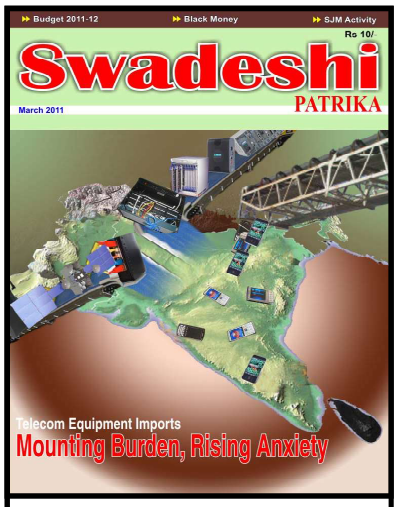

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CONTENTS

Corruption is the issue

February issue of Swadeshi Patrika was very appropriately focusing on corruption at high places. It is very clear to everyone from the beginning that those in power are actually plundering country. Lack of evidence to prove specific acts of omission makes those corrupt people subvert law and escape punishment. In this context I remember a quote from Madhu Dandvati ji's speech on Bofor's issue. He had said that to ask for such proofs is like a pregnant women asking to prove that she is married. But it is heartening to see that corruption is finally becoming an issue. People are now able to express their anger and dissatisfaction. No matter how hard politician may try to divert attention by using dirty tricks. It is not going to work any more. The revolt in Arab world is clear evidence to show that even powerful dictators have to submit to people's wishes. Technology, particularly internet has changed the world. Dissemination of information can't be chocked or regulated anymore. It is time for the corrupt and dishonest politicians to change or people will throw them into the dustbin of history. I will like to make one more point very clear. Some people try to underestimate anger of the people of India. But this underestimation will prove to be fatal. Indians have learned the art to channelize their anger. But there is a limit to everything.

– **Ramesh Kanojia,** *Bharat Vihar, Delhi*

Governance deficit

The governance deficit is widening in India in both, states and the Centre as well. This does not augur good for the Indian polity. Ours is a fast developing economy. We have huge population of more than 100 crores. The policies of the government are favouring mostly rich and big businesses. There by the gap between rich and the poor is widening with every passing day. In a democratic set up it is the responsibility of the elected governments to make policies that will ensure basic needs of entire population. Politicians do a lot of talking but when it comes to action there is hardly any worthwhile contribution. This has resulted into lack of trust in the people at highest level.

It is time to understand the growing anger in the masses particularly the youth. The unrest if not addressed in time will lead to violence as is visible in several parts of the world. We have resources as well as the required expertise to cater to the needs of our people. The only problem is the people at helm of affairs. on-lack of concern for national development and focus on settling political scores has landed the country into scams, stashing of national money in the foreign banks and exemplary moral turpitude of people holding position of authority. Rulers must beware of the public fury and desist from aggravating their anger into inferno. Mind it public cannot be taken for a ride always.

– **Prashant Sharma,** *Jammu*

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Quote-Unquote

The world listens to the voice of the strong. It is high time that we as a nation concentrate on our sovereignty and gaining strength.

Mohan Bhagwat

Sarsanghchalak RSS

If brought back the huge amount of black money stashed abroad could change the economy of the country.

Baba Ramdev

Yoga Guru

Swadeshi economic model is capable of transforming India from a developing country into a developed nation.

Arun Ojha

All India Convener, SJM

Agriculture will never become fashionable unless rural living becomes socially respectable.

S. Gurumurthy

National Co-convener, SJM

EDITORIAL

'What the hell is going on in this country' ?

