly pressed by the court did the government begin to admit that indeed the investigation was proceeding very slowly.

Further, the court charged the government of India with lacking in seriousness in the absence of satisfactory explanation of the slowness of the pace of investigation.

In any other democracy, such a government would have resigned

This, according to the court, was contrary to the requirements of law and constitutional obligation of the government. Surely, the Supreme Court could not have been more pointed.

What has irked the court is that during the ongoing interrogation of Hassan Ali Khan and the Tapurias, (according to an affidavit filed in the Supreme Court by the Government of India, these accused owe the government in excess of Rs 70,000 crore in taxes), names of important persons have cropped up. Yet, no significant attempt has been made to investigate and verify the same.

In short, the attempts of the government were more towards obfuscation than to get at the truth. Surely the Supreme Court was in no mood to accept this approach of the government on such a serious and sensitive matter.

In fact the submission of the government in constituting a high level committee under the aegis of the Union ministry of finance also did not excite the court.

It noted: 'While it would appear, from the status reports submitted to this court, that the Enforcement Directorate has moved in some small measure, the actual facts are not comforting to an appropriate extent. In fact, we are not convinced that the situation has changed to the extent that it ought to so as to accept that the investigation would now be conducted with the degree of seriousness that is warranted.'

What is interesting to note here is that the chargesheet was filed in the case of Hassan Ali. Upon inquiry by the court as to whether the chargesheet had been vetted by the HLC, the counsel

for Union of India was 'flummoxed'.

The fact was that the chargesheet had not been given even for perusal to the HLC, let alone to secure its inputs, guidance and direction. So much for the HLC!

From the status reports, the court concluded that it is clear that the problem is extremely complex, and many agencies and departments spread across the country have not responded with the alacrity and urgency that one would desire.

Moreover, the government of India has been unable to answer any of the questions regarding its past actions, and their implications, such as the slowness of the investigation.

Given this situation, the court was left with no option but to convert the government appointed HLC into an SIT under the chairmanship of a sitting judge of the Supreme Court. The SIT so constituted has been vested with sweeping responsibilities and duties of investigation, initiation of proceedings and prosecution.

Simply put, what was to be done by the executive is now to be done by a court appointed SIT. In any other democracy that would be seen as an expression of a no confidence by the Supreme Court on the functioning of the government, but not in India.

The government however does not even feel slighted by the observations of the court.

Whatever it be, the Supreme Court does not seem to trust the government on this issue. More to the point, the efforts of the government do not seem to inspire confidence of the court.

A thick skin is a gift, not necessarily limited to the Rhinoceros. That extends to governments too. Interestingly, the Opposition seems to enjoy the discomfiture of the government little realizing the gravity of the situation and the seriousness of the matter.

In mature democracies, the Opposition would have put the government on the mat by now.

Given the observations made by the Supreme Court of the country, any government in any democracy would have resigned, especially on the charge of slow pace of investigation.

This demand is all the more tenable particularly when several prominent politicians, businessmen and celebrities are alleged to have been involved in stashing away wealth abroad.

Appointing the SIT is in effect a subtle but definitive expression of no confidence by the Supreme Court in the government of the day. Unfortunately, the government pretends that it is not so.

The Supreme Court does not seem to trust the government

So does the Opposition which is inexplicably quite on this issue. In the process, democracy is silently smothered where the government virtually merges with the Opposition to form ruling elite: a situation where the government and the Opposition 'unite', so to speak, to fight inconvenient issues. That is the crux of the issue.

And that is the real tragedy for India. There is no ruling party or Opposition but only ruling elite in India. The SIT has to tackle this monster before attempting to bring our stolen wealth stashed in banks in tax havens overseas.

The moot point is: will it be allowed by the ruling elite to succeed. ❑❑

Starvation amidst luxury

Groping For A Definition Of Poverty

The Supreme Court has asked the Deputy Chairman of the Planning Commission how a person will be able to consume 2400 calories in rural areas and 2100 calories in urban areas with less than Rs 20 a day in urban areas and less than Rs 15 a day in rural areas, divulges **Ashwani Mahajan**

While hearing a PIL petition recently, the Supreme Court expressed concern over the starvation deaths in India, ironically the world's third most powerful country. The judiciary has posed a very stark question - how can there be two Indias? One hit by starvation and the other enjoying an excess of luxuries.

The government has advanced varying figures on poverty. It thus becomes difficult to form an estimate of the approximate number of the poor. Poverty has been defined variously and this has further complicated the matter. In the absence of an appropriate definition, efforts to alleviate poverty cannot be meaningful. Various measures have been adopted by the government to tackle poverty. Cheap grain, pulses and kerosene through the PDS, rural and urban employment programmes, free education and health facilities have been the key initiatives. The food security legislation is on the anvil. Its objective is to ensure that those below the poverty line can access food at affordable prices.

The Supreme Court has asked the Planning Commission's Deputy Chairman, Montek Singh Ahluwalia, to clarify the basis on which the Planning Commission contends that people below the poverty line constitute only 36 per cent of the population. An expert group, constituted by the Planning Commission under the chairmanship of Prof. Suresh D. Tendulkar, had suggested a different index for the measurement of poverty. The formula has been notified accordingly.

Before the expert group had advanced its report, the government had claimed in 2004-05 that only 28 per cent of the people were poor. This dropped to only 20 per cent in 2007. The expert group headed by Prof. Tendulkar, suggested a new definition of poverty; the expenditure on health and education has also been included while assessing the phenomenon. This suggestion has been accepted by the government.

The Supreme Court has questioned what the government regards as an 'improved definition' of poverty. According to Prof. Tendulkar's guidelines, a person can be treated as poor, as on 2004-05, if his monthly income is less than Rs 446.68 in rural areas and Rs 578.80 in urban areas. Considering the data furnished by the Planning

A person with a daily income of Rs 20 or more in urban areas and Rs 15 or more in rural areas will not be called poor.

Commission, the court questioned the methodology. It has asked the Deputy Chairman of the Planning Commission how a person will be able to consume 2400 calories in rural areas and 2100 calories in urban areas with less than Rs 20 a day in urban areas and less than Rs 15 a day in rural areas.

It may be noted that as per the basic definition of poverty, intake of 2100 calories in rural areas and 2400 calories in urban areas has been the basis of drawing the poverty line. Going by this parameter, 56 per cent of the population was estimated to be living below the poverty line in 1973-74. Before 1973-74, the poverty line was properly defined. So was the estimation of poverty, based on the requisite expenditure to attain the desired quantum of calories.

However, the estimation of poverty in 1993-94 and 1999-2000 was devoid of any sense of proportion. Statisticians of the Planning Commission were able to bring down the number of poor by numerical jugglery and a change in the definition of poverty. Critics believe that had the price data been properly used, poverty figures would have been 80 per cent in rural areas and 50 per cent in urban areas.

If we accept the data presented by the Planning Commission, we will notice that a person with a daily income of Rs 20 or more in urban areas and Rs 15 or more in rural areas will not be called poor. According to the internationally accepted definition of poverty, it is $1.25 a day. If we convert this amount to rupees, it will work out to Rs 58 per day. This is lower than what is required for subsistence; it would be useless to identify the poverty line with an amount that is nearly one-third of this figure.

This illustrates a degree of insensitivity on the part of the government towards the poor. No wonder it has not been able to provide for the minimum subsistence cost of living.

Some time ago, the government constituted a committee for the unorganized sector under the chairmanship of Arjun Sengupta. It reported that more than 77 per cent of the populace make do with less than Rs 20 a day. It is easy to understand why it is not possible to meet the minimum requirement of a person's food, shelter, health and clothing with so little at his/her disposal. In real terms, more than 77 per cent of the people cannot even meet their basic needs, whereas poverty measured as per the mathematical method gives a figure of merely 36 per cent. Such varying figures of the poor make the scenario still more complicated. The task of poverty alleviation becomes difficult.

