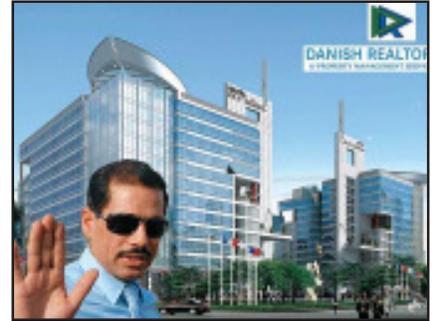


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FDI in insurance

FDI is more of political rather than economic compulsion. FDI, in simple words is- your material, your markets but profits to the foreigner investors. Gandhiji would have advised to manage your material in your markets through well organised co-operative movement. He spun the cotton thread on his spinning wheel not for show but to show the path to be self sufficient. Sacrificing a meal, once a week, hastened the era of green revolution in India. The self proclaimed followers of Gandhiji have not only abandoned his path, but actually turned it on his head. Cover story of Swadeshipatrika in its October 2012 issue had rightly exposed the present leadership of the Congress party.

Proposed FDI in different sectors is like offering your material and markets to the foreign investors on platter, which is against the interests of the country. Let Indian rich and those who can afford, come forward to invest and help the economy of the country. There is also merit in the accusation that more than FDI what we need is efficient management of the Economy. Country needs talented people to join the government and manage the resources in an appropriate manner. We are a resource rich nation. Politicians in general and Congress party in particular are mastering the technique of winning elections at any cost. They don't care for long-term impact of decisions. It will be only proper for the people to realize the need to act before it is too late. Till now government was selling the natural resources of the country. Now they are eyeing the hard earned savings and potential risk cover like pension and Insurance also. In absence of any hope of transformation in the rulers it is time people come together to save themselves.

– **A. Singh**, Solan (Himachal Pradesh)

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Quote-Unquote



Pandit Nehru, with his grandiose vision of a non-aligned world, surrendered vital national security interest to the ambition of being a world leader.

Air Chief Marshal AY Tipnis

Former IAF Chief



Former CAG official RP Singh's allegation is an attempt by the UPA regime to cover up corruption by defaming institutions.

Dr. Murli Manohar Joshi

PAC Chairman



Now that he is into politics, Arvind Kejriwal should now perform and prove himself, instead of just criticising others.

Anupam Kher

Bollywood actor



The borders of the country are unsafe and the threat is increasing. Neither the media nor the Centre is considering it seriously.

Mulayam Singh Yadav

Samajwadi Party chief

Direct Cash transfer scheme

The Squandering Haste

"Conceit is a queer disease -- it makes everyone Sick except the person who has it."

Impatience to reap electoral benefits in the next general election has strained the Congress led UPA government to hurriedly announce the time table for direct cash transfer scheme wherein the subsidy amount will go directly into the bank accounts of the 'beneficiaries'. Moving swiftly on the pronouncement he made at a public rally in Duda in Rajasthan, Prime Minister Manmohan Singh constituted a high-power National Committee, within days and chaired its first meeting and asked ministries "to work in right earnest" for implementation of this pioneering initiative. The committee is expected to facilitate the introduction of direct cash transfers to individuals eligible for benefits flowing out of the government's many welfare programmes. The government will implement the scheme in 51 districts from January 1, 2013. It will be spilled over to 18 states by 1 April 2013, and the whole country by the end of 2013 or early 2014. The time table announced almost clarifies why the scheme is being rushed through with a precariously incongruous deadline of 1 January for 51 districts. As many as 42 welfare schemes of the Centre have been identified for their inclusion in the scheme but the first phase will have 29 of these schemes. The welfare schemes include scholarships provided by various Union Ministries to students, pension to elderly people, rural job scheme and those related to family and health welfare, he added. Believing it to be a game changer, not without reason, the government plans to directly transfer subsidies and welfare payments, which could go up to around Rs. 3,20,000 crore, directly into the bank accounts of intended beneficiaries. Departments that provide benefits are slated to set up direct electronic cash transfer systems based on the Aadhaar platform to dole out the funds. Cash transfers will mean that in all areas where the UID is almost done every family will get money in the range of Rs 3,000-14,000 per annum, depending on whether they are identified as BPL cases or APL.

Cash transfers are the latest whim of the international development industry, as the preferred strategy for poverty reduction. Indian policymakers are simply active in imitating and implementing it, the job they have preferentially done for decades, without taking the trouble of evolving mechanism rooted in the soil of the nation based on local needs and requirements aided with our own experiences. The idea is made to sound simple and easy. Since the poor people have no money. So let's give them money - then they won't be poor anymore, declare the proponents of cash transfers. The change in subsidy policy is being further urged in response to the several shortcomings in the current PDS system, Dual-pricing; Market distortions; Unresponsiveness to customer needs; Poor targeting of BPL population; Diversion and leakages and under recoveries for Oil Manufacturing Companies (OMCs). There is merit in looking for better alternative system of helping poor and needy that too in a developing country like India where a substantial part of our population is finding it difficult to make both ends meet. There is no harm in testing the direct cash transfer method. But it is important to understand that we can no longer afford as nation to be experimenting in a manner that raises suspicion on the very purpose of rushing to make announcements because of alleged confluence of reformist hopes and political calculations. Another fact needs to be underlined. The system of taxation payments from the rich in order to enable transfer payments to the poor, including not only financial assistance during calamities but welfare payments to the chronically indigent and those unable to earn their own livelihood is not any radically new idea, but it actually has a long history.

The most important aspect in the present case is the unpreparedness for the implementation of such an ambitious scheme on a large scale, using cutting-edge technology. The problem areas include identifying individual beneficiaries, which in most cases is done by the states. Only 21 crore people have Aadhaar numbers so far and still fewer have bank accounts. Moreover, the Aadhaar Bill is yet to be passed by Parliament. Ensuring full compensation for any increase in the de-regulated markets is another area of concern. The fear apprehension of fraudulent reduction of subsidy to poor without political fall out is not unfounded. The government seems to be under the delusion that a technological fix will somehow eliminate all the potential problems of targeting. But can technology alone address complex set of political and social dilemma?

Economic decision making is hostage to Cronies



Cronies to the government have captured the regulators of the market and have captured the policy framers of the government as well. The rule of cronies has resulted in complete paralysis of constructive decision-making, discovers **Vikramjit Baneerjee**

Crony capitalism is not anything which is new. It is been a part of modern Western Anglo-Saxon variation of the market system from its very inception. However in different times and in different cases and under various different regimes it has evolved to take a pernicious form whereby it has attempted to capture the entire market system for the benefit of the very few.

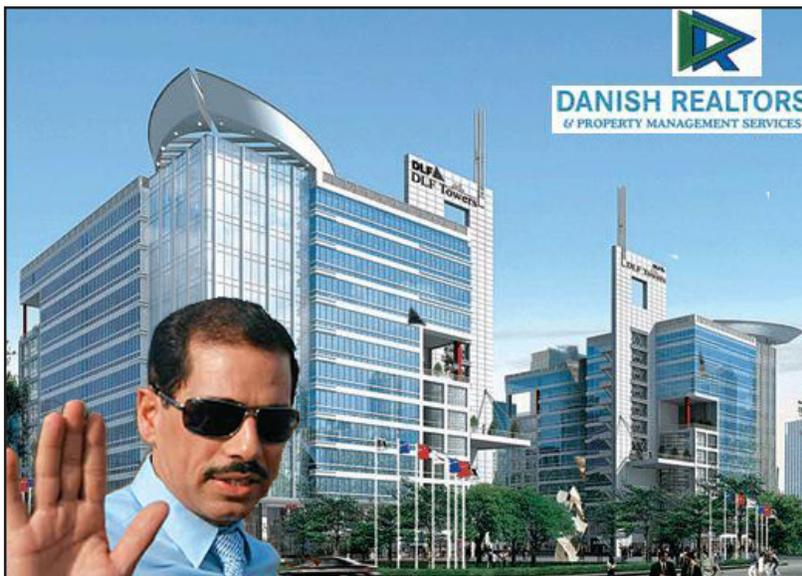
Cronyism if we can call it that has been a part of economic structure from the time modern economics has been formulated. Those who have been close to the government have always benefited from the rulers munificence. In

modern terms that would mean business people who were close to presently governing the country managing to control all the levers of the economy.

In India the very basis of the economy as we know it from colonial times has been based on crony capitalism. Originally when the British were in India British companies which were close to the then British rulers were patronised largely and substantially. This obviously gave rise to a large amount of hostility from Indian businessmen who were more interested in having a level playing field in the growing economy of India. The assertion of Indian business ask-

ing for a level playing field along with British businesses in India came to be known as swadeshi. It is in this spirit of swadeshi that various scientists and businessmen in India set up Indian businesses to take on the British companies who had a stranglehold on the Indian economy. These businessmen also played a sterling role in the Indian independence movement. They were also at the forefront of acquiring and pushing technology for the purposes of spreading manufacturing and science through the country. A large number of them went on to endow educational institutions for the spread of science in every region where they worked. In many ways these swadeshi entrepreneurs were responsible for the fact that after India achieved independence the basic manufacturing sector of the country could be created in such a short period of time.

However the downside to this creation of an Indian business class was that they were intricately linked with the Indian National Congress. Even before independence it was rumoured that every famous Congress leader had one or more famous industrialist as his friend. It is a known fact that during the entire independence move-



ment a large number of Congress leaders did advocate the cause of such industrialists. In many ways at that point of time it was perceived as a patriotic act of promoting Indian businesses over foreign businesses. In the year 1945 the top Indian industrialists of the country came together and find a declaration called the Bombay plan. The Bombay plan was in two parts and the basic thrust of the Bombay plan was that while the industrialists would be responsible for production of goods in the country the government would take the responsibility for distribution. It was an evident attempt to carve out the oncoming independent Indian economy. An apparent reading of the names would indicate that the roster of the industrial houses which signed on to the Bombay plan and those who are known to be very close to the present political establishment of the Congress has largely remained unchanged give-and-take one or two names.

Thereafter after the independence of India the links between these industrial houses and the Congress governments continued to grow. So much so that Congress governments were accused of acting at the behest of such industrial houses. It is interesting to note that even at the height of socialism which had been adopted as the governing credo of the country such industrial houses were never touched. Pandit Nehru justified the same saying that though he would like to have socialism in the country but going after the existing industrialists would mean de-stabilising the economy which he was not inclined to do. With Mrs. Indira Gandhi, though socialist rhet-



Though the economy was supposedly opened or liberalised there was no movement to ensure the level playing field

oric became more and more pronounced and efforts were made to shore up Public Sector Units but again the said industrial houses were largely left untouched. There were large amount of nationalisation of industries and some point out that the said process of nationalisation is an indicator as to the genuineness of the commitment of Indira Gandhi towards promoting socialism in the country. However coincidentally this period of promoting socialism interestingly coincided with the same time when a large number of these old industrial houses attempted to prop up political opposition to the then existing Congress government. The fact that the Swatantra party had been gathering up support of Indian businesses would definitely have weighed in the mind of Mrs. Gandhi when she decided to go after the industrialists who had till then form the backbone of the economy and the economic and financial arm of the Congress Party. It is also around that point of time that new industrialists were attempted to be promoted so as to be able to take on the old disaffected industrialists who were then attempting to prop up an opposition to the regime. Some of these new industrialists who been pro-

moted at that point of time are today some of the biggest industrial houses in the country.

The imposition of what is today known as the License Permit Raj was formulated as a means to handicap the old industrialists against the new industrialists who were being promoted by the then government. The government went out of its way to promote these new industrialists and facilitate their business interests in the country. Cronyism had been converted into a matter of economic policy.

From the time of 1984 to 1998 and especially after 1991 winds of liberalisation were introduced into the Indian economy. Most of the liberalising process was brought in more as a result of compulsion rather than conviction. However though the economy was supposedly opened or liberalised there was no movement to ensure that the playing field was ever levelled. In other words while the economy was opened up for investment from foreign companies there was no concrete move to ensure that a common person in the country could with ease do business. Even while doing business for big corporates were made relatively easy,

small businesses continued to find it difficult to do business in this country. The reason for this was very simple as the government was not interested in increasing competition to its cronies who had more or less captured the market.

The NDA regime from 1998 to 2004 was the sole exception where along with moves to make it easy for investment by both Indian and foreign investors in India, it was coupled with a genuine move to ensure that a common business person who was interested in doing business in the country could genuinely do business without the government interfering in it. It is during this period that most of the big corporate's of the 2000s were born. In fact it is these groups of companies which have threatened the status quo of the old businesses in the Indian economy. It was during this period of time that genuine improvement of infrastructure took place because the philosophy of the govt. was that common people should have access to better roads so as to increase their business. The idea of a market in the NDA regime was a market of the people and not a market simply controlled by the interests of the cronies of the government. It is true that in that large parts of the economy were de-licensed so as to facilitate the common people or an ordinary businessman to participate in the process of creating business. The thrust of the NDA regime was to create a Swadeshi market. A free market which would be bottom-



Government has given up its duty to even frame economic policy

up and would be spread across to all participants. It would give the opportunity to every person to be in effective participant in the Indian economy. This can in many ways be called Swadeshi 2.0 version in the area of market economics in India.