These strong remarks were made by honorable supreme court on Thursday March 3 while hearing the corruption cases related to tax evasion and black money. These hard hitting remarks were made while pulling Congress led UPA government for its inaction in not subjecting one Hasan Ali Khan to custodial interrogation even after the investigating agencies had unearthed sufficient material about his stashing away huge amount of ill-gotten money in tax heavens abroad. On the same day the Supreme Court in another major blow to the government quashed the appointment of Central Vigilance Commissioner (CVC) P.J. Thomas. The order of the supreme Court is certainly yet another blow for Prime Minister Manmohan Singh and a major one for the UPA government. But more than that it is vital indictment of the institutional integrity of the country and lack of respect of the government for such integrity. It is a question mark on the governance and the process of decision making at highest level that too related to the appointment of the head of an institution supposed to be the main watchdog in India. The Central Vigilance Commission, it may be recalled was conceptualized as an apex body for exercising general superintendence and control over vigilance matters in administration under Government of India Resolution dated 11.02.1964 after Members of Parliament expressed serious concern on "Growing menace of corruption in administration". True, the existence of CVC did not deter government functionaries from resorting to corrupt practices and the menace grew over the years, still there was a fear of an institution that was supposed to be led by people of integrity. Appointment of PJ Thomas, a tainted civil servant, to this key position was in fact an underestimation of the institution itself. That it was done in spite of the strong objection and recorded disagreement of the Leader of Opposition and an important member of the collegium to select the CVC compels us to smell rat. Keeping the events of recent past in mind where government is busy trying to defend itself against a series of graft scandals, including 2G scam, CWG scam, black money stashed abroad, S-band issue to name just a few, it is hard to digest that the subversion of process of appointment of Thomas as CVC was only a "systematic failure in governance" as Law Minister Mr Moily would like us to believe. That Mr Thomas had been Telecommunications Secretary just prior to his appointment as CVC also raised doubt about the impartiality of his supervisory role over the Central Bureau of Investigation, which is investigating the 2G spectrum allocation The verdict is, hence, a serious denunciation of the government at the highest level because the selection of Mr. Thomas was made by a panel that included the Prime Minister and the Union Home Minister. The ruling is therefore, a clear embarrassment for the government and a major blot on Manmohan Singh's image, who himself had said during the Congress party's plenary session in December last? "Like Caesar's wife, I should be above suspicion". There is merit in the statement of BJP to the extent that "It is a rebuke to the prime minister and the home minister. Governance with transparency and accountability has completely been lost,"

SC ruling has not come all of a sudden. The case was being heard in the highest court of the land for quite some time. And from time to time court had asked several relevant questions and the government was constantly defending its position and Mr Thomas, though its argument always seemed to be not only inadequate but ill intentioned as well. In January itself the SC had asked the government that it wanted to know if correct procedure was followed in the selection of CVC P J Thomas. The apex court had also wanted to know if withholding information from a high-powered committee for the CVC's selection about a pending chargesheet against Thomas and the sanction granted by the Kerala government to prosecute him in the palm oil import case in the state vitiated the process for his appointment. The court also wanted to know if Thomas had any "experience in investigation or vigilance matters". The verdict was therefore expected. Wasn't It?

Telecom equipment manufacturing

Policy push to the process of Indigenisation required

Telecome sector is not limited to spectrum and services only. A large number of equipment and other hardware products are also used in the sector and that again is a huge economic activity, finds **G. Raina**

Indian telecom sector is one of the fastest growing sectors of the economy in the country, moving up at an average of 22 per cent over the last few years with cellular phone connections also growing at around 100 per cent. The sector saw an explosive growth in its mobile subscriber base, cheaper mobile services and the introduction of mobile number portability and 3G services. The entertainment sector also took to the trend with more and more Indians logging onto the world wide web. There is hardly any area of human activity that does not use telecom these days. From education system to weather forecasting to treatment to farming, banking and even personal record keeping. So much so that mobile phones have become personal diaries with all the important information from bank accounts to birth days and insurance installment payment dates kept recorded in it. Most vital and strategically essential aspect is the defense system which again is using telecom increasingly in its endeavor to defend the nation.