As per data provided by the UN, more than 22 crore are hungry in India. According to a report of a UK-based research organisation, an estimated 3000 children die of malnutrition each day. This is in accord with the UN data on hunger. Over the past four years, food prices have more than doubled. This has pushed a large number of people below the poverty line.

In real terms, more than 77 per cent of the people cannot even meet their basic needs, whereas poverty measured as per the mathematical method gives a figure of merely 36 per cent.

The Tendulkar report has tried to redefine poverty by including the requisite expenditure on education and health. Even so, it has failed to address the reality. A 'poverty line' that is based on calories can at best be called a 'hunger line'. To make it comprehensive, the government needs to take a realistic view of poverty. If it earnestly intends to implement the right to food, it must correct its assessment of poverty and stop the statistical jugglery. It must call off the crude joke on the poor. ❑❑

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A Dummy's Guide to tax havens & black money

Stashing money abroad is not just about the government not earning its share of tax revenues. It is actually a vote of no-confidence in the country and its people. Hence, it is financial skullduggery, explains **Prof. R. Vaidyanathan**

On Friday, the Union government sought a review of the Supreme Court's order constituting a Special Investigative Team (SIT) to probe the issue of black money stashed abroad. The government believes this is judicial over-reach, but it forgets that the courts stepped in because of executive "under-reach." It is one thing to object to a Supreme Court-appointed SIT, quite another to be SITting on your hands doing nothing.

But stashing money abroad is not just about the government not earning its share of tax revenues. It is actually a vote of no-confidence in the country and its people. Hence, it is financial skulduggery. Here's the second part of our Dummy's Guide to Tax Havens and Black Money in which we explain how black money is generated and spirited away. The first part was published by Firstpost on 3 June.

What is black money and how is it generated?

It's not the colour of the currency, for sure. Income generated by illegal means and on which no tax is paid is called black money. Corruption is one of the major causes. All corrupt acts generate black money since the receiver does not want to show it as income to the tax authorities. This is why the finance ministry's chief economic advisor, Kaushik Basu, even suggested legalising small-time bribes since it can at least be taxed.

Domestic corruption can be retail or wholesale. The retail one is what hurts most of us. The policeman who collects a bribe when you jump a red signal, the electricity board engineer who wants speed money to fix your meter, or the RTO official who wants a payment to issue a driving licence – such situations can be multiplied a million times.

We can also call this womb-to-tomb bribery, from birth certificate to death certificate. This retail corruption is what we are up against on a day-to-day basis. And this generates huge amounts of black money, mostly in the hands of thousands of government employees. This is what is not felt in developed countries. In the US or Europe, retail corruption that affects the common man is rare.

Corruption generates black money but black money is generated even without corruption. For instance, if you do not collect the bill for your next petrol purchase you have generated black money.

Then there is wholesale corruption, which is generated through the award of road/project contracts (as in Commonwealth Games) or the issue of licences or allotment of scarce resources like spectrum (as in 2G scam). Wholesale corruption also happens in government purchases – whether it is medicine in hospitals or books in schools or aircraft for Air India or Bofors guns or

coffins for defence. Corruption happens even in the private sector, but since the losses are borne by promoters and shareholders, we should not bother about that now.

Why should I bother about wholesale corruption?

Wholesale corruption does not affect us directly, but it does impact us indirectly. When A Raja allegedly made money by underpricing spectrum and allotting it to specific parties, telecom companies had to recoup the costs from somewhere – it could be through higher mobile bills or poorer quality service, or both. Also, the government loses revenue, which means less money to spend on more worthwhile projects like subsidising the poor.

It is important to note that corruption generates black money but black money is generated even without corruption. For instance, if you do not collect the bill for your next petrol purchase you have generated black money. If you visit your doctor and pay him his fees without a bill, the doctor may not pay his taxes.

So the equation is corruption generates or implies black money but black money does not imply corruption.

Where is this black money kept?

Unlike what is shown in Bollywood films, black money is not kept in cupboards or suitcases – though some if it may well be kept there. Black money is usually kept in circulation by using it to finance informal trade and commerce – usually at a higher interest rate than what banks charge.

For instance, we estimate that only 30 percent of retail trade financing is done by banking institutions. The remaining money comes from moneylenders – a good portion of it from black money. Actually, domestic black money is a hidden reserve and it may also be beneficial in some ways as it finances economic activities. Also, black money circulates faster than white money, which slows down as it passes through the banking and taxation loop.

But black money distorts resource allocation since people with huge amounts of it will use it to build spas at home or buy Italian marble for the verandah or gold-plated bathroom fittings. The economy thus tries to cater to this profitable demand instead of what the bulk of the people need.

Moreover, black money is also stored in real estate, which is one reason why we are finding everything unaffordable in the property market.

If black money is useful here, how did it land up in tax havens abroad?

There are several reasons for keeping wealth abroad clandestinely. They can be broadly categorised as vegetarian and non-vegetarian reasons/purposes. The illegal wealth itself can be classified as veg or non-veg. The veg reasons for keeping wealth abroad include tax evasion, and keeping some dollars abroad for meeting expenses when you travel abroad or for your child's education or daughter's honeymoon.

The non-veg money is accumulated for terror financing or gun running or drug money or flesh trade. (Disclosure: I am a vegetarian and so I am categorising these purposes in this fashion.) The former is illegal but less harmful compared to the latter. The government needs to approach the issue in different ways in tackling these two segments of black money. We will elaborate it later. Let us first look at the veg segment first, and how it emerged.

Why did so much black money get generated?

In the sixties and seventies, tax rates used to be very high in India. At the margin it was more than 90 percent in many years. This meant that for every Rs 100 earned in the upper income brackets, more than Rs 90 would go as taxes. Hence rich persons began to accumulate wealth abroad to avoid such "usurious" taxes.

The high levels of taxes were the result of "Nehruvian socialism" which felt that the rich should be soaked to improve the lot of the poor. The latter did not happen, but such policies "improved" the ability of tax officials to extract money as bribes from the rich and encouraged the latter to look out for secretive jurisdictions to store

their wealth. Foreign exchange controls were also so stringent that businessmen found they could not afford to stay in decent hotels when travelling abroad for business. They could not send their sons and daughters to get an Ivy League education. Hence the need to maintain dollars abroad – often in tax havens.

But it is the second broad category – namely the non-veg – that is insidious and dangerous. It is not only about lost taxes, but also about what kind of nefarious activities it may be financing, including possibly terrorism and gangsterism.

India's restrictions on gold holdings and high customs duties created an entire class of smugglers who brought in gold illegally from Dubai. There were smugglers not only in gold, but any luxury item that was banned or too expensive to import (including electronic gadgets at one time). This is how Nehruvian economics created crime syndicates which, over time, metamorphosed into financiers of terror, a la Dawood Ibrahim.

How does the money go out of the country?

One of the important mechanisms is called "trade mispricing". When an exporter underinvoices (underprices) his goods, the difference is paid by the importer abroad in a Swiss account, or any tax haven. One can also overinvoice imports. Let's say a US exporter sells us a piece of machinery worth Rs 100 crore for Rs 110 crore. In this case, a higher amount is remitted from India, enabling the exporter to pay us the excess back in a tax haven.

Black money is also generated in defence deals. In the Bofors case, a commission was paid for the deal when the Indian policy was that no commissions could be paid? Who got the money?

Then there are hawala transactions. At the criminal level, you can merely hand over a sackful of rupees, and the courier will deliver dollars somewhere abroad – obviously at an exchange rate that is significantly higher than the official one. But hawala transactions can also be done by the ordinary well-to-do. Let's say you want to finance your father's operation abroad. You can ask you friend in Dubai to bear the cost, in return for paying the equivalent amount in rupees to his sister in Hyderabad. This does not look like a criminal thing to do, but legally it is no different from the illegal hawala deal. ❑❑

R Vaidyanathan is professor of finance at IIM, Bangalore.