However all this remarkably changed when the first UPA government came to power. In the name of working for the “aam admi” the government from 2004 onwards has reinforced license permit Raj. The objective of such reinforcement has been to ensure that its cronies are the only beneficiaries of the expanding Indian economy. The thrust of allowing everybody to do business which was the major focus of the NDA regime was furiously turned away for supposedly the betterment of the poor. The major beneficiaries of all the pro-poor schemes were the old cronies of the government. The old cronies of the Congress were back with a bang. This entire

process was cloaked in the magic words of being pro-poor. Some of the biggest scams which were to haunt the UPA were to be initiated during this point of time. Its old cronies wanted to catch up for the lost period of 1998 to 2004 which had been a substantial period of growth of the Indian economy. How-

ever because of clever media management and because of the shine of the leftists who supported the government the scams did not come to light. This had the effect of convincing both the government and its cronies that they could actually get away with anything they wanted.

The last vestiges of the pretensions which cloaked the first issue UPA government were given up during the second UPA government. The second government has been a government whose agenda has been driven by the cronies to the government. The government has given up its duty to even frame economic policy since its economic policy is being framed by cronies who have achieved such power in decision-making of the economy that the entire government is hostage to them. These cronies have captured the regulators of the market and have captured the policy framers of the government as well. The rule of cronies has resulted in complete paralysis of constructive decision-making. Interestingly this government has framed all its policies to either help its cronies or to bail them out. It has used either free-market rhetoric or populist rhetoric to suit it-

self and to disguise its hidden agenda of helping its cronies. In every aspect of the economy whether it be of the auction of spectrum, making available land at cheap prices, making available coal blocks at throwaway prices, organising India's aviation policy to suit a few operators, gifting away India's infrastructure projects to its cronies, allowing foreign investment in media and retail to bail out its cronies, it has conveniently formulated its logic and rhetoric to suit itself, sometimes on populist grounds and at other times on free market ideas. It has played politics of "economic vote banks" very cleverly for the benefit of itself and its crony businesspeople.

As a backlash against the exposure of scams which continue to pour out of the cupboard of the government every day, there are those who today blame the existence of market forces as being responsible for cronies. Some of these people are those who have benefited the most by the actions of the regime of the UPA. This solution advocated by them is to bring in more licenses and permits and to bring in greater state control that is in other words the solution to crony capitalism are measures which would increase cronyism. This cannot be effective answer. The answer is to look for hard measures which have to be implemented in the Indian economy.

For the purposes of this article I would suggest four:

(a) The government should ensure that the economy is governed by regulators who are not captured by business interests. The government should ensure that big businesses don't get to

frame government policy and the sole criteria for framing economic policy for the government is that one which benefits people of the country.

(b) The government should ensure that more and more people join business and have the ability to take part effectively in the economy by increasing their business and being able to promote their business interests. One of the biggest roadblocks for this is the availability of loans. It is well-known that while most of the credit for business of this country is enjoyed by a few industrial houses the common people and the small business-



It is high time that we explore alternate models for carrying out business based on older Indian models of collective entities.

man do not have access to loans or credit. It is also a known fact that while industrial houses can get licenses very easily to participate in the economy a small person and or a small businessman is effectively kept out by this license permit procedure.

(c) It should be the objective of every government that in issues including the allocation of national assets and wealth the benefit of such asset and wealth is ploughed back into the community and not sent to the coffers of the government. It is also important that the most affected should have a say in the allocation process. The process should be to make

the economy accountable to the citizens of the country and not controlled & only used for the benefit of a few businesses who are close to the govt.

(d) Lastly it is high time that we explore alternate models for carrying out business based on older Indian models of collective entities. This is important because the older Indian entities included clear, conscious, social control over business interests which is lacking in the case of the Anglo American methodology of carrying out business through companies. Needless to say companies like the other invention of Western

Europe the state has no inbuilt ethics and is therefore prone to be misused by the most powerful. If indeed we have to stop crony capitalism and ensure that the society and the people have a say in framing their economy, it is important in the long run to change the topic of conversation as to how economies are run. Allowing socio corporate entities more closer to Indian roots which would automatically reflect ethical code values within it is the need of the hour. It is the time that we start thinking afresh. We could call this the next step in the evolution of the Swadeshi market system or Swadeshi 3.0. □□

Government Culpable for Inaction in Homicidal Clinical Trials



In view of the Government's failure to provide any liability for irregularities, fair compensation for the victims and adequate insurance cover for death or permanent injuries arising out of clinical trials and permitting trials without regulatory safeguards is conniving with the culprits, believes Prof. Bhagwati Prakash Sharma

It is precariously deplorable that the draft rules for providing mandatory compensation to the victims of clinical drug trials are awaiting approval, under industry pressure, in spite of the fact that on an average 10 persons undergoing clinical drug trials have been dying every week since last 4 years. In lack of any such rules, only in 22 of the total 2031 deaths, occurred during the clinical drug trials in last 4 years, the compensation was paid and that too, when a committee chaired by Maneka Gandhi, member of the Parliament, probed the matter last year. In most cases a paltry sum of Rs. 1.5 to 2.5 lacs was paid to the families of the victims who died. A sum of mere Rs. 52.33 lacs was paid by 10 companies, in a range of Rs. 1.08 to 10.00 lacs to these 22 victims out of total 432 deaths occurred in 2010-11. No compensation was paid for the 288, 637 and 668 deaths occurred in the preceding three years before the aforesaid probe by Menka Gandhi, according to the information provided by the Drugs Controller General of India (DCGI) in an RTI hearing.

Even in the premier institutes like the All India Institute of Medical Sciences. (AIMS), as many as 49 beloved children of their parents had died while undergoing clin-



ical trials. It is precariously strange that two of the infants of less than 1 year age died in the trial, were administered the drugs 'Olmesartan' and 'Valsartan' used for reducing blood pressure, which cannot be recommended for subjects below the age of 16. When there is no proven trend or incidence of high blood pressure in infants or even in children up to the age of 14, then, was it not a criminal misadventure to administer these drugs on infants? It is also strange that how the ethics committee colluded for such a trial? Is it not a severe blow to medi-ethics? Moreover, the two drugs are not new and are already off the patent in India. Where was the need to try these on infants? In all

during this period of 30 months, 42 trials were conducted on 4142 children in the AIIMS, from Jan 2006, of which 2728 children were below the age of 1 year. It is further a hoax upon the poverty of these families whose children were subjected to trials, were mostly poor and illiterates.

The number of victims suffering from permanent injury on account of the side effects of the drugs under trial might be much more in the country, as the DCGI is said to have no such composite data of injury suffered from the trials. It is even more strange that the DCGI has no information of any action taken against the ethics committees, trial-sponsoring pharmaceutical companies (mostly for-

oreign multinational companies) or the Contract Research Organizations (CROs) conducting the trials for the sponsoring companies. Indeed, permitting drug trials without provision of punishment for sponsoring company or ethics committee, guilty for any unethical practices, amount to conniving with the culprits for the culpable homicide.

Of late, more and more foreign pharma MNCs are getting attracted to India for clinical trials as the cost of such trials is as low as, 20 to 40 percent of what it comes in the industrialized countries. Therefore, at a time when the foreign pharma multinational companies (MNCs), involved in drug discoveries and finding India a tempting destination for contract manufacturing and clinical drug trials, delay in finalizing the rules for penalty are punishment for deficiencies in the functioning (including unethical practices) of the contract research organizations (CRO), the sponsoring companies, the ethics committees and other stake holders is intolerable.

In view of this, the Government's failure to provide any liability for irregularities, fair compensation for the victims and adequate insurance cover for death or permanent injuries arising out of such trials and permitting trials without regulatory safeguards is nonetheless than conniving with the culprits. The draft rules for the purpose, viz. "The Drugs and Cosmetics (3rd Amendment) Rules 2011" released for public debate on November 18, 2011 are yet in abeyance and the industry is exerting its influence for diluting the same.

The draft rules are being opposed by the industry, as they provide that in case of death or griev-

ous injury during the clinical trial, it will be held to have happened because of the trial. The sponsor of trial shall have to prove within 30 days to the contrary or else he will have to pay compensation within 60 days. The industry, including the CROs and pharma companies are insisting that the onus to prove that injury or death has resulted from trial should be shifted upon the victims, instead of fixing it upon the sponsoring company to prove that the same is not caused from the trial. If the Government would succumb to the industry pressure and shift the onus of proof upon

give right to claim compensation.

The Government should also not get blackmailed from the allegations being leveled in certain sections of media, that consequent to the enquiry by Menka Gandhi and in view of the new norms being proposed, the number of trials have gone down to 270 in 2011 from 500 in 2010 and the country has missed the projected target of \$1.5 billion as the local drug trial segment stands at mere \$400 million. Forex earnings cannot prevail over human lives. Rather, fresh trials should not be permitted till the draft rules under consideration are



Of late, more and more foreign pharma MNCs are getting attracted to India for clinical trials as the cost of such trials is as low.

the victim, he (victim or his family) would rarely or never be able to prove that the death or injury has resulted from the trial, the subject has undergone.

Thereby, the foreign pharma companies would never be under any liability to pay any compensation, as in most of the cases the victim would rarely be able to prove that the death or injury has resulted from the trial alone. The aforesaid draft rules, so proposed have also provided for mandatory registration of ethics committees with the Central Drugs Standard Control Organization (CDSCO). The Informed Consent Form (ICF) should be balanced and

notified in the official gazette. There is substance, in the allegations that the time being taken to approve a trial has increased from 4 months in 2005 to between 6-9 months now. It is also true that the same has come down in South Korea from 6 months in 2005 to 30 days now and it is 3 months in Canada and UK. But, the mere bogey of trials business going to China, South Korea and Malaysia cannot be used to promote clinical drug trials without proper regulatory framework and safeguards. Permission be processed faster but no compromise can be made in providing for compensation and penalty for unethical practices. □□

Revelations on HSBC - Tip of the iceberg?



*Despite powerful legislation and overwhelming evidence why is the RBI silent and allowing HSBC to operate in India? Why is the Enforcement Directorate not taking any action on HSBC under the AML laws? Or have they all closed the file, asks **MR Venkatesh**?*



What were the Indian authorities doing all these years, especially when it was well known universally that all was not well within HSBC? Either our politicians are too honest or the fact remains that they ensure that our agencies are simply reduced to be toothless watchdogs that refuses to bark, probably the later.

I owe a confession upfront to all readers. The “sensational” revelations of Arvind Kejriwal on HSBC allegedly indulging in Hawala fail to stun me. On the contrary, I must state that this is on expected lines. In my considered opinion what has been revealed by him has been an unexciting trailer of a hor-

ror movie; the main picture is yet to come. Believe me, even the main picture too will fail to shock us.

Readers may recall that in one of my earlier columns titled “**Why India too is a TAX Haven**” I had traced how two employees of HSBC, Herve Falciani and Georgina Mikhael, leaked secret data of 79,000 individuals and 20,000 companies of their accounts in Geneva, Switzerland. The list included criminals of various nationalities. Subsequently, the French made available this data to governments across the world for possible pursuits of their tax cheats.

It is widely believed that there are about seven hundred Indian

names in that list. That was in July 2011. It is this data that is now haunting the Indian government through Kejriwal. (It is a remarkable coincidence that the French concluded a multi-billion dollar fighter jet deal with us just then.)

Once the list was received, government of India apparently “swung” into action. According to Kejriwal, the IT department conducted searches in the premises of three such persons (One is not sure what happened to the balance). When confronted with evidences they admitted that they had bank accounts in HSBC abroad, which was not originally declared to the tax authorities.

This is where the plot thickens. Uniformly, the three independently have detailed to tax authorities as to how they managed to open, operate and get back their cash deposited in such accounts.

If documents released by Kejriwal are to be believed, all it requires is a phone call to HSBC who will depute their officers to open account, collect cash (in INR), have it deposited abroad (in currency of your choice), operate it under your instructions and then should you require, pay you cash (in INR) as and when required in India.

Understanding Hawala

This is Hawala, plain and simple, where INR instantly becomes USD as much as USD becomes INR. The icing on the cake: one need to go out of India to open or operate an account. All it takes is a phone call. Instantly, someone representing Hawala operator would call on you and render prompt service.

Hawala, it may be recalled is an informal money transfer without the actual transfer of money. It is akin to a bank but without any of the trappings of a formal bank. In a globalized world, the Hawala system could facilitate anyone with ill-gotten wealth to transfer his illicit money so as to escape the long arm of law in the first place.

A few hundred crores given in Delhi could instantly convert to equivalent pounds in London or vice versa with speed, efficiency and reliability unmatched by formal banking system. In these transactions since there are constantly two-way flows, there are no issues to “settle” accounts.

Despite being an artificial construct the efficiency associated with a Hawala transaction has to be seen to be believed. It has an in-built dispute resolution mechanism that would challenge the efficacy of any formal court; honesty unmatched by saints. Despite these troubled economic times, left to itself, it is a massive employment generator.

Nevertheless, Hawala wrecks havoc on national economies, encourages drug peddlers and aids terrorists. That is why it needs to be fought upfront.