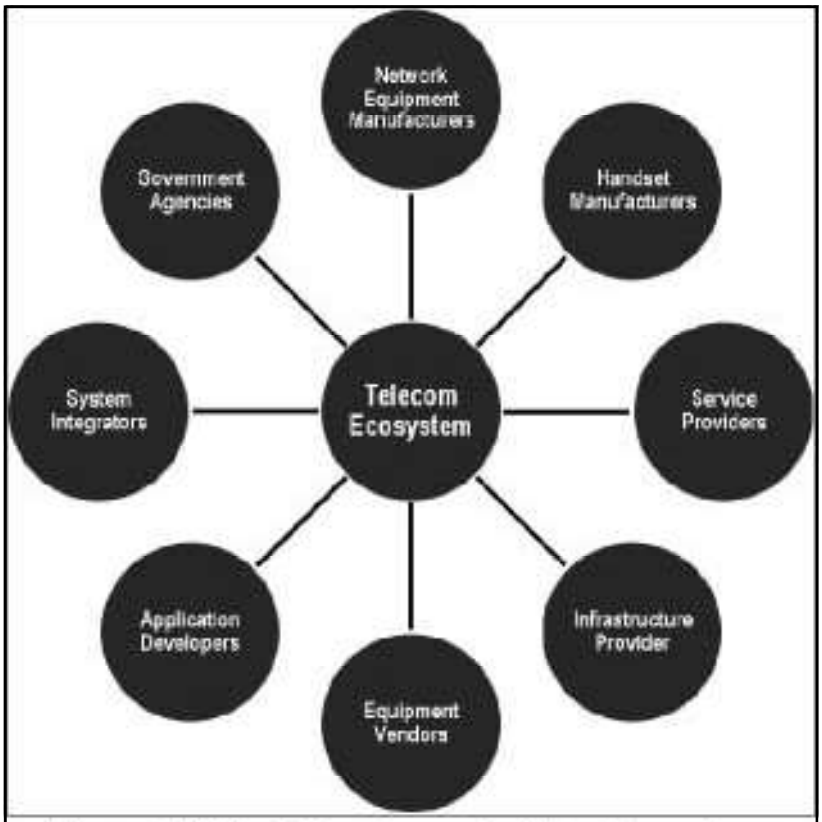
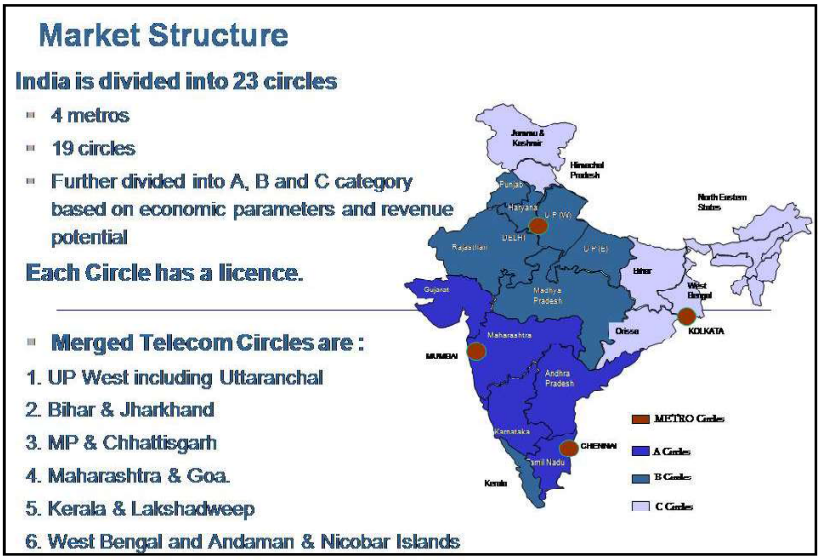


Figure 1.1 The Telecommunications Ecosystem

Telecommunications network grew by over 40 per cent during 2010 with addition of 216.13 million connections. Telephone connections stood at 742.13 million on October 31, 2010, whereas it was only 526 million on the same day previous year. Of these 706.70 million are wireless connections. With this, Indian Telecom Network is now the largest wireless network in the world. The current addition of more than 17 million connections per month puts the telecom sector on a strong footing. The target of 600 million connections by the end of Eleventh Five year plan has been achieved in February 2010 itself.

According to Boston Consulting Group (BCG) The country's telecom sector will witness up to Rs 2,50,000 crore investments and the market will cross the Rs 4,50,000 crore or USD 100 billion-mark in 5years. Allocation of spectrum for 3G and BWA services, if taken as an indicator, speaks about the future potential of the sector. All the 71 blocks that were put up for auction across the 22 service areas in