Deceptive intervention for millets

Since time immemorial fa s without using any external or chemical inputs. But now the government, under influence of agri-business, is making them dependent on harmful chemicals and costly commercial seed, finds rmers of Uttarakhand have been growing several nutritious varieties of millet **Biju Negi**

"Those who cannot remember the past, are condemned to repeat it." - *George Santayana, American poet and writer*

This is organic, officially organic Uttarakhand, and the state Agriculture Department is having 'minikits' of chemical fertilizers and micro-nutrients distributed free to its small farmers. Quietly, almost secretly!

These free minikits are part of the "Initiative for Nutritional Security through Intensive Millets Promotion (INSIMP)", beginning current kharif season in the six districts of Uttarakhand – Pauri, Tehri, Uttarkashi, Chamoli, Rudraprayag and Almora.

Though the initiative ostensibly seeks to increase production of and consumer demand for *mandua* (finger millet, locally called *koda*) and *jhangora* (barnyard millet), in effect, it will only lead to widespread degradation of the soil and water, and create a cost of inputs which hitherto have been next to nothing. It will also cause loss of traditional local seeds diversity and productivity and erode people's stable self reliance in these food crops and their food security. While millet revival is welcome, what is not is this unnecessary stress on chemical fertilizers and pesticides and hybrid seeds. Our government and its agriculture department do not seem to have learnt lessons from the Green Revolution, whose bitter outcomes are widely documented, and which the INSIMP is closely patterned after.

INSIMP is an all-India programme introduced in 16 states and one union territory, under the Rashtriya Krishi Vikas Yojana to promote four categories of millets – *jowar, bajra, mandua/koda* and small millets like *jhangora, kutki*, etc. For 2011-2012, a sum of Rs 300 crore has been allocated for countrywide implementation. Essentially, the programme is being taken up actively in districts where these millets are grown over large areas (over 5000 ha for *mandua*, and over 2000 ha for small millets) but where the productivity is less than that of the National Average Yield.

In Uttarakhand, the initiative covers only *mandua* in Pauri and Almora and *jhangora* in Almora, Chamoli, Rudraprayag, Pauri, Tehri and Uttarkashi. In the case of *mandua*, the national average yield of 1226 kg/ha (base year 2006-07) is only marginally higher than the average yields in Pauri (1068 kg/ha) and Almora (1200 kg/ha). But in the case of *jhangora*, against the national average of 475 kg/ha, Almora already yields 996 kg/ha, Chamoli 1372 kg/ha, Rudraprayag 1146 kg/ha, Pauri 1072 kg/ha, Tehri 1250 kg/ha and Uttarkashi 1245 kg/ha.

Why is then INSIMP being introduced for jhangora in these districts when their yield averages are already two to three times higher than the national averages? The communities have been getting these yield averages without any government intervention and external market inputs whatsoever. This also means that the communities

growing jhangora in these districts (and definitely in other districts of Uttarakhand as well) are entirely self-reliant and that their practices are already exemplary and so, best not disturbed.

This raises suspicion that INSIMP is really not so much about increasing nutritional security in the state, but more about pushing to introduce chemicals and hybrid seeds in an arena that has been since time immemorial untouched by them.

In the case of *mandua* too, the productivity is barely lower than the national average, and even this is largely due to urbanized social conditioning, influences and culinary preferences that have resulted in people preferring it less as their food and hence growing it less too. But people's re-awakening in the last decade on the merits of *mandua* is already apparent and only needs to be given just a little encouraging push.

This raises suspicion that INSIMP is really not so much about increasing nutritional security in the state, but more about pushing to introduce chemicals and hybrid seeds in an arena that has been since time immemorial untouched by them. It smells that this initiative is at the discreet behest of agro-chemical companies, for whom the growing worldwide interest in millets mean markets and unlimited profits, just as they saw in the green revolution years ago. These agro-chemical companies have been eyeing to capture this arena in agriculture ever since interest in *mandua* has been shown overseas, particularly in Japan, some years ago.

The Green Revolution, even in better times, was planned for and achieved its whatever success in irrigated areas.

As part of INSIMP, participating farmers will be provided with free technology demonstrations kits containing micro-nutrients, fungicides and bio-fertilizers, DAP, urea, potash, pesticides and weedicides. For example, for small millets like *jhangora*, each one hectare kit would contain micro-nutrients/zinc sulphate 12.5 kg, DAP 55 kg and urea 55 kg, costing about Rs 2000 per ha. Per hectare cost of kit for *mandua* would come to Rs 3000. The total allocation for 2011-2012 in Uttarakhand is Rs 3 lakhs for *mandua* and Rs 13.60 lakhs for *jhangora*.

The Green Revolution, even in better times, was planned for and achieved its whatever success in irrigated areas. But *mandua* and *jhangora* have always been grown in unirrigated fields under rainfed conditions. Not just that, these millets have been grown on the most marginalized soils and with very little or sometimes no external inputs. Chemicals have been rarely, if at all, applied in the *mandua-jhangora* fields. Under INSIMP now, application of chemical fertilizers and pesticides/weedicides on these drylands where irrigation or even water is not readily available will only inflict untold damages on the soil, upset its inherent natural equilibrium of micro-nutrients and hence its fertility. In fact, this is exactly what excessive use of chemical fertilizers has done to almost all green revolution fields, which have now been rendered sorely deficient in organic matter. And this is exactly what will happen in the productive *mandua-jhangora* fields of Uttarakhand as well. Fields that always yielded good *mandua-jhangora* are threatened with sterility.

INSIMP would also be providing the farmers seed mini-kits of the so-called "improved varieties/hybrids" of millet crops, with an incentive of Rs 3000 per quintal for hybrid and Rs 1000 per quintal for HYV, of which 75% incentive would be passed on to the farmers and 25% to the seed producing agencies towards their handling and processing charges. In Uttarakhand, about 3370 qtl of seeds are proposed to be processed and distributed at the cost of Rs 34 lakhs.

This is sacrilege. Farmers in Uttarakhand have been growing *mandua* and *jhangora* since times immemorial and successfully maintaining high productivity. Over time, they have developed diverse, locally suitable and beneficial varieties. The small farmers' move-

ment, *Beej Bachao Andolan* itself has in its collection 12 different varieties of *mandua* and 8 varieties of *jhangora* - all local varieties collected from different parts of Uttarakhand - which the farmers have been actively growing. Although in the Tehri district *jhangora* seeds are not yet being provided as part of INSIMP because the department does not have any, the state's premier GB Pant University of Agriculture and Technology has developed a *jhangora* variety at its research station in Majhera (dist. Nainital), which is being given to the people as part of demonstration for over five years now. However, the response of the farmers to this variety has been largely negative, as it lacks the nutritious taste of the local varieties and, more importantly, gives very little fodder, an important product of the crop.

INSIMP too is a time bound programme and by the time it is over there will be nothing free for the farmers – everything will have to be paid for, and paid for dearly. And since by then, their fields would have got addicted to chemical inputs, the farmers will have no choice but forcibly continue to use these inputs and pay ever-increasing amounts for them in future.

The fact of distribution of seed kits in INSIMP is exactly the same strategy that was and is followed in the corporate green revolution agriculture whose long-term objectives remain the destruction of people's seed varieties and holdings and unbounded, *ad infinitum* profits for the agro-chemical companies. The observed and confirmed characteristic of the so-called HYV, company bred and marketed seeds are that they are not resilient, do not regenerate, reduce yields over time, diminish fodder availability and, of course, are costly.

Will the hybrid and HYV *mandua-jhangora* seeds, turn rainfed *mandua-jhangora* agriculture into one practiced with irrigation? Will the new seeds be as water guzzling as their predecessor rice seeds? Will this not lead to water-mining in a scenario that is already suffering from water shortage, with the prospect of it turning even more acute as a result of climate change and other development factors? And the government would bring upon the people this catastrophe in its full consciousness!