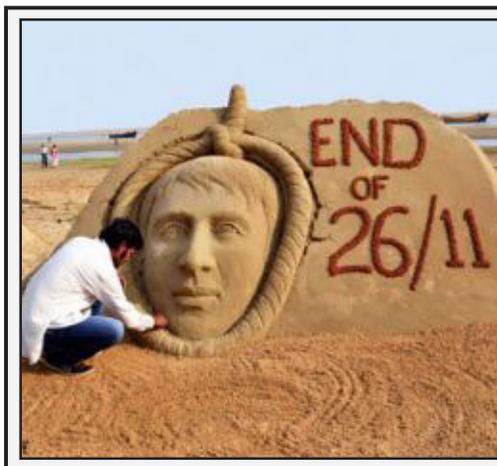
All this in the instant case involving HSBC was allegedly happening in a country where you cannot deposit cash exceeding Rs

50,000 per day into an account in India. Such a measure was primarily aimed at preventing laundering of illicit wealth and passing it of clean, unadulterated licit money through the banking channels.

Importantly, Hawala it was believed was restricted to drug mafia, terrorists and politicians. What if one of the persons in the 700 member list leaked by Herve Falciani and Georgina Mikhael happen to be a terrorist? What if they were using such money to rig our stock markets? What if drug cartels were using these channels? Scary isn't it?

to a composite measure by Forbes magazine. Having locations across continents, HSBC's international network comprises around 7,200 offices in over 80 countries. According to Wikipedia, its market capitalization as at July 2012 was in excess of \$100 billion.

But recently the Telegraph, London, reported that HSBC was at the centre of Revenue and Customs investigation after it opened offshore accounts in Jersey for “serious criminals.” Further it stated that British authorities have obtained details of about 4,388 British clients of HSBC, Jersey, (aggre-



What if one of the persons in the 700 member list leaked by Herve Falciani and Georgina Mikhael happen to be a terrorist?

But what is scarier is the alleged role of such international banks. Nevertheless, all these are well-known in international financial circles for over a few years. Yet, these banks continue to carry on such operations leading to the obvious conclusion that the high and mighty of the land must have blessed such operations.

But first a word about HSBC before we proceed any further.

HSBC exposing the soft underbelly of global finance?

HSBC is no ordinary bank. Headquartered in London, it is the world's third-largest bank and sixth-largest public company according

gating to approximately \$1.1 billion) after a whistleblower secretly provided a detailed list.

Remember Jersey is no holy place. It is widely regarded as a tax haven. Yet, when it involves its own citizens, security and anti-money laundering regulations, there is no compromise. Mercifully, Jersey is not governed by UPA!

But that is one dimension. What if some whistle blower was passing on a list of Indian names to Chinese or Pakistani governments? And as someone said once to me, that such a whistle blower could probably come from within CIA, as they must already be



having such a list.

It may be noted that the US Senate Permanent Subcommittee on Investigations was constituted to strengthen its Anti-Money Laundering (AML) efforts by investigating how money launderers, terrorists, organized crime, corrupt officials, tax evaders, and other wrongdoers have utilized U.S. financial institutions to conceal, transfer, and spend suspect funds.

To examine the current money laundering and terrorist financing threats associated with correspondent banking, the Subcommittee selected HSBC as a case study and submitted its report. Needless to emphasize its findings were adverse for HSBC.

Consequently, Jill Treanor, in an article in Guardian last week warned that the Bank was bracing for “significantly higher” fines from US authorities. Stuart Gulliver, bank’s chief executive, admitted even more money (over and above \$1.5 billion) may be needed to cover the actions that it faces from a number of US regulators under AML laws.

Interestingly, Stuart Gulliver is reported to have conceded these allegations, which date back to

What were the Indian authorities doing all these years, especially when it was well known universally that all was not well within HSBC?

2002 when Stephen Green was at the helm, had “undoubtedly damaged” the HSBC brand.

Noted chartered accountant Richard Murphy is reported to have commented on this issue: “This bank was clearly out of control. It confirms what we’ve begun to realize, that this is a bank that was, during the period that the Reverend Lord Stephen Green was in charge, the world’s biggest money-launderer.” (Source: Daily Mail, Nov 9th 2012). That implies, possibly, such unlawful practices were carried out in India by the Indian arm then.

What unites US, Britain and India? HSBC isn’t it? That explains the deafening silence of HSBC in India to Kejriwal’s revelations.

That also explains why I am not stunned either!

But that brings us to the crucial question. What were the Indian authorities doing all these years, especially when it was well known universally that all was not well within HSBC? What was the official position on HSBC? Was it under surveillance for such unlawful activities? Or were we naïve enough to be oblivious of these developments worldwide on HSBC?

There is probably yet another dimension. What if several of our biggies were laundering their illicit wealth using such services? What is adding weight to this theory is the fact that till now none of our high and the mighty have ever been caught, much less convicted, for Hawala or laundering money.

Either our politicians are too honest or the fact remains that they ensure that our agencies are simply reduced to be toothless watchdogs that refuses to bark, probably the later.

Is that why HSBC has been operating in India without any let or fear? It may not be out of place to mention that under Section 24 of the Prevention of Money Laundering Act when a person is accused of having laundered money, the burden of proving that proceeds of crime are untainted property shall be on the accused.

Despite such powerful legislation and overwhelming evidence why is that the RBI silent and allowing HSBC to operate in India? Why is the Enforcement Directorate not taking any action on HSBC under the AML laws? Or have they all closed the file? Watch this space. ☐☐

PS: H for HSBC. H for Hawala?

Social Entrepreneurship and Indian Politicians



Strategies need to be adopted to build the confidence in rural youth for entrepreneurship and assure them that there are ample exploitable economic opportunities in rural areas and if exploited, they can stay in rural areas and earn a comfortable livelihood, suggests **Anil Javalekar**

BJP president Shri Nitin Gadkari's defense against the allegations of Sri Kejriwal has brought one thing to forefront and that is the issue of 'Social entrepreneurship'. Indian Politicians are known for political entrepreneurship as they organize all the factors of power and take risk to gain profitable positions in ruling elite or in governance system. Sri Nitinji changed that perception and called himself a 'social entrepreneur'. He contended that he organized business enterprise/s for the benefit of society and people and most of his enterprises have the participation of local people-farmers or others. His party stood by him not because he is a social entrepreneur but he has

not, prima facie, violated prevailing laws and practices and or has not misused the public office for personal gain. There is no denying that the Social entrepreneurship is important for Indian poor farmers and small entrepreneurs as it gives them hope of survival in a competitive world of globalization. Social entrepreneurship is definitely a job of social workers and of politicians. Therefore, it is praiseworthy if Nitin Gadkari is doing that. The problem, however, is intention behind this entrepreneurship and whether it is used for self aggrandizement. In the changing scenario of business culture and its globalization, there may be a need to define the limitations

of the social worker and the politicians and their role. It may also be necessary to fix their time to leave the enterprise to the trustees as also restrict the use of enterprise/s for accumulation of personal properties and misuse of the position. This may the right time to debate this changing social entrepreneurship and its role.

Social entrepreneurship

Social entrepreneurs are always there in the society and many times called as Visionaries, humanitarians, philanthropists, reformers, saints, or great people. There are varied definitions for entrepreneurship but social entrepreneurship has clear meaning and reference that is of bringing positive change in socio-economic life of society by way of new and innovative entrepreneurial demonstrative practices. India has seen such demonstrations of social entrepreneurship by public sector units, cooperative societies and great individuals. Amul, NAFED, MARKFED, cooperative sugar factories, Cooperative credit institutions, ICAR, Agriculture universities etc are the examples of social entrepreneurship. Even government's welfare strategies for community development by way of infrastructure development like roads, schools and other



skill development institutions apart from arranging for pure water and health care falls under this entrepreneurship. The efforts of action groups for positive social reforms by way of legislative support were other examples of social entrepreneurship. It is important to note that all these reforms, whether through government, NGOs or cooperative sector, would not have been possible had not the social activists and or the political class took the lead. For most politicians this has been instrumental for their rise.

Changing Indian Politicians

Indian politicians in the beginning were from freedom movement and had definite perception of socio-economic change as also belief in certain philosophy that can make India a prosperous and self-reliant country. Most of them were from rural background and were influenced by Indian admiration for sacrifice and simple living. Moreover, Mahatma Gandhi led the freedom movement and he believed and demonstrated the importance of social and personal moral life styles by way of his own example. All then politicians were thus committed to demonstrate a clean personal character and still to work for social and economic change. This saw the rise of socio-economic institutions, including cooperatives that brought a change in the socio-economic life of Indian society. The Government efforts in the sphere of Socio-economic development were also based on commitment and moral character of such individuals and leaders.

This, however, has changed due to growing importance of money power in Indian democracy and its electoral process. Old guards who stood for some mor-

al values and principles in social life have now been discarded and are replaced by new elite class, trained and influenced not only by western culture and life styles but also by western thoughts of prosperity and way to achieve it. In this system of thought, 'sacrifice' is only to gain future benefits and is termed as 'investment'. Now politician is not sacrificing to bring some social change or to bring prosperity to his fellowmen but investing so as to consolidate his socio-economic position and join the ruling elite to reap further benefits for himself and his family. So the accumulation of properties and maximization of profits are twin prime objectives of most current politicians and for many, social entrepreneurship is an easy way to make that possible.

Social entrepreneurship pioneered development.

India has seen many great social entrepreneurs who led the social reform movements as also helped people organize in to business enterprises in the form of cooperatives. Great Gandhian, Vinoba Bhave, brought the concept of 'Bhoodan' and led the movement for land redistribution. Madam Ela Bhatt pioneered the self help movement by organizing women under SEWA. Dr. Verghese Kurien is well known for making white revolution possible through villagers and village level societies. Nanaji Deshmuk did exemplary work in the field of education, health and rural self-reliance. The 'Sevabharati' and 'Vanvasi Kalyan Ashram' are other NGOs doing commendable job in rural and adivasi areas. There are numerous cooperators who organized poor farmers and formed so many cooperatives which had an

impact on Indian rural life. Many of these were politicians.

Changing scenario of Social entrepreneurship and its importance

I. Initially politicians required Social entrepreneurship

First thirty–forty years of Indian independence saw the good work and social entrepreneurship with personal sacrifice and clean character helping people become politicians. The political parties and national leaders were also supportive for such representations. India accepted the concept of welfare state and declared India as a democratic country. The democratic mode allowed ruling through representatives and welfare mode expected government to take lead in socio-economic development. Indian government thus took the lead and supported the agriculture and rural industrial development activities particularly through cooperatives and NGOs. It is true that most politicians who initiated the building of socio-economic institutions so as to bring prosperity to society and people have used their achievements and position to consolidate their political career. This system of becoming politicians through this mode of good work and some sort of social entrepreneurship was useful to the society.

II. Now Winning elections-key to politicians

The liberalization and globalization mode changed everything. Now there is no need to go for a social entrepreneurship mode to become state and national leader. Loyalty to high command, money and muscle power, capabilities of winning elections and above all some dynastic connections have become main characteristics that

can make a person a politician or a leader. Good work and social entrepreneurship maximum can get an award or a Padma Shri, Padma Bhushan or Padma Vibhushan but not a seat in political class of ruling elite. This scenario differentiated the political class from the social entrepreneurs. Society, however, lost good social entrepreneurship in the process.

Need for Social entrepreneurship

i. The Indian rural scene remained complicated throughout the Indian Planning era of public sector growth and its command over the major sectors of the economy as well as in the recent era of liberalization and globalization. Rural population remained dependent on agriculture and allied sectors for their livelihood. Rural prosperity is still a distant dream for most of the rural population and there is no hope unless efforts are made for the survival of rural entrepreneurship and rural small enterprise. Strategies need to be adopted to build the confidence in rural youth for entrepreneurship and assure them that there are ample exploitable economic opportunities in rural areas and if exploited, they can stay in rural areas and earn a comfortable livelihood. Further, all efforts must lead towards building entrepreneurship among the rural youth so as to help them establish, own and run their economic enterprise on sustainable basis for a long period. The strategy to build successful entrepreneurship needs an institutional approach so as to address the entrepreneur specific capacity building and establishing a regular and crisis support system for nursing the enterprise. This will not be achieved by simply imparting some skills by way of short training

courses or implementing some subsidy linked programmes for basic capital or interest subvention for loans or helping through marked development funds. This needs social entrepreneurs who can stand by these rural people and groom them as entrepreneurs.

ii. The world has changed so is India. Earlier, the cooperative society was only mode available to people to come together and take the benefits of economic expansion and share the prosperity. Now there are number of modes to get the help from or organize under-NGOs, producers company, mutual fund, section 25 Company, Self Help Groups, Farmers club, Micro Finance Institutions, NBFCs, Banks, Development institutions like NABARD/SIDBI, various corporations apart from Cooperatives and Government and its agencies. However, the importance of organizing poor farmers and others has not diminished but the need to guide them has increased. Social entrepreneurs only can organize them and guide them.

iii. Many of present ruling elite who became politicians and represented in government through dynastic mode or through money and muscle are not from social entrepreneur class and therefore fail to understand the rural problems. They think that pouring cash money on the poor and down trodden will help these poor. The fact is that with this money these elite politicians are building their own constituencies and ensure their win in elections. This is the reason why each and every ministry and every department has subsidy and grant linked schemes. These politicians are not interested in eradicating poverty or unemployment in

Local self sufficiency model of development is the solution for most of Indian problems and social entrepreneurs have the bigger role in this model.

real sense. So is the need for social entrepreneurs.