We cannot also forget the experience of the Green Revolution and all subsequent market prompted government programmes which provide all inputs to the farmers free in the beginning. INSIMP too is a time bound programme and by the time it is over there will be nothing free for the farmers – everything will have to be paid for, and paid for dearly. And since by then, their fields would have got addicted to chemical inputs, the farmers will have no choice but forcibly continue to use these inputs and pay ever-increasing amounts for them in future.

Once when the agriculture fields in Uttarakhand become addicted to chemical fertilizers and pesticides and the farmers are forced to use more and more of these just to maintain earlier production levels, the small farmers will find the going harder and harder. Once the farmers have lost their own traditions and reservoir of seeds and become lamely and entirely dependent on the market seeds which they would need to purchase year in and out, they will find the financial implications unbearably burdensome. They will then seek an exit altogether from farming. Perhaps that is what the protagonists of agro-chemical agriculture are looking forward to: abandoned farm lands – to capture land cheaply, to practice their own kind of agriculture, to mine, to scavenge, to build dams – unmindful of the larger consequences for the society. If this sounds like a prophecy, so be it. But this is what the recent history of corporate driven, market dependent agriculture and development tell us.

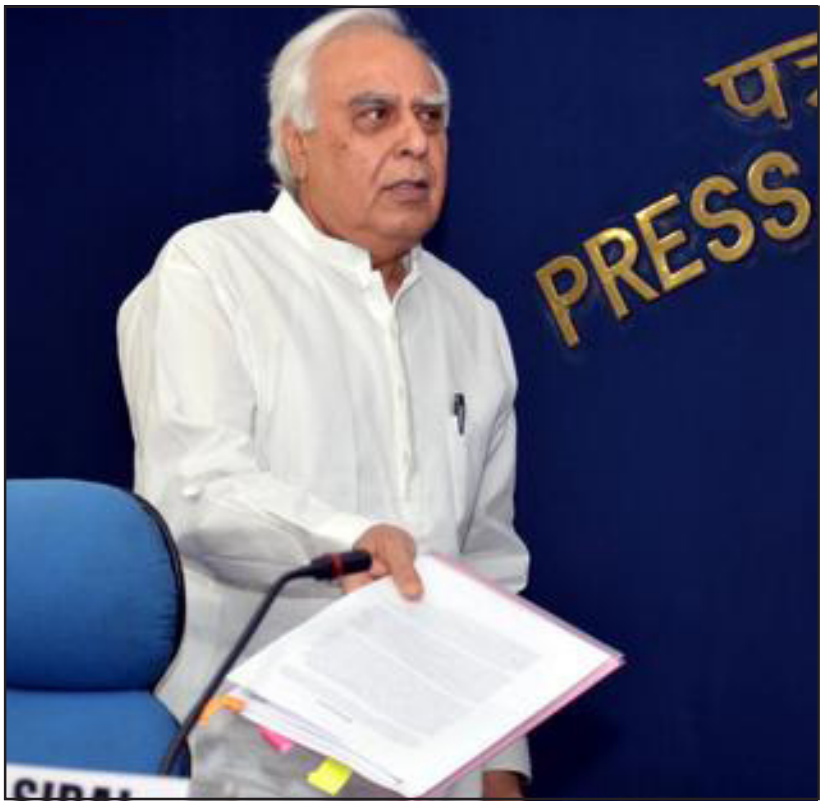
It is precisely because of the long-term deficiencies caused by Green Revolution, particularly in our crop diversity and food security, soil nutrients and now because of climate change factors additionally, that millets are seeing a plausible revival across the state. *Mandua-Jhangora* form part of Uttarakhand's rich agro-biodiversity and its multi-crop baranaja system. The INSIMP, patterned as it is on green revolution, is very likely to demolish their mixed cropping practice. Growing these hybrid millets in monoculture will only mean less than total food produced. It may mean more millet for export, but certainly not for local consumption, as the INSIMP nomenclature claims.

Hitherto, millet agriculture was the only farming which the farmers were doing without any external interference. But with INSIMP, their independence and control over this farming will surely be taken away. "INSIMP will not strengthen people's food security, but in fact, destroy it," warns Vijay Jardhari of *Beej Bachao Andolan*. ❑❑

(Courtesy: D-sector)

Biju Negi is a writer, sustainable agriculture consultant and member of Beej Bachao Andolan

IISc inks MOU with controversial Chinese Telecom Giant Huawei



Confused and paralysed Congress led UPA government has roped in controversial Chinese Telecom giant Huawei to set up telecom lab in India in spite of reservations expressed by defence agencies .Huawei has been co-opted to provide knowhow and equipment for the Bangalore based Indian Institute of Science that will be a clearing house for all imported telecom equipment.

It is to counter any national security threat emanating from a telecom network, the government is trying to set up a Certifying Centre at Indian Institute of Science (IISc), Bangalore. This centre will test all the telecom equipment (Software & Hardware) before its installation in the country. This Centre is supposed to detect 'malwares', 'kill switch' or 'backdoor' traps, from national security point of view.

According to MOU Chinese company will provide documentation, expertise, methods and standards for studying telecom equipment. It is claimed that the lab at IISc is being built solely to address the concerns of intelligence and security agencies about the Chinese vendors. But reports suggest that the union home ministry is contemplating seeking a review of the pact and insisting on a prior security clearance for the agreement on the basis of rising security concerns. Huawei has often run into security roadblocks.

Nowhere in the MoU it has been stated that Huawei will offer its telecom equipment to IISc for certification.

According to intelligence officials, given that there are systems in place to rescind an agreement on security grounds even after it has been signed, the MHA could always write to the human resource development (HRD) ministry, the administrative authority for IISc, asking why prior security clearance was not sought before Huawei was finalised for providing knowhow and equipment for a facility that will be a clearing house for all imported telecom gear.

Meanwhile Communications and IT Minister Kapil Sibal in his usual comical style tried to dispel fears that there were any security implications in the agreement signed between Indian Institute of Science (IISc) and Chinese telecom equipment and solutions provider.

"The agreement is part of testing and certification of Huawei products being deployed in India…a similar procedure will have to be followed by all foreign players providing their telecom equipments and solutions to Indian operators," Mr. Sibal told journalists.

"It may be understood that Huawei is not helping IISc Bangalore to setup any Lab as IISc has

already set up the same as part of old pilot project, wherein all the equipments and software are theirs. MOU signed between the two [IISc and Huawei] is more like a non-disclosure agreement so that the information that IISc gets from Huawei is not disclosed to others," Mr. Sibal explained. The Department of Telecommunications has full support from the Ministry of Home Affairs and intelligence agencies over this project, he added.

The IISc had contacted several vendors from the United States, Europe and Asia supplying their equipments and solutions to Indian operators to give the internal details, for getting their telecom equipments tested, he added.

"Huawei responded proactively before other vendors and hence requisite MoU got signed on June 15, 2011 between IISc and Huawei…Selection of vendor is an on-going process and more vendors will be selected for getting their telecom gear tested, as soon as they respond positively to IISc/DoT," he added further.

The Minister said the decision to conduct testing and certification of software and hardware of all foreign telecom companies had been taken in view of the fact that 70-80 per cent of telecom equipments were imported and have been deployed largely by the private service providers.

Apparently experts point out, Sibal has not read the contents of the MoU carefully. Nowhere in the MoU it has been stated that Huawei will offer its telecom equipment to IISc for certification. In fact, the MoU clearly indicates Huawei's assistance for the setting up of a lab. In any case, if IISc has really setup the lab and geared-up for testing the telecom equipment, they

must notify the same on its website giving detailed procedure for application including testing fee. A standard Non-Disclosure-Agreement (NDA) should also be hosted on IISc web site, they ask.

Huawei , it may be recalled, is the world's second largest telecom equipment manufacturer after Ericsson, with 2010 revenues of $28 billion (Rs 1.27 lakh crore) and was founded by Chinese Army veteran Ren Zhengfei in 1988.