Politicians should play their role

Politicians are important and have to play a positive role in the building up of social entrepreneurship. It is necessary to understand that local self sufficiency model of development is the solution for most of Indian problems and social entrepreneurs have the bigger role in this model. Indian system of governance and development should support such entrepreneurs and improve Indian election system so as to absorb such social entrepreneurs in its representative democracy. Such social entrepreneurs turned politicians can make positive changes in socio-economic life of people.

These politicians however, need to follow certain transparency in relation to their socio-political life and social entrepreneurial life. They should be open for public scrutiny not only of their own business and socio-political life but also the business life of their kith and clans or all relations. The government agencies should be made responsible for scrutinizing politician's business relations and their social entrepreneurship & they should invariably certify the same periodically with provisions of punishments for wrong certificates. □□

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Save the groundwater



Rapid depletion of ground water is taking place across the country. There is need to implement creative policies to prevent this, pleads **Dr Bharat Jhunjhunwala**



A mad rush to overexploit the natural resources of the country is unfolding before our eyes. Forests are being cut to extract coal and minerals. The barren lands are not being rehabilitated. Chemical fertilizers are being used profusely such that the bacteria in the topsoil are dying and the long term productivity of land is declining. Excessive and indiscriminate use of antibiotic drugs is creating resistance in TB and other diseases. These are becoming untreatable except by expensive hospitalization. Hydro-power projects are killing the fishes which help maintain quality of river water. There is an effort in all spheres to increase consumption at present irrespective of whether it kills the resources permanently. We

are cutting the mango tree for fuel wood instead of eating its fruit. One glaring example of such overexploitation is that of ground water. Rapid depletion of ground water is taking place across the country. There is need to implement creative policies to prevent this.

Main problem is that price of water is treated as nil. The user only has to pay for the expenses incurred in extracting it from the ground or the river. No charge is to be paid for the water itself. This leads to excess use of water especially by the farmers who consume most of the water available in the country. In the year 2000, 89 percent of water was being used by farmers, 6 percent by industries and 5 percent by domestic users. Any effort

to reduce the use of water would therefore have to necessarily focus on reducing water use in agriculture.

Farmers grow water-intensive crops like chilies and grapes because water is cheap. Higher price of water will make cultivation of these crops difficult and encourage farmers to grow other crops that require less water like mustard, groundnuts and bajra. This will strengthen our food security as well. After all, no country starved because fewer grapes were cultivated!

The correct solution is to increase the price of water so industrialists and farmers use less of the same. Some years ago I was running a strawboard factory. The raw material—bagasse and straw—were cooked in digesters filled with water. Then the cooked material was mixed with more water and made into pulp in beaters. Lastly, the pulp was mixed with yet more water and spread over wire netting to make the board. We used fresh water at all the three points. The waste water could be recycled at some cost but that was not done because fresh water was cheap.

One proposed solution is to introduce licensing for digging of new tube wells. This will not solve the problem, though. Competitive deepening of tube wells will continue. Say there are two farmers,

Ram and Shyam, who both have tube wells that are 300 feet deep. Now, Ram wants to increase irrigation and deepens his tube well to 400 feet. He draws more groundwater and Shyam's tube well runs dry. Then Shyam deepens his tube well to 500 feet. Now Ram's tube well runs dry. Both compete with each other to mutual harm. The total water available remains almost the same. But both spend more money is extracting the same water from greater depths.

The objective of licensing is laudable. We indeed have to put to end the unrestricted extraction of groundwater. However, if the authority to grant licenses is given to the collector it will become yet another route to corruption. The collector himself will rarely have the time to go into the merits of each case. The patwari and kanungo will then start selling the licenses for a premium. They can also start extorting money from hapless farmers by merely threatening to close down their wells.

Such licensing will also not prevent a further fall in the water table because the existing borewells can be deepened. There is no provision of restriction on continued over-extraction by existing borewells. The basic objective of conserving water resources would thus be defeated.

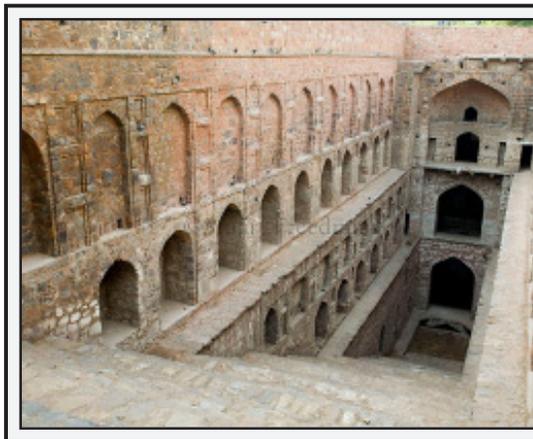
A further problem is that of equity. The borewells that have already been sunk may often belong to the larger landlords. In the past they alone had the money to do so. The poorer people have lately begun to raise their heads. These poorer latecomers will be denied the opportunity to put up new borewells under the licensing arrangement. The richer early birds

will continue to merrily extract groundwater while the poor will be deprived of their share in the earth's resources in the name of scarcity of ground water. Those who created the scarcity by over-exploitation would continue to over-exploit and those who have been deprived of their share in the past will continue to be deprived. The Bill will ensure that the poor will remain poor forever.

My suggestion is that instead of taking the licensing route, let the government fix a maximum depth of a borewell that can be sunk in an area. It should be mandatory for the government to announce this

poor latecomers are also saved. Let us say a rich farmer has been extracting water 16 hours a day upto the depth of 100 metres for the last 50 years. His poor neighbour can now claim his share in that water by digging a well of the same depth in his adjacent field. The wells of both will now do dry after 8 hours. The ground water will get equitably shared automatically.

Farmers can be given incentives to establish water recharging structures. The Tennessee Valley Authority faced a problem of too much silt flowing into the reservoir. The Government made it compulsory for the farmers to



There is no provision of restriction on continued over-extraction by existing borewells.

permissible depth for each district, block or cluster as the case may be. All borewells deeper than this permissible depth should be required to fill up their wells to the permissible depth within a specified time. This will stop the extraction of groundwater below the permissible depth. Only the water that is freshly recharged within this layer of the earth can be extracted.

Once the government has specified the maximum permissible depth, then everyone is free to sink a new borewell upto that depth. No license be required. The patwari can thereafter not extort money from the farmers. The

make bunds of a particular height along their fields. As a result most silt got trapped in the fields and silt flowing into the reservoir was reduced. We can similarly require all farmers to make bunds along the borders of their fields and ensure that rain water does not flow out. This will lead to more water percolating into the ground and the groundwater table will rise. Similar creative policies must be applied in all spheres of economic activity.

Nature allows us to use its resources as long as we do not extinguish them totally. We must harness resources in a way that our future generations can also live. □□

India Growth: The Untold Story – Caste as Social Capital



Caste has played an important role in the consolidation of business and entrepreneurship in India particularly in the last fifty or so years. It has been a major social capital in our growth process and has not been adequately recognized, believes Prof. R. Vaidyanathan



important role in this growth in terms of capital formation, market access; risk mitigation and diversification etc.

2. The Share and Growth of Service Sector

We have given in Table-1 the share of different sectors in the Economy and finds that the Services sector constitutes about 65% of the economy in the period 2009-10. It has grown from a figure of 60% to 63% while as agriculture has declined from 19% to 18%. The share of manufacturing and electricity has also shown a decline.

The role of Non-corporate sector is very significant in the seven service activities, namely (1) construction, (2) trade, (3) hotels and restaurant, (4) non-railway transport, (5) Storage, (6) real estate ownership of dwellings and business services and (7) other services. We have provided in Table-2 the share of Non-corporate sector in these sev-

1. Introduction

Indian economy has been growing at a compounded average growth rate [CAGR] of more than 8.5 percent in the last five years. The largest segment of the economy namely the service sector accounting for nearly 65 percent is also the fastest growing sector. We find that the share of non-corporate sector namely partnership/ proprietorship firms in the service sector are significant. It is more than 70 % in activities like trade, hotels and restaurants, transport and other areas like plumber/carpenter/painter/mason/priest etc. Domestic savings have been the primary source of funding of this growth. They constitute nearly 90 percent and the role of Foreign Institutional Investments [FII] and Foreign Di-

rect investments [FDI] has never been more than 10 percent. Of this domestic savings; the role of House hold savings is phenomenal and it constitutes nearly 75% of the domestic savings. Hence the growth is due to households in service sector facilitated by self-financing or financing by extended families/communities. Different castes/communities have played

Share of Gross Domestic Product [%]		
Category	2004-05	2009-2010
Agriculture and forestry, fishing	19.0	17.8
Mining, Manufacturing, Electricity	20.3	18.8
Services	60.7	63.4
Total	100	100
Note:	1. at constant 2004-05 prices 2. We have included construction as part of services.	
Source:	Statement 11.1, pp16, National Accounts Statistics [NAS]—2011, Central Statistical Organization [CSO], G.O.I New Delhi.	

Share of Non-Corporate Sector in NDP of Service Activities [%]		
Category	1993-94	2008-09
Construction	51.1	55.9
Trade, Hotels and Restaurant	88.8	74.1
Non-Railway Transport	68.9	82.4
Real estate, Business Services	94.2	69.0
Other Services	34.3	41.1
Source: Statement 76.1, pp184, National Accounts Statistics [NAS]—2010, Central Statistical Organization [CSO], GOI, New Delhi		

en activities. We find that the share of Non-corporate sector, consisting mainly Proprietorship and Partnership firms, is more than 80% in trade [wholesale and retail] hotels and restaurant, and business services. It is around 80% in non-Railway transport and around 60% percent in construction.

Unlike the developed countries, the likes of Wal-Mart, Sears, or Marks and Spencer in retail trade, or Greyhound or Federal Express in transportation, or McDonalds or Burger Kings and Pizza Huts in restaurants are not as yet the order of the day in India. The size of non-corporate sector in service activities and the phenomenal growth rates achieved in the nineties and in this decade needs recognition. In a sense Indian Economy can be called Partnership and Proprietorship economy.

We have provided in Table-3 the real growth rate of service sector activities between 2004-05 and 2009-10 and we find that all of them have grown above the national income growth rate of 8.44% during the period. Hotels and restaurant has grown by 8.1 % and trade has grown at 9.0% and non-railway transport around 7.6%. We find that the non-corporate sector has a large share and also substantial growth rate in the last decade.

We find that nearly 60 percent of our economy is non-corporate

sector consisting of partnership and proprietorship firms. Contrast this with US economy which has corporate sector having more than 75 percent share in their GDP in 2010.

The non-corporate sector consists of tiny, small and medium enterprises and characterized by partnership and proprietorship –self employed organizations. They are primarily held by families/extended families and the role of caste/community in promoting, organizing, financing, market-

ing is very important. We first find out community –wise ownership of Indian Economy.

3. Savings Rate and Households in the Economy

The substantial growth in the national income achieved in the eighties and nineties is due to the increased savings rate in our economy particularly the savings rate of the household sector.

We have provided in Table 4 and Table 5 the share of household sector in savings in our economy. Observe that our savings rate has gone up phenomenally from around 15% to 35% between seventies and 2009-10.

Around 70% of savings in the country are due to the household sector that consists of pure consuming (wage earning) households as well as *non-corporate* (mixed income households). A portion of

NDP and Growth Rate in different Activities 2004-05 to 2009-10 [Rs. Crore and %]			
Category	2004-05	2009-10	Growth Rate
Agriculture and Allied activities	527289	602340	2.70
Manufacturing	346495	537156	9.16
Of which			
Organized	205844	332746	10.08
Unorganized [Non-Corporate]	140651	204410	7.76
Construction	218511	333804	8.84
Trade Hotels and Restaurant	464750	712649	8.93
Of which			
Trade	424594	653383	9.00
Hotels and Restaurant	40156	59266	8.10
Non-Railway Transport	154791	223658	7.64
Real Estate, Ownership of dwellings & Business Services	229767	360319	9.42
Other Services	223791	312544	6.91
Total NDP [including other Activities]	26 51573	3975429	8.44
Note:	The NDP figures are at 2004-05 prices and the growth rate is the geometric average growth rate at constant 2004-05 prices during the period. It is computed from the NAS 2011		
Source:	Stt 12, pp 21, National Accounts Statistics [NAS] 2011, Central statistical Organization [CSO], GOI, New Delhi.		

Savings Rate and Contributions by Different Sectors. [%]						
Items/Year	1970	1980	1990	2000	2004	2009
	-71	-81	-91	-01	-05	-10
GDS [as of % GDP]	14.6	18.9	23.1	23.7	32.4	33.7
Govt.	2.9	3.4	1.1	(2.0)	2.3	2.1
Pvt. Corporate	1.5	1.6	2.7	3.4	6.5	8.1
Household	10.1	13.8	19.3	22.1	23.6	23.5
Note: GDS: Gross Domestic Savings, GDP: Gross Domestic Product, GDP is at current Market prices.						
Source: Various issues of NAS; CSO New Delhi.						

the savings is due to farm households, details of which are not separately available.

Not only that the household savings constitute large portion of our domestic savings but also to note that the role of foreign financing is relatively small. We have provided in table-6 the relative shares of domestic savings & foreign flows.

The Indian growth story is by now well known wherein the economy is growing at a CAGR of more than 8 percent in the last decade. Substantial portion of the economy [more than 60 %] is service activities and these are growing at more than 9 %. Service sector consists of construction, trade, Hotels and Restaurant, Transport and other type of business and professional services. More than 80 percent of the service activities are carried on by non-corporate forms

of organizations namely partnership and proprietorship forms of organizations. Most of these are run by families and pertaining to self employed categories.