Ren Zhengfei holds 1.42% of the shares of Huawei, most of which are claimed to be held by its employees. But, the ownership structure of the company remains opaque.

No one knows who owns the rest 98.58 per cent. The only disclosure made available by Huawei to the world is that its 61,457 Chinese employees own the entire balance through a wholly owned subsidiary called The Union of Shenzhen Huawei Investment & Holding Co Ltd (Huawei Holding). One wonders, from where the money came to build such a massive infrastructure for the company. It could not have come from the salaried employees, writes Dr. Rashmi Singh in organiser.

Also, both the two top functionaries of Huawei - Ms Sun Yafang (Chairperson – No.1) and Ren Zhengfei (CEO – No. 2) - had earlier occupied sensitive positions in the Chinese government. Ren was in the People Liberation Army (PLA), while Ms Sun, a very powerful and influential functionary in the Chinese government, worked in the National Security Department (NSD) of the country.

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Sources within the Intelligence Bureau has said that the Chinese firm was under the radar for suspicious activities. But, denying all the allegations company's spokesperson said that they had fulfilled all obligations and requirements of DoT and were committed to working in India.

India is the world's largest market for international vendors. According to telecom regulator TRAI, sales of telecom equipment are expected to increase from $12.5 billion in 2009-10 to $40 billion in 2020. Telecom journal Voice & Data said revenues of Huawei and ZTE in India fell by 23.5% and 12.8%, respectively, for the twelve months to March 2011 after they were barred for several months last year from supplying equipment to companies here.

Huawei's India sales were Rs 5,688 crore while for ZTE it was Rs 4,118 crore. Expansion plans of both Huawei and ZTE took off only when they agreed to comply with new rules, making it necessary for foreign equipment companies to put their software in the equivalent of a sealed envelope to be opened by the government only in event of a security threat. Max Yang, CEO, Huawei India said, "Huawei has been in India for over a decade and is committed to a long-term development and cooperation in India. As an integral part of Indian telecom industry development and an active player serving all telecom service providers, Huawei India strives to be the long-term partner for the development of India's telecom and IT industry and inclusive growth." In the given situation it is necessary to have full knowledge about the company in such a sensitive area.

Sibal should remember that even a banker in India insists for duly filled-in form—Know Your Customer (KYC)—for the opening of a bank account. Signing of such an MoU with unknown shareholder (Huawei) having tainted background, is fraught with dangerous ramifications, says Dr. Rashmi Singh and rightly so. ❑❑

Rashtrya Vichar Varg Kolkata

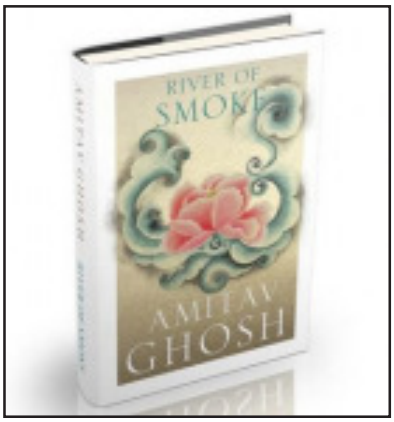
14-15-16 July 2011

Rashtrya vichar varg was inaugurated by Prof. Radhika Ranjan Pramanick, Ex. M.P. at Binani Dharamashala in Kolkata on 14th July at 11.00 a.m.. Dr. D.R. Agarwal, Director, Swadeshi Research Institute welcomed the participants. Dr. Ashwani Mahajan, Akhil Bharatiya Vichar Mandal Pramukh, addressed the participants on progress so far made by SJM since its inception in 1991-92. Sh. Pramanik urged the participants to have faith on India's culture traditions. Sh. Saroj Mitra senior leader and National co-convener SJM stressed the impotence of collective thinking in such a programme. The technical session started at 12.00 p.m. taken by D.R. Agarwal on present economic scenario. Dr. Ashwani Mahajan dealt with alternate economic model for development in the 3rd session. On land acquisition and food security Col. Sabya Sachi Bagchi, Chairman, West Bengal Small Industrial Development Corporation addressed the participants from 6.00-8.00 p.m. group discussion were being held on the direction of Sh. Kashmiri Lal, National Organizing Secretary, SJM.

On 15th July 2011 Sh. M.M. Mishra, Secretary, Bharatiya Kisan Sangh, Spoke on seed bill. On Black Money, Corruption and Lokpal Bill, Sh. Nand Lal Shah, Sh. Dinesh Bajpai, Ex. Police Commissioner expressed their views. Dr. Bhagwati Prakash Sharma and Sh. R.K. Vyas, C.A., where the speakers On issues related to WTO and Free Trade Agreements,. Dr. Bhagwati Prakash Sharma also spoke on FDI in retail trade and China posing dangers to India. The seminar on Ganga and River was addressed by Prof. U.K. Choudhary, Dr. K.K. Sharma and Sh. P.R. Goenka, National Treasurer Ganga River. Group Discussions as usual started from 6.00-8.00 p.m. led by Anada Charan Panigrahi, Zonal Convener and Sh. Dinesh Mandal, Zonal Co-convener, assisted by Bande Shankar, Co-convener, Jharkhand and Sh. Vinod Singh, Co-convener, Bihar. On 16th July 2011 Sh. Arun Ojha, National Convener, SJM and Sh. J.K. Jethalia (BJP), spoke on integral humanism. On green energy, Climate Change and Nuclear Power Sh. Manoj Singh, Sh. Basistha Sengupta, Prof. Dhurjat Mukherjee Spoke.

Finally in the concluding session Sh. Arun Ojha, Sh. Saroj Mitra, Dr. Ashwani Mahajan and Dr. D.R. Agarwal addressed the participants.

The total number of participants in the Vichar Varga was 150 who came from Orissa, Jharkhand, Bihar and West Bengal. The number of lady participants was 8 whom Smt. Renu Puranik, convener, Mahila Manch addressed along with Smt. Shanti Lata Sahu of Orissa. ❑❑



Book Review by Kashmiri Lal

River of Smoke

by Amitav Ghosh

(Penguin Books, Rs. 655)

A much discussed book, ***River of Smoke***, written by an eminent English writer Amitav Ghosh is one of the few English novels which I have read completely - with interest from beginning to end. About 550 pages long, full of historical details, anti-colonial in theme – the novel is second of the trilogy to be written by this author and is preceded by *Sea of Poppies*, a book shortlisted for Booker in 2008. . It is all about situations leading to two Opium Wars (1839-42 and 1856-60) in which China had a humiliating defeat.

The Story of the Book: The genesis of the story starts with the innocuous and but lucrative commodity produced only in China at that time – the tea. It became very popular in European countries. The humongous demand of tea in Europe caused a massive economic deficit as European nations bought it with large quantities of silver. Europeans countries had nothing to offer to China and so the trade was becoming unequal every day. These Europeans empires came upon a very dangerous idea to equalize their trade balance. They came to the conclusion that opium should be popularized in China which was produced for a pittance in British India and almost monopolized by East India Company. But due to Canton system no foreigner was allowed to enter China and were restricted to Canton port only. The diabolic strategy adopted by Europeans was most nefarious and ingenious. They devised ways and means to infiltrate the system of China and thus created an enormous demand for this drug and set up a sophisticated smuggling operation that frayed relations between the two powers and escalated into a war.

How Europeans Smuggled Opium into China: The East India Company devised a way of beating Chinese regulations and took big ships to Lintin Island, anchored them there, took off their masts and left the hulls. The hulls became 'receiving ships' – they were like floating platforms. So Europeans would pick up opium from Bombay & Calcutta, take it to Lintin Island and offload all of it into these ships. Then once their holds were clean, they would approach the Chinese customs office, and say, 'We have no opium.' Here from the Chinese smugglers would carry the opium in fast-crabs. Slowly and steadily the whole of China became a hub of smuggled opium with the connivance of corrupt officials and local merchants. Anyhow whatever damage it caused to China, the Europeans were successful in their strategy as most of the silver which went to China by import of tea, started returning to the coffers of Europeans in this way.