We find that Indian growth is propelled by domestic savings of

Savings and Household Sector					
	1994-95	1998-99	2000-01	2004-05	2009-10
Gross domestic savings (% of GDP)	251463 (24.8)	374659 (21.5)	499033 (23.7)	1050703 (32.4)	2207423 (33.7)
Of which					
Household sector	199358 (79%)	326802 (87%)	454853 (91%)	763685 (73.0%)	1536071 (70%)
Source: Table 10; pp xxxix, National Accounts Statistics 2008; CSO					

which more than 70 % comes from household savings. The role of households both in value addition and also in savings is significant. We will further explore the nature of the growth of these self employed partnership and proprietorships to find that the growth

has come about due to caste/community relationships in capital formation, risk sharing and market information etc.

4. The Role of OBC's/ SC/ST in Enterprises

We have the exhaustive Economic Census 1998 and 2005, conducted by the Central statistical Organization [CSO] which covers 30.35 million and 41.83 enterprises engaged in different economic activities other than crop production and plantation. It deals with own account enterprises as well as establishments, an enterprise run by employing at least one hired worker. It covers private profit and non-

profit institutions, cooperatives, and all economic activities including Dharamshalas /temples. We have given in table -7and Table-8 the salient findings pertaining to ownership of the enterprises. We find that in 1998 more than 50% of all enterprises are owned by SC/ST/OBC's in the rural areas and the same is around 45% in the total. In 2005 the percentages are 55 for rural and 50 for total. This encompasses manufacturing/ construction / trade / hotel/ restaurant/transport/finance and business and other services.

The Enterprise survey also reveals that 90 % were found to be self-financing. Much of it has have come from informal caste networks [3].The number of establishments financed by financial

Savings and foreign Flows [Rs Crore]				
Years	1994	2000	2008	2009
	-95	-01	-09	-10
Gross Domestic savings[GDS]	251463	496272	1798347	2207423
Household Sector [% of GDS]	199358 [79%]	446217 [89%]	1331033 [74%]	1536071 [70%]
Foreign Investment Flows [% of GDS]	16133 [6.4]	31015 [6.2]	97918* [5.4]	329815* [15]
1 Direct Investment	412612007	1840612609	161536-63618	176304153511
2. Portfolio Investment				
Note: Data for 08-09 and 09-10 are provisional.				
Source: Statement 18, pp31; NAS 2011and Table 155 Handbook of statistics of Indian Economy Sep 2010 RBI				

and non-financial institutions were only 4 %. The remaining was financed by voluntary organizations /Government etc. What is required to be debated is the enhancement of credit systems for the enterprises and more so to those owned by SC/ST and other backward communities. In other words the focus should be on “Vaishya–vai-sation” of the large segments of our civil society.

Social Group of Owners of the Enterprises [%]–2005			
Item	Rural	Urban	Combined
SC	10.00	6.97	8.82
ST	4.60	2.13	3.64
OBC	40.57	34.19	38.08
Total of the above	55.17	43.29	50.54

Source: Economic Census 2005. Table 2.5; All India Report- Central statistical Organisation—New Delhi

5. Was there discrimination in Education?

The renowned Gandhian, Dharampal visited British and Indian archives and reproduced reports which were undertaken by the British in Madras, Punjab and Bengal Presidency for 1800 to 1830. According to a detailed survey done during 1822-25 in the Madras Presidency [that is, the present Tamil Nadu, the major part of the present Andhra Pradesh, and some districts of the Present Karnataka, Kerala and Orissa] that 11,575 schools and 1094 colleges were still in existence in the Presidency and that the number of students in them were 1, 57,195 and 5431 respectively. Much more important in view of our current debates and assumption – is the unexpected and important information provided with regard to broad caste composition of the students in these institutions. We have provided the data in Table-6. We find that the position as early as the first part of nineteenth cen-

Social Group of Owners of the Enterprises [%]–1998			
Item	Rural	Urban	Combined
SC	9.0	5.8	7.7
ST	5.2	2.3	4.0
OBC	36.0	29.1	33.1
Total of above	50.2	37.2	44.8

Source: Economic Census, Table 2.6, and Central statistical Organisation, 1998

tury was significantly in favor of the backward castes as far as secular education was concerned.

Hence the British inspired

propaganda that education was not available to the so called backward castes prior to their efforts is not valid. The “secular” education always played a major tool in social transformation prior to British rule.

Hence the foundations of modern education were very much present even in the beginning of 19th century and this has facilitated growth of entrepreneurship in the later period.

6. Social Capital

Sociologists underline that a nation could be maintained suc-

cessfully only when people are able to live with each other as groups. The French sociologists Durkheim had earlier noted “A nation can be maintained only if between the state and the individual there is interposed a whole series of secondary groups near enough to the individuals to attract them strongly in their sphere of action and drag them, in this way, into the general torrent of social life... Occupational groups are suited to fill this role, and that is their identity... community orientation creates trust among the members of the society.

Fukuyama notes that trust has an economic value. He says “the ability to associate depends, in turn on the degree to which communities share norms and values and are able to subordinate individual interests to those of larger groups. Out of such shared values comes trust and trust as we will see has a large and measurable economic Value and trust results in social cap-

Survey of Madras Presidency on Education during 1822-1825	
Share of Sudras in schools	Percentage
Tamil speaking areas	70-80 %
Oriya Areas	62%
Malayalam Areas	54%
Telugu Areas	35-50%
Share of Brahmins in Tamil Speaking areas	
South Arcot	13%
Madras	23%

Source: Dharampal; Beautiful Tree—Indigenous Indian education in the Eighteenth Century; Vol-3 of Collected writings; Published by Other India Press Goa 2000

ital. Aiyar defines Social capital in the following way. "From time immemorial groups of people have created strong communities based on commonly observed rules and mutual self-help. These social links discourage deviant behavior through ostracism and other social penalties, create a climate of trust in which agreements are honored and grievances redressed and facilitates collective action against threats from outsiders and risks from natural disasters. This is social capital. Unlike financial or human capital it cannot be owned by individuals only by social groups. Being less tangible than financial or human capital it is difficult to measure and so has been ignored in the past. Yet it is an invaluable asset."

He also stresses the significance of social capital for the economic development of nations. He says "But neither human nor finan-

cial capital can adequately explain why some nations succeed and others fail. A third element called social capital has long been emphasized by sociologists and is now increasingly recognized by economists. Sociologists like Robert Putnam have demonstrated that enormous economic benefits flow from social capital. Contrasting the huge economic success of northern Italy with the relative failure of the southern part, he finds that the mafias have eroded social capital and hence stalled economic development in the south. High levels of trust greatly reduce risks and costs and so encourage enterprises and innovation while reducing the costs of redress. So social capital ultimately translates into financial capital.

Mr. Gurucharan Das the corporate chief turned author and analyst say "In the nineteenth century, British colonialists used to blame

our caste system for everything wrong in India. Now I have a different perspective. Instead of morally judging caste, I seek to understand its impact on competitiveness. I have come to believe that being endowed with commercial castes is a source of advantage in the global economy. Bania traders know how to accumulate and manage capital. They have financial resources and more important, financial acumen. They have an austere lifestyle and the propensity to take calculated risks. They have proven their flexibility of mind as they graduated from trading to industry. These constitute significant strengths. Joel Kotkin demonstrates these strengths in the case of Palanpur Jains, who have used their castes and family networks in wresting half the global markets for uncut diamonds from the Jews'. □□

[to be continued]

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Babu Genu: A Tribute to a Martyr

12th of December is being observed as “Swadeshi Divas” every year by the believers of Swadeshi. It was on this day one Mill Mazdoor called Babu Genu Saeed sacrificed his life while resisting transportation of foreign cloth to markets in Bombay in 1930.

Very few people from within the party to which he belonged (or for that matter in any other political party in India) today may realise the profound significance of the message contained in his life. He was a congress party worker in the pre-independence era. His registration number being 81941. None from his family benefited by his “joining” politics or the congress party.

He was killed in the most gruesome manner while attempting to stop a speeding truck in Mumbai from carrying imported materials from Britain. Babu Genu lay on the ground before the speeding truck in the New Hanuman Road at Kalba Devi .

Even as the police were physically preventing him and his colleagues from participating in this non-violent protest, Babu Genu never gave up his resolve to stop the trucks. The truck driver - Balbir Singh – an Indian would come close to the protestors and stop for he would not and could not drive over fellow Indians. Seeing the procrastination of the Indian driver the British sergeant lost his temper and took on himself to drive the truck at full speed over Banu Genu crushing his head and leaving behind a pool of blood and mass of flesh. Babu Genu was seriously injured and within hours passed away. He was in his early



twenties when he died. Yet his life is a message to every Indian.

This is the single great incident of sacrifice by an ordinary Mill worker who laid down his life for the cause of Swadeshi, Though boycott of foreign goods particularly of cloth manufactured at Manchester, England Started as early as 1905.

Born in 1908 in a village named Mahaluge Parbal under Pune district in a family suffering from abject poverty Babu Genu could only obtain primary education. Poverty forced his mother to leave village and work in a Mill in Bombay where Later on Babu Genu too joined as a worker. Here in Bombay Babu Genu came in contact with freedom fighters and was deeply influenced by call given by Mahatma Gandhi. Babu Genu along with his friend Pralhad who was an office bearer of local congress committee formed an organization of youths named, Tnaji Pathak. In 1928 Babu Genu marched in procession with Tanaji Pathat in Bombay demonstrating against Simon Commission. Babu

Genu courted arrest demanding complete independence or Sampurn Swaraj on 26th January in 1930.

Babu Genu's death caused massive unrest within the city. On the next day, thousands participated in his funeral. The funeral procession was taken through the heart of the city and the crowd wanted to take his body to the Girgaum Chowpatty beach and cremate it on the sands there. The legendary Freedom Movement leader Bal Gangadhar Tilak was the only person to have been cremated there. The angry mourners wanted Genu to receive the same respect. The British administration disallowed it following which a pitched battle was fought between the demonstrators and the British police. Some were even injured as bayonets were used. Later, senior Indian leaders pacified the crowd and Genu was finally cremated at the crematorium assigned by the British. All leaders of repute paid homage to Babu Genu whose body was cremated at Ssonapur next day.

His body was claimed by the Congress party and taken to its office. The next day, stalwarts such as Jamnadas Dwarkadas, Lilawati Munshi, Perin Captain and Jamnadas Mehta carried the pall to the crematorium on Queen's road. Addressing the crowd Mrs Lilawati Munshi and Jamnadas Dwarkadas said that the best tribute to Babu Genu would be an absolute boycott of foreign goods that was an economic strategy to remove the British Empire from power and improve economic conditions in India by following principles of Swadeshi. □□

R P Singh as Sonia Gandhi's new gospel



Sonia Gandhi never opened her mouth on the 2G scam. She has opened it now when R P Singh, former Director General of Audit [CAG], obviously lied to the nation that he was made to sign the CAG report, recalls S Gurumurthy

Sonia Gandhi never opened her mouth on the 2G scam when the 2G scam broke out in 2009; or, when the CBI raided the DoT in October 2009; or, when the CAG report indicted the government in November 2010 for causing loss as between Rs 58,000cr and 1.76 lakh cr; or, when A Raja, the Telecom Minister resigned a couple of days later; or, when the UPA Government's one man inquiry by Justice Shivraj Patil indicted him in January 2011; or, when Raja was raided by the CBI in January/February 2011; or, when he was arrested in February 2011; or, when the Supreme Court began chasing the government to act

against the looters in 2G scam; or, when the CBI said in its chargesheet in April 2011 that the loss was Rs 31,000 crore; or, when the Supreme Court cancelled the 2G licenses in February 2012; or, when the former Cabinet Secretary K M Chandrasekhar told the JPC in October 2012 that he had recommended to the PM to charge Rs 35,000cr instead of Rs 1,658cr charged.

She has opened her mouth only now when R P Singh, former Director General of Audit [CAG], obviously lied to the nation that he was made to sign the CAG report. R P Singh is now Sonia's new Gospel.

R P Singh, who had signed the

CAG report on 2G scam on 8.11.2011, began prevaricating that he did not want the loss figures included in the report.

He shamelessly says that he was made to sign the report. Most media reports have ripped apart his lies. He has not only signed the audit report, he had also sent a forwarding letter to the report saying "If 2G rates are to be pegged to the rates discovered through auction for 3G spectrum, the impact would be Rs 1.02 lakh crore. " Does it not mean that he fixes the loss as Rs 1.02 lakh cr. The difference between the high-end figure of Rs 1.76 lakh cr and Rs 1.02 lakh cr is because he did not account for dual technology and extra spectrum that was included in the total loss of Rs 1.76 lakh cr. Now, the man says that the loss is only Rs 2,645 cr. Why did he not mention it in the covering letter in 2011? The man is lying is self-evident. The proof will come when he gets the reward for his lie. R P Singh's success is in making Sonia talk on 2G.

Sonia Gandhi had long back declared zero tolerance to corruption. Obviously she does not seem to tolerate the zeros in the figure of 1,76,000 and would like them knocked out. She hints at the zeroes being added by the CAG at the instance of Public Accounts



Committee headed by M M Joshi.