IF the Main story is Fact or Fiction:. All the main characters are historical. Historical evidence clearly show that by 1730 only 15 tones of opium was consumed in China and by 1773 it escalated to 75 tones, six time growth. Again by 1820 it reached the 900 tons mark and by 1838, the period which is depicted in this novel, the consumption in China was 1400 tons. In 1938 when King of China appointed a very honest and efficient young official Lin Zexu as a commissioner of Canton, he seized and destroyed all the opium confiscated from foreign vessels. 1700 opium dealers were arrested and 2.6 million pounds of opium confiscated ad destroyed. To be more specific 20,000 chests of opium were seized & each chest contained 55 kg of opium in it, so about 11,00,000 kilograms of opium was destroyed & drained in the sea. By 1881 the population of China was also reduced from 400 million to 370 million **and that every third person in China was an opium addict.**

How Amitav depicts all this in his novel: But it is not a book of boring data and Gosh is too intelligent a writer to get on his moral

high horse. His novel is not a rant, but a panoramic history, rich in period detail and peopled with plausible characters. The most complex is Seth Bahram Modi, a genial Parsee merchant from Bombay, who is keen to flog his last consignment of opium before the prohibition takes force. He has a half-Chinese son, from whom he has become estranged, and an occasional weakness of opium-enhanced sex with Chei-mei. but in his fundamental decency Bahram is a far more sympathetic character, loved by his acquaintances and adored by his staff, than his fellow traders.

One another story goes side by side of an orphaned Paulette, who is accompanying a Cornish botanist Flitcher to China on an expedition to track down the mythical golden camellia plant. In the end it is proved to be a hoax thing. It is in the description of paintings and letters of a young artist Robin Chinnery which were addressed to Paulette or Pugglee that we find a detailed description of those times – events as well as the customs. There are comic touches mainly involving characters talking pidgin English words like likie, makee, chop-chop etc. and provide moments of real lyricism. His taste for obscure words aside,. Even in the beginning the enchanting story of Deeti catches the imagination of the readers with obscure Indian words like *pus-pus, paltan, bowjis, salas, sakubays, bandobast,dal-puri, and paraths* etc. without any glossary for foreign readers. The Indian reader is definitely at an advantageous position in this regard. Similarly there are other historical anecdotes mixed e.g. Bahram meeting with the exiled - Napoleon Bonaparte - on their way to China.

What Gosh says extra in his interviews about those times: When someone asked Gosh that if there was an echo of the opium trade in the New World? He answers with a laugh that not just an echo, they were enthusiastic opium traders, virtually, he adds, the whole of the East Cost of America – all their major institutions and major families – were deeply involved I the opium trade. For instance, Franklin Delano Roosevelt, perhaps their greatest President of the twentieth century – his grandfather, Andrew Delano, was one of the major traders in Canton. He quotes letters of Coolidge's – who also had a president (Calvin Coolidge, the 30th President of US) who came from Canton to Bombay to pick up opium. One of the Coolidges even lost his money in Bombay – the records show. And most of the American opium traders when they went back to America and endowed the schools colleges and even universities. In brief, a lot of American education system was funded by opium. It may be the fault of my Swadeshi nose, I still smell the odour of this nefarious opium in the research work of American research institutes even today, designed only to enhance their trades and profits –by hook or by crook.

Gosh further adds that though all were "pretty bad" – Europeans, Americans and even Chinese, but peculiar repellent about the British Empire is the hypocrisy that goes with it. They go on chanting rhetorically - 'we are doing this for your good, to make you free, and to promote harmony & goodwill' when it is the worst kind of greed & venality and racism'. "The greed, venality and racism should exist is not surprising – it exists everywhere. But the most people don't cloak it by talking constantly about how that's a good thing. So it is the hypocrisy that appalls me so much" adds Gosh.

20-years of Globalization and echo of this Book: I think the present designs of 8-G countries and WTO find their replica in ***River of Smoke***. The wars perpetrated with oil rich countries, machinations of Cargill & Monsanto in the field of agriculture - BT seeds and pesticides, the evil designs of retails sharks like Wal-mart & Metro, the dubious deals of nuclear power plants become vivid after reading the book. After 20 years of Globalisation we are listening to the venomous but sugar coated policies of the West. On the other side we find that China is embarking on the same policy of opium-traders in dealing with countries like India. Chinese consumer goods are dumped in our country, the use of melamine in milk-products, use of dangerous cancerous colours in toys, corrupting the Indian mandarins with its shady deals & governmental contact - all these facts present a very horrible scenario before us. The nightmare comes to disastrous culmination with the idea that if we are forced to wage a war with China the results may be reminiscent of China's historical debacle: Europeans ravaged the Chinese ports mercilessly, dictated the terms of settlement in their favours, ceded the Chinese territories including Hongkong, unilaterally fixed Chinese tariffs at a low rate, granted extra-territorial rights of foreigners in China, in brief leading to "Century of humiliation". We have tasted this humiliation in 1962, and there is time now to be alert with our experiences of China & with China. ❑❑

HC quashes another acquisition of land in Gr Noida

Allahabad High Court quashed acquisition of nearly 600 hectares of land in two villages in Greater Noida, giving a big jolt to builders & prospective home owners. Giving relief to the farmers while dealing with a batch of their petitions, a division bench comprising Justice Sunil Ambawani and Justice SS Tiwari ordered that acquisition of 589.13 hectares of land in Patwari and Dewla villages, falling under Dadri tehsil of Gautambuddh Nagar district by the Greater Noida Authority be cancelled.

The order, which follows the one in the neighbouring Shahberi village, could affect several housing projects in the area.Several builders have launched their housing projects in Patwari village and hundreds of people have made bookings in the upcoming dwelling units, some of which are either in various phases of construction or in the drawing board stage. In 2008, the Greater Noida Authority acquired nearly 589 hectares in the Patwari village and sold it to builders for constructing residential units.The High Court was of the view that since the land was acquired for residential purposes, there was "no urgency involved" and hence "acquisition should not have taken place without giving the affected parties an opportunity for hearing, which would have facilitated payment of adequate compensation".

The order came barely a fortnight after the Supreme Court had struck down acquisition of 156 hectares of land by the state government in village Shahberi in the area, saying the authorities were "subserving" private builders in the name of public interest. ❑

DoT may auction BWA spectrum soon

Under pressure from the Finance Ministry to auction broadband spectrum at the earliest, the Department of Telecom said it was working on the same, but did not specify any timeline to invite bids.

"They have asked us to expedite the process and we are certainly working on all the aspects involved... We will have to decide the timing of the auction because we will need to try and auction in a manner in which it gives a nationwide footprint," Telecom Secretary R Chandrashekhar told reporters.

The Finance Ministry had written twice to the DoT to immediately auction wireless broadband spectrum. According to reports, sale of one block of Broadband Wireless Access (BWA) spectrum could fetch about Rs 13,000 crore, a move that would help the government in meeting the deficit target of 4.6 per cent of the GDP.

Last year, the government had earned over Rs 1 lakh crore through the auction of 3G and BWA spectrum. Asked about Trai writing to the DoT insisting on cancellation of 74 licences for missing roll-out obligations, Chandrashekhar said, "We are looking at Trai's letter." While Trai is insisting on cancellation of 74 licences for missing roll-out obligations, the DoT wants the number to be just 12.

Record foodgrains output in 2010-11

The country is heading for a record foodgrains production in the 2010-11 crop year at 241.56 million tonnes, with wheat and pulses output touching an all time high of 85.93 million tonnes and 18.09 million tonnes respectively.

Union Agriculture Secretary P. K. Basu attributed the successes to good monsoon, higher minimum support price to farmers and focussed policy approach, particularly to enhance production of pulses and oilseeds. As a result of higher pulses output, import of the commodity is said to have gone down this year.

The record output was achieved despite drought in 90 districts in the eastern belt, excessive rains in parts of Gujarat and Andhra Pradesh and yellow rust in some wheat-growing pockets. "At this rate, the target of 280 million tonnes in 2020 that the Prime Minister talked about is achievable," a senior official said.

As per the fourth advance estimates released by the Agriculture Ministry , while wheat output is estimated to be higher by 5.13 million tonnes this year, pulses production has enhanced by 3.43 million tonnes with gram at 8.25 million tones, urad at 1.74 million tonnes and moong 1.82 million tonnes recording significant increases. Rice output this season is estimated at 95.32 million tonnes as against 89.09 million tonnes harvested last year. The target for next year is set at 102 million tonnes.

SBI not to finance disputed projects

In a clear indication of banks pulling out their hand in the aftermath of the Supreme Court ruling in the Greater Noida land acquisition case, State Bank of India says it will not finance real estate projects that were mired in disputes over land acquisition. "If

Poorest Indians able to spend only Rs 453 per month: NSS

Huge disparity continues to exist in the income of countrymen. There is a marked difference in spending patterns of the top and bottom strata, according to NSS survey. While average monthly per capita expenditure stood at Rs 1,053.64 in rural areas and Rs 1,984.46 in urban India in 2009-10, there remained a huge gap between the incomes of the top and bottom segments of the population, as per the latest National Sample Survey.

The National Sample Survey also found that food items accounted for the bulk of the expenditure, with the share of food in total household spending at 57 percent and 44 percent in rural and urban areas, respectively.

Key indicators from the 66th round of the NSS' survey released on Friday said the per capita expenditure level of the urban population was on average about 88 percent higher than that of the rural population, based on the measure of modified mixed reference period (MMRP).

"In terms of MMRP estimates, the average monthly per capita expenditure (MPCE) in 2009-10 was estimated as Rs 1,053.64 in rural India and Rs 1,984.46 in urban India," it said. The survey found that the poorest 10 percent of India's rural population had an average MPCE of Rs 453, while for the poorest 10 percent of the urban population, the average MPCE stood at Rs 599.

There is a huge gap between the income level of the top and bottom segments in the country. The top 10 percent of the rural population had an average MPCE of Rs 2,517, which is about 5.6 times that of the bottom 10 percent. Meanwhile, the top 10 per cent of the urban population had an average MPCE of Rs 5,863, or about 9.8 times that of the bottom 10 percent. ❑

in a particular area where there has been a difficulty, those will not be financed," bank Chairman Pratip Chaudhuri told reporters.

Mr. Chaudhri's remarks come two days after the Supreme Court asked the U.P. Govt. to return the land acquired in Greater Nodia for realty projects. "How can we give a loan when there is no land, where there are no land rights," Mr. Chaudhuri said when asked about the bank's position on funding projects in disputed areas. "Due diligence is important while advancing credit to the commercial real estate sector as the high interest regime is pushing up project costs & hence greater chances of default," National Housing Bank Chairman & Managing Director R. V. Verma said.

The Reserve Bank of India has already asked banks to be cautious while extending loans to commercial real estate projects in view of increasing bad assets. On Wednesday, the Supreme Court had upheld the Allahabad High Court order quashing the acquisition of over 156 hectares from farmers in Greater Noida by the Greater Noida Industrial Development Authority and its allotment to builders.

Things are moving, not standstill: FM

Finance minister Pranab Mukherjee sought to dispel the notion that decision-making in government has virtually come to a halt. The veteran Congressman's comments during an interaction with the media came on the eve of two crucial decisions. The Cabinet is expected to approve BP's acquisition of 30% stake in Reliance Industries' oil and gas fields deal, paving the way for the country's largest-ever foreign direct investment. The immediate inflow of $7.2 billion (over Rs 32,000 crore) will almost match FDI inflows of $7.8 billion (over Rs 35,000 crore) between April and May 2011. If everything goes as per plan, BP could end up investing up to $20 billion (around Rs 90,000 crore) over the next few years.

India ranks 10th in services export

India achieved tenth rank in export of services worldwide, while emerged as the 20th biggest merchandise exporter in 2010, according to a latest WTO report. In 2009, the country stood at the 12th and 22nd position globally in services and goods exports, respectively. In value terms last year, India exported services and merchandise worth $110 billion and $216 billion, respectively, the 'World Trade Report 2011' said.

India's goods exports went up by 31 per cent in 2010, helping the country to expand its market share to 1.4 per cent from 1.2 per cent in 2009. According to industry experts, increasing demand for Indian goods in new markets like Latin America and Africa are helping in boosting the country's exports. India's services exports share in the world exports increased to 3 per cent in 2010 from 2.6 per cent in 2009. Further the report said, globally China ranked first in terms of merchandise exports followed by the U.S. and Germany. In services export, the U.S. is on the top slot followed by Germany and the U.K. ❑❑

US companies asked to Tap Indian middle class' growing appetite

Concerned over the escalating competition from India and China, a top US official has asked the American companies to "flex muscles" and tap the expanding middle class in these countries.

"It is critical we understand that the world has changed. Competition from countries like India and China is more intense," the undersecretary of commerce for international trade, Francisco Sanchez, said at the National Association of Counties Annual Conference Location in Portland, Oregon. "It is time, really past time, for us to flex our muscles and improve the economic competitiveness of the United States," he said.

Sanchez urged the American companies to take benefit of the emerging middle class in these countries. "We know that there is an expanding global middle class that's expected to add over a billion new consumers over the next 15 years," he said.

"China alone has moved more people out of poverty in the last couple of decade than any civilisation in history. "As people there, and in India and Brazil and countries across the world, realise prosperity that most Americans take for granted, they're going to want the conveniences that come with middle class life," Sanchez said. ❑

FBI arrests US-based ISI lobbyist of Kashmiri origin

Federal authorities arrested a prominent US-based pro-Pakistan activist associated with the Kashmiri separatist movement, accusing him of funneling money from the Pakistani spy agency ISI to lobby US decision-makers.

In the process, the Obama administration's law enforcement brigade also blew open the Pakistan and its spy agency's two-decade long subversion of the so-called Kashmir cause.

The FBI swooped down on the Virginia residence of Dr Ghulam Nabi Fai, a well-known representative of Kashmiri separatists in the US and detained him on charges of "participating in a long-term conspiracy to act as agents of the Pakistani government in the United States without disclosing their affiliation with the Pakistani government as required by law." Or simply put, he served as a frontman for ISI's Kashmir agenda.

Another individual, Zaheer Ahmed, like Fai a US citizen, was also similarly charged, but he is at large and believed to be in Pakistan, according to US authorities. Fai has been a familiar and prominent figure in Washington DC for nearly two decades, lobbying Kashmiri separatist cause as executive director of the Kashmiri-American Council (KAC) and dallying with senators and congressmen. US authorities now say the KAC was just an ISI front, funded by Pakistan's spy agency.

Cisco to cut workforce by 15%, sell factory

Cisco Systems plans to cut 15% of its staff and sell a set-top box factory as part of a plan to cut annual expenses by $1 billion as the network equipment maker tries to revive its fortunes.

The company said that it will cut 11,500 jobs, against the several thousand that analysts had predicted. The cuts come after Cisco's chief executive John Chambers said in April that the company had "lost its way". Cisco had 73,408 employees as of the end of the last quarter, a spokeswoman said. Cisco will transfer 5,000 to Taiwan's Hon Hai Precision Industry, which will buy the set-top box plant in Juarez, Mexico. Of the other 6,500 who are leaving, 2,100 will take early retirement.

The announcement came on the same day that Borders Group, the second-largest US bookstore chain, cancelled its bankruptcy auction plans and said it would close for good. Nearly 11,000 people will lose their jobs.