Kapil Sibal claimed once that there was zero loss in 2G licences. But, he did not dare repeat it a second time. Even P Chidambaram, who almost did a Sibal on Coalgate, didn't support Sibal in 2G. No one questions the fact of the loss, even though the extent of loss is debatable. Even the CAG report, bearing R P Singh's signature says: "The fact that there has been loss to the national exchequer in the allocation of 2G spectrum cannot be denied. However, the amount of loss could be debated." On the extent of the loss arising by selling the spectrum at 2001 rates, the CAG report had put the loss at between a low of Rs 57,566cr and a high of Rs 1,76,645cr.

The CAG's range consists of the following four indicators: One, Rs 57,566cr on the basis of the offer made by S Tel for open bid for the spectrum; two, Rs 1,76,645cr on the basis of open bids for 3G licenses; three, on the basis of the sale of shares by two of the licensees, Unitech [Rs 69,626cr] and Swan [Rs 57,566cr]. The Swan-sale based loss figure is the lowest and the 3G auction based figure is the highest. Even Sonia's fans cannot argue that the loss to government could be less than the profit accrued to Swan and Unitech which just resold the 2G licenses allotted by the UPA Government. The media and the Opposition picked up and highlighted the upper end of Rs 1.76 lakh cr. If the yardstick of former Cabinet Secretary K M Chandrasekhar is accepted, the loss figure would be as high as Rs 4lakh crore, as the draft report of CAG had mentioned. So even the original figure of CAG in the draft report was

not without basis. It was founded on the Cabinet Secretary's view.

The debate on the amount of loss has restarted because, in the auction of 2G spectrum in November 2012, most telecom companies which bought spectrum at throw away prices in 2008 refrained from bidding. There was virtual stampede for spectrum with 575 applicants for 122 licenses in 2008. But only five players have bid in 2012. Reason? Against the throw away price of '1,658cr charged for 22 circles in 2008, the government demanded a high minimum base price of '14,000. The telcos could have paid this price in 2008 but not in 2012. Because the market conditions have changed. See what a global telecom player says on why there is not so much demand for spectrum now as compared to 2008. Marten Pieters, Managing Director and CEO, Vodafone, who has welcomed and participated in the auction of 2G spectrum now, says, "The value of spectrum depends on a lot of factors. Three years ago, when 3G spectrum was auctioned, the Indian economy was booming. But now the economy is not performing so well. And in the last few months, the number of our customers has reduced to just over 900 million from around 930 million." This answers those who question the CAG's numbers.

Spectrum commanded much higher value in 2008 than now. So what the government should have done in 2008, namely fix a high minimum price, it has done now. The debate is about what was the spectrum value then, not what is its value today. That the value of spectrum then and now is manifest in the share prices of telecom

companies. Bharti Airtel share price in January 2008 was Rs 482. Before the 2G bid now, it was Rs 264, at almost half.

Take a comparison. If the land prices were low in 2001 and high in 2008, could the government have sold land in 2008 at 2001 rates to the first applicants without bid? Obviously not.

Assume the CBI had prosecuted those who undersold the land in 2008 and the land prices fall in 2012. Can they turn around and say that the land prices in 2012 should be substituted for its 2008 prices and they should be acquitted? What applies to land applies to spectrum as well. The loss to the government on sale of spectrum has to be computed under the market conditions that obtained in 2008 when the telecom industry was booming, not under the current market conditions when the telecom industry is doing only half as well as in 2008, though still several times better than in 2001.

Even now, Vodafone has bid for 14 out of the 22 circles; and Telenor for 5 circles at base prices. The bid amount of Vodafone is not known. But the Telenor bid [for 5 circles] is Rs 4,048, while, in 2008, pan-India spectrum [22 circles] was sold to Telenor for Rs 1,658 cr. For these five circles alone, the government had lost Rs 2,598cr in 2008. The number of circles in issue is 122. This is not to say that the loss would be proportionately high. But that it would be a staggering sum, not Rs 2,645cr as R P Singh falsely says, is established by bids for spectrum now. □□

QED: Zero tolerance to corruption does not mean knocking out the zeros in the amount of loss—or what it yields namely, BRIBE.
e-mail: comment@gurumurthy.net

India faces grave challenges as US logs for “swadeshi”, EU for duty cut



Tactics of the US and EU are not different. They no more want to give any benefit to Indian industry. Rather they are seeking access to Indian market and bleed it to their benefit, explains **Shiva Ji Sarkar**

The issue of foreign direct investment is rocking the political scenario. The opposition -Left to right - BJP to CPM - have started singing similar tunes, if not the same.

Coupled with this are some of the global changes - reelection of Barack Obama as US president and EU pressure to cut import duties on automobiles and many other items from 60 per cent to 10 per cent - could make dent in the Indian economy. India and the Pacific may have to deal with the resurgence of “swadeshi” in the US as Obama has to create new opportunities. It is keen on strengthening its manufacturing even in consumer goods and reducing “un-

necessary” imports.

The FDI is needed or not is an ongoing debate. A country flush with almost Rs 9 lakh crore of reserves - Rs 7 lakh crore in the private corporate and Rs 2 lakh crore in public sector - may have to think twice before seeking expensive FDI that comes with many tags and certainly high repatriation costs. Another coincidence is seen in the large NPA - bad debt - of banks. According to the latest study of RBI it has increased to Rs 1,11,604 crore from Rs 52,807 crore in 2008. The fall in asset quality is stated to be significant in public sector banks. Bad loans are rising as growth falls and industrial activity plummets.

Can FDI take the country out of this difficult situation? Growth projections are being lowered every day. Euro crisis, US slowdown, rising oil prices, energy costs and lack of prescription to turn the domestic economy are affecting GDP.

The contraction of wages, particularly in the private sector, is affecting the purchasing power capacity of the average worker. It is a difficult situation. The FDI is not generating jobs despite the fact that US FDI during the last four years has increased by 30 per cent. Conversely Indian investment in the US increased to 40 per cent. About 35 India-based companies created over 60,000 jobs in the US, according to Confederation of Indian Industry. It is the other way round than the Americans believe. The CCI study shows that more than 80 per cent workers at India-based companies in the US are Americans particularly in telecommunication, health care and iron and steel.

India’s recent decision to open insurance, retail and aviation sector may bring in US investment but it is doubtful it would create enough jobs. The past experience in some sectors like soft drinks, credit cards and similar activities resulted in creation of low-paid risky jobs. Retail companies are supposed to be poor employers even in the US. It is un-



likely that they would create quality jobs in India.

Response to aviation sector has been less than lukewarm. Even if some companies come in this area it would not create many jobs. The foreign airlines know how to operate with the least hiring.

Nor does the insurance create viable jobs. They hire only part-time workers. Reelection of Obama may not help Indian economy the way India perceives. It is possible that with the kind political pressure the US has created on India more jobs from Bangalore IT hub may shift to the US and Europe. The IT companies are ordained to follow the diktat of the US president if they want to survive in their global business.

The US despite slowdown may create jobs at the cost of India. But India despite performing better is destined many benefits to the West. The latest move of the EU to lower custom duty in India for goods being supplied from Europe may create problems for many Indian companies.

Slashing customs duty on "high-end" wine and spirits is part of the Broad-based Trade and Investment Agreement (BTIA) with the European Union will make life difficult for many local players particularly at a time when barons such as Vijay Mallya have been forced to sell stakes to global giants.

Mallya sold 53.4 per cent stakes of United Spirits to Diageo. He is also exiting Aventis Pharma, the Rs 1,085-crore company whose major shareholders include Sanofi-Aventis and Hoechst GmbH. Aventis Pharma today said its pro-



The latest move of the EU to lower custom duty in India for goods being supplied from Europe may create problems for many Indian companies.

motor Hoechst would raise its stake in the company to 60.37 per cent in the firm by acquiring Mallya's holding. Hoechst plans to acquire shares from Kingfisher Finvest, United Breweries (Holdings), McDowell Holdings and Mallya Private Ltd at Rs 1,750 per share.

On the automobile front it is feared that if the import duty on cars is lowered to 10 per cent, several European carmakers would export their cars to Indian market rather than setting up units in India. It would increase European business. They could operate without creating many jobs or some low-paid jobs.

On the other hand it might create problems for the units set up in India be it Maruti or others. The tariff protection that the domestic industry has been enjoying will go soon after a deal is signed with EU. It is a critical element of the trade pact that is being negotiated.

Initially the government had offered to lower import duty on a specified number of vehicles. Now it seems to have agreed to an across the board reduction along with a cut in customs duty on around 65 auto parts and machinery.

In return it has got EU to agree to phase out import duty on cars by

2020 and allow Indian textiles to enter the member countries on payment of concessional duty. A deal to export banana, rice and sugar has also been clinched. But EU has not allowed any concession in services, visas and labour movement. There are hitches on patent issues, social development and many other investment conditions that EU wants to put on India.

Tactics of the US and EU are not different. They no more want to give any benefit to Indian industry. Rather they are seeking access to Indian market and bleed it to their benefit.

The US may have Indo-Pacific orientation. The US may recognise that the prosperity of the world depends on ensuring that Indo-Pacific is a place where commerce and freedom of navigation are not hampered. The US believes that this would be the new way to America's recovery.

Strategically it is keen on reducing dependence on China. But having learnt from the Chinese experience it is not keen on depending on the Indo-Pacific the same way. It would plan to have the maximum benefits and throw crumbs to the economies in the region. India has to look for new strategy. □□

Sustainable and well distributed high National Wealth Generation

It is high time the myth and illusory belief of indiscriminate industrialization and soft stand for national wealth, employment, and prosperity should be set aside and mighty, prosperous, healthy and learned nation building is adopted, implores **Bhanwar Dan Bithu**



Approach

There are different ways of national wealth generation. Very often high wealth and employment generation through industrialization and trading followed by no control of environmental pollution, ethic deficit over advertised sale of industrialized and lobbyist traded goods and over pricing has been construed as only higher wealth and employment generation method than by environment friendly organic agricultural and livestock production and public welfare trading. It is now high time to rouse public awareness for higher, sustainable and fairly well distributed national wealth generation particularly in tropical democratic countries under organic agricultural production and righteous, public welfare oriented and ethical trading and business manage-

ment. The conflicts between indiscriminate industrialization and profit obsessive ethic deficit trading and lobbyist dominated business management and organic agricultural and livestock production and public welfare oriented grass root level ethical wholesale and retail trading and business are to be rationally analyzed and resolved.

Background

The existing situation is full of unsubstantiated myths and preconceived beliefs. A few of them are: industrialization is better way of wealth and employment generation, intensive mining in fertile rural areas and forest lands is high wealth and employment generating and mega mall trading and shopping are more wealth and employment generating than small grass root level retail trading and

business. The international experience in many developing and developed countries has shown that wealth and employment generation by industrialization are short lived and depend on finite capacity of consumer market and are followed by environmental pollution, public health deterioration, over consumption and social disintegration particularly in tropical developing countries. Likewise mega mall wholesale and retail trading and business by national as well as multinational companies are more profit obsessive and less public welfare oriented. Similarly intensive mining for coal, iron and other fossil fuel in forested areas, thermal and distant future catastrophic accident prone nuclear power generation in semi seismic and seismic zones are prone to environmental pollution, uprooting and social disintegration of rural and forest people, damage to wild life and precious biological assets and tragic damage to human life in case of nuclear reactor accident even if it occurs in a century because safe nuclear power reactor decommissioning, deactivation and disposal have not yet been invented. Instead of nuclear power generators small scale intensive solar power generation at grass root level, particularly in tropical countries is economical, pollution free and self reliant.

Besides these, industrialization and mega mall wholesale and retail trading and business generate wealth of which about 25 percent may go to skilled and unskilled workers, about 25 percent may be kept for company's hardware development and expansion, about 10 percent may go to elite managers and lobbyists and about 40 percent may go to owner or corporate house. In contrast about 70 percent wealth generated by organic agricultural and livestock production farm and small wholesale and retail trading may go directly to the farmer, cattle keeper, forest person and small retail trader and 30 percent may be used for farm infrastructure, cattle and retail shop maintenance, improvement and management.

Economic analysis

For economic analysis consider and industrial unit employing about 2500 persons and an annual turnover of about rupees 1200 million and a rain fed land farmer cum cattle keeper and forest person each having a twenty acre agricultural and livestock production farm under field micro catchment rain water harvesting system in arid and semi arid regions. The individual farmer cum cattle keeper with mixed shifting rain fed and dairy cattle farming in a farm of 20 acres may have an annual net income of rupees 119000. The industrial annual income of rupees 1200 million is likely to be distributed among factory worker, factory maintenance and expansion expenses, elite managerial staff and corporate house or factory owner in a ratio of 25:25:10:40. This way a factory worker gets rupees 120000 per year against annual income of rupees 119000.00 of a rain fed land farmer cum cattle

keeper. However, the farmer cum cattle keeper and forest person have good scope of increasing annual income through rain water irrigated arid land vegetables and fruits farming. Though the factory worker may get slightly higher annual income of rupees 120000.00 yet he has to bear the concomitant adverse effects of industrial environmental pollution, general public health deterioration and social uprooting and disintegration. The annual factory income may decrease much if the negative costs of environmental pollution, public health deterioration and social disintegration are internalized and considered in the economic analysis. However, major share of annually generated industrial wealth goes to corporate house or owner.