Iran warns it may halt crude supplies to India

Iran issued a new warning that it will halt supplies of crude to India unless the issue of billions of dollars in overdue payments is resolved. "If the Iranian side feels it cannot receive the money for its exported oil punctually and under desirable conditions, it will reconsider" its crude exports to India, foreign ministry spokesman Ramin Mehmanparast told his weekly press conference.

India is Iran's second largest client after China and absorbs about 20 percent of its crude exports, but New Delhi has been struggling for more than six months to pay Tehran due to international banking sanctions imposed on the Islamic republic over its nuclear programme.

Separate India Office at US state department

With the rapid expansion of India-US ties, which are expected to deepen in the coming years, it is time to upgrade the India desk at the South and Central Asia Bureau of the US state department to a full fledged India Office, an official report has said.

In its latest report, the state department's inspector general has also recommended the reunion of the South and Central Asia Bureau with that Office of the Special Representative for Afghanistan and Pakistan (SRAP) that was carved out when US President Barack Obama appointed Richard Holbrooke as his point man for Afghanistan and Pakistan. But, such a move only created duplicity, it said.

Currently the India desk is combined with the desks for five other countries, including Bangladesh. But, the report said it is the practice of the Department of State to provide a separate office for the countries with which the United States has robust, complex relationships. ❑

Central Bank of Iran chief Mahmoud Bahmani has estimated India's overdue crude payments at around $5 billion, according to the official IRNA news agency. In early July, Iran said it had "seriously warned" Indian refineries of the possibility of a halt in oil exports because of overdue payments.

U.S. wants IAEA to vet Indian liability

US Secretary of State Hillary Clinton "encouraged" New Delhi to "engage" with the International Atomic Energy Agency to ensure that the Indian nuclear liability law "fully conforms" with the international Convention on Supplementary Compensation (CSC) for Nuclear Damage.

Indian officials assert that any suggestion that Indian law would have to be adjusted on the basis of the IAEA's opinions was not acceptable. The Agency was only the depository of the CSC — essentially a clearing house for countries filing their ratification of the treaty — and can have no role in vetting a sovereign law. New Delhi considers the liability law to be in conformity with the CSC and is committed to ratifying the Convention before the year is out.

The U.S., on the other hand, thinks Section 17(b) of the Indian law, which expands the scope of the operator's right to compensation from nuclear suppliers in case of an accident due to faulty equipment, violates the CSC. U.S. companies have also opposed Section 46 of the Indian law, which implicitly allows accident victims to file tort claims.

Moody's downgrade threat to US

Moody's Investors Service raised the pressure on US lawmakers to increase the government's $14.3 trillion debt limit by placing the nation's credit rating under review for a downgrade.

The US, rated Aaa since 1917, was put on review for the first time since 1996 on concern the debt threshold won't be raised in time to prevent a missed interest or principal payment on outstanding bonds and notes, even though the risk remains low, Moody's said in a statement on Wednesday. The rating may be reduced to the Aa range, and there is no assurance Moody's would restore its top rating, even if a default is quickly "cured."

Greek plan to allow for some default

European leaders are drawing up a new rescue plan for Greece that may push the country into default on some debt for a short period, but which would also give Europe's bailout fund vast new powers to shore up struggling economies. According to drafts being discussed by the 17 euro zone heads of government, banks have agreed to take part in several programs to reduce Greece's debt, including plans that would mean exchanging existing bonds for new bonds with lower interest rates and longer maturities.

According to the draft declaration, euro zone leaders gathered in Brussels are set to agree on a series of measures to lighten the burden on Greece, Ireland and Portugal - all of which have been forced to seek international aid. Such an agreement would mark a significant shift of direction and a recognition that the mountain of debt hanging over those countries threatens to stifle any prospect of recovery for their economies.

Significantly, the euro zone leaders were also being asked to give wide-ranging new powers to the region's bailout fund, the European financial stability facility, by allowing it to buy government bonds on the secondary market and to help recapitalize banks where necessary. That would effectively turn the EFSF into a prototype European monetary fund. ❑❑

Vietnam's shrimp lawsuit concluded

WTO has stated that the US application of the zeroing methodology for calculating anti-dumping taxes is in violation of the organization's rules. The final conclusion supports two of Vietnam's three claims in its lawsuit against the US Department of Commerce over the latter's use of zeroing against frozen shrimp shipped from Vietnam. The WTO panel stressed that the US's application of zeroing created greater dumping margins for imports from Vietnam, pushing up the taxes imposed on them and causing big losses for Vietnamese shrimp exporters. The US has fixed anti-dumping tax rates on most Vietnamese shrimp exports at 4.13-25.76 percent. The WTO also agreed with Vietnam's second major claim. It says that the US using zeroing to calculate the common tax rates for the second and third administrative reviews was inconsistent with WTO regulations.

EU for strong IPR regime

The European Union has informed the WTO that it is pressing for inclusion of strong IPR regime in the free trade agreement under negotiations with India even as the Commerce Ministry has maintained that New Delhi will not yield to the EU on this issue.

The 27-nation bloc gave this input to the WTO which has recently completed a Trade Policy Review of the EU. According to the policy document, the EU has concluded FTAs with Central America, Colombia and Peru, which include detailed provisions on effective protection and enforcement of Intellectual Property Rights (IPR). "A similar approach is being followed in on-going FTA negotiations with India, MERCOSUR, and Singapore and in non-preferential cooperation agreements with China and Russia," it said.

The India-EU free trade agreement (FTA) officially known as 'Bilateral Trade and Investment Agreement (BTIA)' has been delayed as there are differences on contentious issues like IPR. While the EU wants India to tighten its IPR rules beyond what New Delhi has agreed with WTO, Indian negotiators have been maintaining that they cannot sign any pact beyond the agreement with world trade body.

Indian Approval for Pakistan needed

Pakistan wants India to withdraw its objections at the WTO to enable it to seek trade concessions from the European Union for its flood-hit people. 'Indian approval is vital for future trade talks between the two countries,' said Pakistan's Commerce Secretary Zafar Mehmood at the opening session of a seminar on 'Pakistan-India Trade: Prospects and Challenges'.

The European Union failed to get approval at the World Trade Organisation from member nations, especially India, for granting trade preferences to Pakistan on 75 items. The EU had announced to give a time-bound duty-free access to Pakistan for 75 items to compensate losses caused by last year's devastating floods. The package was scheduled to come into effect in January this year.

The EU had recently approached the WTO to seek a waiver for one year on trade preferences to Pakistan on these products amounting to almost 900 million euros. Pakistan says it is an LDC because of the setback to its economy on account of natural calamities and the war on terror in 2010. As an LDC, it would be eligible for EU concessions. India disapproves of the political redefinition of the LDC category. Textile-producing members of the EU are also opposing the trade-concession-as-aid. But among Pakistan's neighbours, India and Bangladesh lead the opposition, while Sri Lanka is ambivalent on it.

Changing face of trade pacts

The World Trade Report 2011 observes that preferential trade agreements (PTAs) are becoming more complex, involving pacts between regions, as well as between countries or within regions. But more significantly they are evolving towards deeper integration that goes beyond tariffs and other measures at national borders — they increasingly include domestic policies such as regulations on services and investment, intellectual property protection and competition policy, which the report calls "deep PTAs". These trends raise vital questions about the focus and reach of the WTO, and the value assigned by governments to globally-based trade relations, according Director-General Pascal Lamy.

India, according to th e report, broke into the club of top 20 exporters of goods and reclaimed its position among top 10 services exporters in 2010, moving up two notches in both categories from 2009 in a display of resilience to the economic downturn that continues to cast its shadow on the US and the EU. India's goods exports rose at a much sharper 31% in 2010, helping the country not only improve its world ranking to 20 from 22 in 2009 but also expand its market share to 1.4% from 1.2% a year ago. ❑❑