Sustainable and robust wealth generation

Sustainable and robust wealth generation which can stand a few decades down the road should be environment friendly, human health promoting and strong, prosperous and scientifically and technologically high nation building. These objectives are achieved by modern scientific organic Agriculture and livestock Farming which has ever increasing demand and market and which is environment friendly and human health promoting. Environment friendly controlled industrialization for processing agricultural and livestock production goods and national defense precise nuclear deterrent and ballistic missile research, invention and manufacture industries is also essential. In addition to his righteous and honest life style of the people and excellence and edge developing scientific and technological education development in indigenous world class

autonomous universities with full financial support and research facilities are also necessary. It may also be relevant to say that indigenous autonomous world class universities including environment friendly organic agricultural farming promoting universities with no cash and research facilities paucity (may be funded by corporate houses) turning out new generation of world class scientists and technologists are more superior nation building measures than industrialization for luxury good, vehicles and machines.

Indigenous renowned scientists and technologists from our own world class autonomous industrialized universities may more than compensate absence of luxury goods and vehicles and may fulfill the exigent need for achieving national food and nutrition self sufficiency and self reliance for national defense precise and unfailing fourth generation guided deterrents and missiles. It is high time the myth and illusory belief of indiscriminate industrialization and soft stand for national wealth, employment, and prosperity and strength generation should be set aside and mighty, prosperous, healthy and learned nation building is adopted. As said in true universal law that, "if you protect righteousness and honesty then righteousness will protect you," (Dharmo rakshati rakshate), organic healthy agricultural farming, control of environmental pollution, establishment of world class high generation autonomous scientific and technological universities and righteous and honest way of life of the people will lead to development of strong, prosperous and healthy nation which is also self sufficient in food and defense deterrents & missiles. □□

Perils of state-aided FDI



*Having decided to aid multinationals, the government has exaggerated and presented erroneous information to support its position on FDI in multi-brand retail trade. In making its case, the state has chosen to overlook all evidence available around the world about the continuing negative impact of Big Box retailers, explains **Shekar Swamy***

Make no mistake about it. Our country is about to be economically invaded in the name of foreign direct investment (FDI) in multi brand retail, and the consequences are going to be profound. Only this time the guardians of the gate are the ones throwing it open, much to the glee of the few who will benefit from it and to the dismay of the millions whose future is being taken away from them. All of this goes under the name of liberalisation and reform — the euphemism for giving away our markets, perhaps the nation’s most sustainable long term asset.

The state has made it clear that it will go to any length to extend support to the biggest multinationals and aid the entry of big capital into the country. It does not matter if this is detrimental to the indigenous mass of small capital entrepreneurs, farmers and producers of all hues. In making its case, the state has chosen to overlook all evidence available around the world about the continuing negative impact of Big Box retailers.

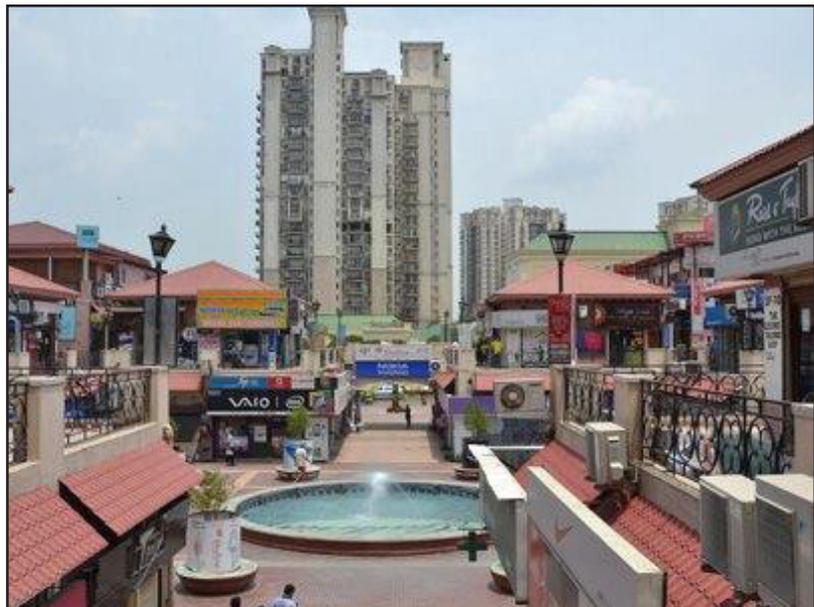
As this invasion unfolds, it will result in large scale displacement of the small people in favour of big foreign capital. As invaders are wont to do, they will divert the income flows from the local people to large foreign capital. It is deeply

regrettable that the state is aiding this through a stream of misleading information and arguments that don’t stand scrutiny.

There is a new master in the house and it’s called ‘foreign investors’. Whatever we do as a nation, the government’s first filter appears to be ‘How will it affect the sentiment of foreign investors? Will they be displeased? What can we do to keep the foreign investor smiling at us?’ The reality is that we should not be devising policies to please this mistress, but doing what is right by our people. By its very nature, foreign capital will frequently threaten to go elsewhere or not come in. It will

always demand that conditions should be perfectly suited for it to exploit the local market, never mind how it affects the people. The remarkable point is that even as we have opened the retail markets, the state has not even bargained for any beneficial reciprocal arrangements (like how about increasing the US H1B visas so that a major constraint is removed for our IT industry). This shows how much the state is willing to bend to please the mistress.

How much foreign direct investment has been coming in? It was only \$47 bn or 7.7 per cent of total investments in the country in 2011-’12 (refer graphic see the



graphic below). Compare this to non-resident Indian (NRI) remittance inflows of \$66 bn (Source: Reserve Bank of India) in the same period, which comes in on its own with no strings attached. If the government wants to, it can significantly boost the inflow of NRI funds, with a little bit of stimulus and a well thought-out programme. While there are good answers like this to get funds into the country, it is inexplicable why the government has chosen to follow anti-people measures, like FDI in the retail sector.

Having decided to aid multinationals, the government has exaggerated and presented erroneous information to support its position. Out of the many such examples, here are two important ones.

Take the figures of losses of agricultural produce. Government officials have repeatedly said that 40 per cent of fruits and vegetables are wasted post-harvest. Therefore FDI in retail is required to develop the back-end infrastructure. This is grossly incorrect. As per a detailed study commissioned by the government and conducted by the Central Institute of Post-Harvest Engineering and Technology (CIPHET), Punjab, the wastage of fruits is only between 6 to 18 per cent and vegetables is between 6 to 12.5 per cent. Completed in 2010, CIPHET's nationwide quantitative assessment of harvest and post-harvest losses covered 46 agricultural produce in 106 randomly selected districts. The summary of the study of post-harvest loss is available on the website of Ministry of Food Processing Industries (<http://www.mofpi.nic.in/Content>



The wastage of fruits is only between 6 to 18 per cent and vegetables is between 6 to 12.5 per cent.

Page.aspx?CategoryId=1314).

CIPHET's post-harvest loss estimates in India compare favourably with western countries. The Food and Agriculture Organisation has estimated 36 per cent loss of fruits and vegetables (refer graphic) in America, Canada, Australia and New Zealand, the countries where big retail is most developed. While the methodologies may differ, these figures are nevertheless indicative. If big retail cannot prevent such losses in these countries — or they are responsible for a chunk of it — surely they cannot address this issue in India.

The second example of misrepresentation is the alleged benefits to farmers. The argument goes that since middlemen will be eliminated from the supply chain, farmers will be paid more by the big retailers who will procure directly. While this is elegant in theory, the global experience is the opposite. Procurement of big retailers will hardly touch the small farmers, which is the largest constituent in our country. Big retailers will deal with large contract farms, which become their captive farms. Prices paid to farmers get hammered down consistently. As an example, look at the United Kingdom experience (re-

fer graphic). As the share of the top four retailers increased from 54 per cent in 1996 to 65 per cent in 2006, the farmers' share of consumer prices has gone down dramatically for milk, fruits and meat & pork.

People argue that this is the way 'progress' happens, defined as copying what has happened in the West. However, western retail is a deeply flawed structure. It holds farmers and suppliers captive through its monopsony (a market situation where there are only a few buyers for everything) bargaining power, and has systematically reduced the price paid to them. When compared to India, consumer prices are higher in the West, where big retail rules with its cosy oligopolies, for just about everything.

The global experience is clear. With big retail, farmers lose, traders and retailers lose, and consumers lose. Only the big multinational companies win. How does one explain the state aiding this invasion? The answer is simple. Big capital is the mistress, and mistresses have their ways of winning, and it is seldom the fair path. □□

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Khadi sees new fashion wave

It is chic, stylish and, importantly, eco-friendly. Using vegetable dyes further ensures that the fabric remains completely natural. Devi Annapoorni, a fashion designer, says, "Khadi has been stereotyped as belonging only to the older generation. However, youngsters nowadays like the desi look. Wearing a kurta over jeans, and accessorizing with wooden bangles or long earrings adds an extra zing to the whole look."

Khadi silk has made quite an impression on the runway. "We are working with designers, but maintain the standards of the fabric," says Lakshmi Narayanan, who works in one of the textile units. "Many

people who look for traditional designs prefer khadi silk when compared to the gold zari saris."

The Khadi and Village Industries Commission helps in promoting the fabrics to a large extent by enabling people from rural areas to set up their own businesses. "We design the material and each piece is either, embroidered, dyed or simply spun. We retain the tradition of spun khaddar and make sure that it does not lose its identity," says Raj Sharma, who runs a successful khadi business venture.

Nowadays, even corporate office goers opt for kurtas. And, youngsters have begun to embrace the fabric by giving it a western look. □

Experts doubt claim of safe Mumbai

Senior police officers and politicians declare that Mumbai is prepared to repel any attack of the magnitude of 26/11 but their words were met with disbelief and skepticism.

The contentions are, however, decried by former DGP who asserted that Mumbai police was still grossly unprepared. "A large number of the Pradhan committee recommendations, particularly on manpower deployment, weapons and coordination, have not been implemented," he told TOI on condition of anonymity. "Even today, police personnel do not have adequate ammunition for training and practice." The former DGP's declaration, other ex-policemen said, was borne out by evidence on the ground.

The state government's ambitious Rs 800-crore plan to install 6,000 CCTV cameras around Mumbai was still in tendering stage after a sputtering start. The city's coastal security was still wanting: patrol boats and amphibian vehicles were either out of order or without fuel; policemen required to protect the coastline did not even know how to swim.

Furthermore, the state's elite Force One, which was created along the lines of the National Security Guard, did not have a home of its own in the city for training. Still, Patil said the only matter of concern was the delay in the installation of the CCTV camera network.

PMO's clean chit to Robert Vadra

The Prime Minister's Office gave a clean chit to Congress president Sonia Gandhi's son-in-law Robert Vadra in an alleged land scam involving realty major DLF, telling the Allahabad high court that the allegation against him appear to be false, vexatious and based

on hearsay. The PMO was responding to the HC's directive to file an affidavit in response to a PIL demanding the Central government probe the allegations against Vadra made by activist-turned-politician Arvind Kejriwal.

The PIL was filed by activist Nutan Thakur and the court had asked the PMO to give its views on probing allegations against Robert Vadra.

In the affidavit, filed by Dheeraj Gupta, joint secretary in the PMO, it was stated that the case of Vadra and DLF was a matter between two individuals and a purely business transaction. It was also said that both parties have already explained their positions and hence the allegations made seem to be "false, vexatious and based on hearsay." Further, the affidavit accuses Nutan of filing the PIL based solely on newspaper reports.

MTNL to give up spectrum, sell land

Loss-making Mahanagar Telephone Nigam Ltd (MTNL) has asked the government not to withdraw its Navratna status as it is working on a plan to start making profits by March 2013 that will include giving up wireless broadband airwaves and selling surplus land.

MTNL Chairman and Managing Director A K Garg recently gave a presentation to the Department of Public Enterprises (DPE) stating that the company has been making efforts to improve its financial situation and would begin to make profits by March.

"The CMD informed DPE that the company has prepared a strategy to make profits by way of surrendering (BWA) spectrum and selling its surplus land," an official said.

MTNL confirmed that it has requested the gov-

SC issues notices to Centre, Delhi, Maharashtra on Cyber Law

The Supreme Court issued notices to the Centre, Delhi, Maharashtra and West Bengal governments on the Cyber Law 66 (A) while hearing a PIL on amending the Information Technology Act.

The Apex Court also sought explanation from Maharashtra government on the arrest of two girls for posting comments on Facebook.

Attorney General G Vahanvati told the Court that government is coming out with guidelines to ensure that section 66A of IT Act is not misused.

This follows the government amending the Act in the wake of the uproar over arrests of two girls in Maharashtra who questioned in social media the rationale for Bandh after Shiv Senna chief Bal Thakre's demise.

The government issued guidelines that state approval from an officer of DCP level at metro cities and IG level in other places will have to be sought before registering complaints under the controversial section. □

ernment that it should not be divested of Navratna status. The state-owned firm, which operates in Delhi and Mumbai, has been incurring losses since 2009-10 which disqualifies it from being a Navratna unit. The status allows PSUs certain operation freedom. MTNL had posted loss of Rs 2,610.97 crore in 2009-10, Rs 2,801.92 crore in 2010-11 and Rs 4,109 crore in 2011-12. To retain the coveted Navratna status, the PSU firm has to be a profit-making company. In case, it makes losses for two consecutive years, the company loses the Navratna tag.

PSU banks report 6,457 crore fraud

Fraud cases involving an amount of Rs 6,457 crore have been reported by public sector banks in 2012, Finance Minister P Chidambaram said in a written reply to the Rajya Sabha. This was much more than Rs 3,850 crore reported in 2011, he said.

Chidambaram was replying to a question about scams that took place in banks. Indian Overseas Bank reported fraud cases involving an amount Rs 758 crore so far in 2012, followed by Punjab National Bank which reported cases involving Rs 728 crore. On measures taken to prevent/frauds, he said, "RBI is sensitising banks from time to time about common fraud prone areas through issuance of modus operandi circulars on various types of frauds."

Rlys need 50 yrs to complete projects

In a virtual admission of the acute strain on Railways' finances, the Government said that it would take at least 50 years for the pending projects to see the light of the day if the country's largest transporter keeps improving its resources with the present speed.

Railway Minister Pawan Kumar Bansal told the Lok Sabha that the Ministry needs at least '4 lakh crore to complete the projects that have been announced in the past. "We have been spreading our resources very

thinly across the board and across the large number of projects," Bansal admitted.

The Railway Minister did not give a direct answer to the "political question" about hike in fare raised by Trinamool MP Saugata Roy, but left no one in doubt about his intentions in saying that he would "expect the House to be realistic".

CBI arrests retired wing commander

CBI has arrested a retired wing commander of Indian Air Force for his alleged involvement in leaking confidential documents, which were later provided by estranged associate of arms dealer Abhishek Verma to the agency. CBI sources said the retired official of IAF was taken into custody in connection with leaking the documents related to the force. The agency sources said the retired officer is being questioned with regards to his association with Verma and his partners.

They said his role had come to light during the call details analysis and statements of Verma. Meanwhile, the CBI will file its chargesheet in connection with alleged leak of confidential documents before the special CBI court here.

The sources said that agency might give details of his role in the chargesheet in the case. The probe agency decided to register a case against Verma and unknown officials of the Defence Ministry under Section three of OSA (passing on sensitive information) and 120-B (criminal conspiracy). Allen had purportedly provided documents which deal with acquisition and future plans of the defence forces to CBI and other investigating agencies. The sources claimed that Allen had alleged that these documents were provided by Verma to show his influence in defence circles. The documents include acquisition plans for next five years for the Indian Air Force and some of them relate to acquisition of unmanned aerial vehicles and related system besides infrastructure developed by the IAF. □□

Wal-Mart admits goods made at Bangladesh fire factory

Wal-Mart has admitted some of its products were made at the Bangladesh garment factory that burnt down killing 110 workers, as anger grows over lax safety standards. Bangladesh has become a global centre for clothes manufacturing due to cheap labour. But the blaze highlighted concerns about Western brands selling goods made in dangerous, overcrowded conditions.

“A supplier subcontracted work to this factory

without authorisation and in direct violation of our policies,” Wal-Mart said in a statement in a bid to wash its hands off the negative publicity. “Today, we have terminated the relationship with that supplier. Wal-Mart expressed its condolences to the victims’ families, as have European chain C&A and the Hong Kong-based Li & Fung, which also had orders at the nine-storey Tazreen factory outside the capital Dhaka. □

China’s new fighter jet has 3,000 km range

Chinese fighter jet J-15, which successfully landed on the country’s first aircraft carrier, has a range of about 3,000 km without refueling and strong sea-air combat capability, said an official. Zhang Junshe, deputy director of the country’s Naval Military Studies Research Institute, told the People’s Daily that the successful takeoff and landing of the J-15 is a clear sign of an increase in the fighting capacity of the aircraft carrier. Carrier-based aircraft is an important symbol of the fighting capacity of an aircraft carrier, he said.

Zhang said the J-15 is China’s first generation of independently developed carrier-based aircraft. It is a third-generation fighter with strong sea-air combat capability and supersonic speeds. It can carry multiple types of long-range anti-ship and air-to-air missiles. The J-15 has a range of about 3,000 km without refueling, and thus has strong long-range combat capability, said the media report. After the successful takeoff and landing of the carrier-based aircraft, the navy will now test other components of the carrier battle group.

Terror structure still intact

India has voiced its concern that the US-led drawdown of forces in Afghanistan is taking place at a time when the terror infrastructure is still intact in the region & the Afghan forces are “ill-equipped” to deal with the challenge.

“Afghanistan continues to face an existential threat from terrorism, drawing upon ideological, financial and logistical support from beyond its borders. The security situation remains fragile and there has been a sharp increase in the variety, spread and intensity of attacks by the Taliban and their backers,” India’s Deputy Permanent Representative Manjeev Singh Puri said during a UN General Assembly debate on Afghanistan. He drew attention to the UN Secretary-General’s latest report which notes that “little has changed in the underlying dynamics to mitigate a deep-seated cycle

of conflict”. It also points out that a “diminished international presence will have a large financial impact in many areas which, at least in the short term, may even exacerbate predatory behaviour”.

US lottery jackpot climbs to \$580 million

A lottery jackpot rose to nearly \$580 million, as Americans went on a ticket-buying spree and many people who rarely, if ever, play the lottery were enticed to purchase a shot at the second-largest payout in US history. Tickets for the Powerball lottery were selling at a rate of 130,000 a minute nationwide - about six times the volume from a week ago. The jackpot has already rolled over 16 consecutive times without a winner, but Powerball officials say they now believe there is a 75 percent chance the winning combination will be drawn this time. If one ticket hits the right numbers, chances are good that multiple ones will, according to some experts. That happened in the Mega Millions drawing in March, when three ticket buyers shared a \$656 million jackpot, which remains the largest lottery payout of all time.

Indian-origin Trinidad hunger striker

An increasingly frail Indian-origin activist who has been on hunger strike for nearly two weeks returned to the office of the prime minister of Trinidad & Tobago to protest a highway extension project in the Caribbean country. Activist Wayne Kublalsingh was joined by a small group of supporters as the protest returned to the public eye for the first time since he was briefly hospitalized and treated with intravenous fluids because of his hunger strike.

Police kept the protesters away from the sidewalk outside the office of Prime Minister Kamla Persad-Bissessar but the group spent much of the day in the street. Kublalsingh said he will continue his fast until Persad-Bissessar either halts the highway extension or agrees to a review of the project that includes

UN endorses India's Aakash outreach

India's push to digitally empower millions of its poor students with low cost, government-subsidized, internet-enabled tablets won UN endorsement despite raging controversy and misgivings on the provenance and pricing of the device.

UN Secretary General Ban Ki-Moon personally approved the Indian effort at the UN Headquarters where dozens of envoys from across the world gathered for a peek at the Aakash II device that its makers (British-Canadian-Indian company Datawind) and chief patron (Government of India) say will revolutionize education and commerce.

"I know that in Hindi, 'Aakash' means sky," Ban Kimoon said in brief remarks. "I want to encourage partners around the world to work with the United Nations to help young people reach for the sky and meet their dreams." India's ambassador to the UN, Hardip Singh Puri, took the opportunity of India's rotational chairing of the UN Presidency to project New Delhi's digital push, with Datawind CEO Suneet Singh Tuli also in attendance. Both men strenuously contested reports in the Indian media that the Aakash II is primarily a Made-in-China device with marginal value addition in India. □

the effects on the environment and several rural communities, something he says she agreed to do earlier this year. "Unless she undertakes to keep that promise, to do a serious technical review with a cost-benefit analysis, a social impact analysis, hydrological studies, I will not put any food or drink into my mouth," he said.

UNSC expansion can't wait

India, whose two-year term as a temporary member of the UN Security Council expires by year-end, has called for early steps to enlarge the top decision-making body and usher in major reforms in its working methods.

"We believe that cosmetic changes to working methods alone will not help. Real improvements need change in both process and approach, which requires reform of the composition of the Council," India's Permanent Representative Hardeep Singh Puri said during an open debate on working methods of the Security Council. Puri noted that the council's five permanent members must individually and collectively recognise that the UN's most-powerful organ must be reformed to reflect the contemporary realities of the international system. The working methods need to be made transparent and inclusive, he said, pointing out that access to documentation and information is an issue of particular concern. The tendency of holding closed meetings that have no records should be curbed, he said and listed a number of measures supported in the Informal Working Group to effect improvements.

Palestine at UN

The UN General Assembly is poised to approve Palestine's historic bid seeking recognition as an observer State in the UN system, with over 120 countries including India, China, France and Brazil set to vote in favour of the resolution. A draft resolution

tabled by the Palestinian Authority, "reaffirms the right of the Palestinian people to self-determination and to independence in their State of Palestine on the Palestinian territory occupied since 1967".

The resolution which has been co-sponsored by 60 nations including India, will go to vote later on Thursday night and is virtually certain to be approved, much to the chagrin of Israel & the US. The resolution aims to "accord to Palestine non-member observer State status in the United Nations". Faced with the prospect of a stinging diplomatic defeat at the UN, Israel Premier Benjamin Netanyahu on Thursday warned the Palestinian Authority that its unilateral move to seek an upgraded status at the world body will only make its statehood dreams "more distant".

US to take up concerns of India, others

Days after strong objections by India, the Philippines and Vietnam over China's latest cartographic aggression by showing foreign territories as its own in a newly-printed map on its e-passports, the United States has said it would take up these concerns with Beijing. While India last week dismissed as "unacceptable" China's depiction of Arunachal Pradesh & Aksai Chin as its territory, the Philippines & Vietnam have objected that the map shows disputed maritime regions as belonging to China.

The Indian Embassy in Beijing has since retaliated by issuing visas to Chinese nationals embossed with an Indian map showing Arunachal & Aksai Chin as its territory. Asked if Washington would call upon Beijing to remove the map or make a formal declaration that this depiction "does not necessarily reflect their ambitions or their goals for territory in the region", Nuland commented: "I don't think I have a remedy to predict here. But I think we'll make clear that this is not helpful to what we all want, which is an environment where the countries involved in this can settle it." □□

China Initiates Case Against EU

China initiated WTO proceedings to seek a ruling on whether some European Union nations violated global commerce rules through their green energy programs.

China has begun WTO dispute settlement procedures after it accused some EU countries of providing subsidies for power generated by solar plants outfitted mainly with components made in EU countries or the European Economic Zone, Shen Danyang, a spokesman for China's Ministry of Commerce, said in a statement posted on the ministry's website. Such subsidies violate national treatment and most-favored-nation treatment under the WTO rules and "seriously" harm exports of Chinese photovoltaic products and damage China's legitimate rights as a WTO member, Shen said.

U.S. challenges Thailand

The United States will challenge Thailand over its rice subsidies at a WTO committee meeting, fearful that a government-sponsored crop could land up on the world market and depress prices, hurting U.S. exporters. Thailand's purchases of rice at high prices are expected to raise output but they have also been blamed for a slump in rice exports, threatening to dethrone Thailand as the top exporter in favour of India or Vietnam.

Thailand has said it is determined to remain the top exporter, causing the USA Rice Federation to worry that the stocks bought by the government will be released onto the world market at a loss. The U.S. rice industry group has urged the U.S. Trade Representative to take action against the Thai scheme, alleging that it acts as an export subsidy prohibited by the WTO.

China escalates subsidies spat

In a move that deepened the dispute, China will ask the WTO to set up a three-person dispute panel at a meeting on Nov. 30. If China wins the case and any subsequent appeal Washington could be forced to drop the tariffs it levied on 31 Chinese products which it said were being traded unfairly. The U.S. tariffs affected photovoltaic cells and modules used in solar power, various steel products, off-road tyres, aluminium goods as well as towers for windfarms. Such capital-intensive and cyclical commodity products have frequently been at the centre of trade disputes as national industries have asked governments to step in and stop

foreign competition from destroying profits & jobs.

India says no to more items in WTO list

India has opposed a move by the US and the European Union to expand the list of electronic items under the WTO IT Agreement, which will result in elimination of import duties on mobile handsets, printers, fax machines and consumer electronic goods. The government is of the view that inclusion of more items in the list would have an adverse impact on the "fledgling" domestic industry.

"India placed on record its serious reservations on this matter at ITA committee's meeting in Geneva late last week," a WTO official said. "It said that in consultations with stakeholders, it sees problems regarding relevance of the proposed products, their multiple uses and possible difficulties in processing at customs." South Korea along with the US and EU are pushing for inclusion of these items in the ITA's product list. They have sought negotiations on the issue when talks begin on the second instalment of ITA from January.

"As per government's estimates, India's share in world trade of these items came down from 0.3% to 0.2% after signing the agreement," an Indian government official said. The commerce department had extensive discussions with the department of IT as well as the Planning Commission on whether it should be a signatory to the proposed second tranche of the ITA. The common wisdom was that India would not gain from it, the official said.

India ranks 7th in global services trade

India has been ranked by the WTO as the seventh largest player in the global services trade with value of exports and imports aggregating \$ 261 billion in 2011. With exports at \$ 137 billion and imports at \$ 124 billion, India is among the five countries among the top ten players which ended the year 2011 with a surplus of trade in commercial services, according to a WTO report.

The Indian economy is mainly driven by services with the sector contributing over 55 per cent of the country's GDP. The US lived up to its reputation of a global powerhouse of commercial services with exports of \$ 581 billion, far exceeding its imports of \$ 395 billion, the report noted. China which runs a big surplus in merchandise trade had a deficit in the services with imports exceeding exports by \$ 54 billion. □□