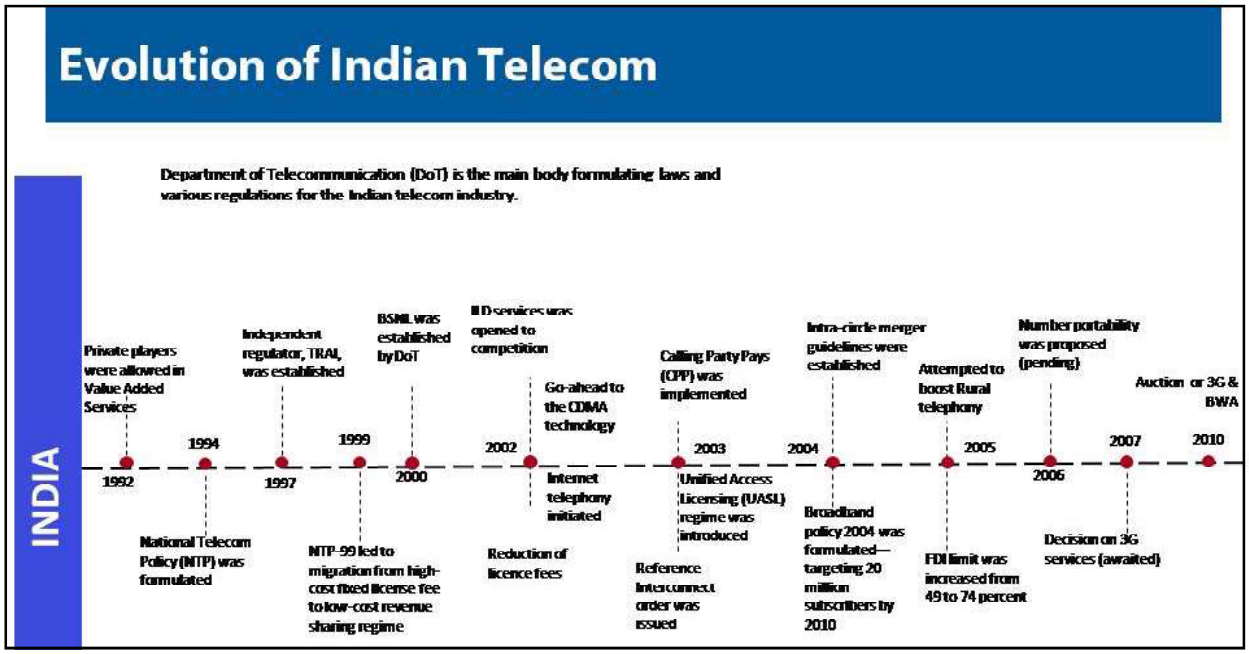
the country were sold, leaving no unsold lots. Auction for 3G spectrum ended on May 19, 2010 after 183 rounds of intense bidding over a span of 34 days. The Government morphed a revenue of more than Rupees One lac crore, the amount that was used by Finance Minister Pranab Mukherjee in his budget speech to show the decrease in fiscal deficit from over 6% to 5.1%. All the available slots across 22 circles have been sold to seven different operators. A pan-India bid for third generation spectrum stood at US$ 3.6 billion.

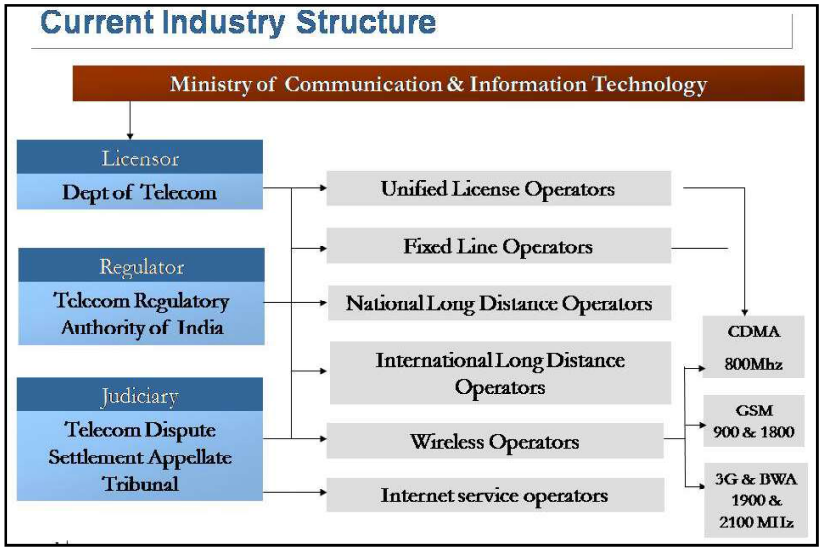


Entrepreneurship and Innovation, the two important pillars of development in this sector, has however, remained confined to services and business models only. The telecom sector is not spectrum and services related market only. A large number of equipments and other hardware products are used in this sector. In fact equipment is the body on which entire telecom activity is dependent. And that again is a huge economic activity. It is said that Rs1.25 Lac Cr of Telecom equipment is being used at present in the country and that is about 2% of our GDP. DoT estimates, telecom equipment worth more than Rs 3,50,000 crore will be required by 2015 & Telecom import bill will exceed Petroleum import bill.

Ministry of Communications & Information Technology expects the production of telecom equipments in value terms to increase from US$ 10.87 billion during 2008-09 to US$ 11.87 billion in 2010-2011. most of these equipments are presently being imported.

Import of telecom equipment at such a huge scale has several issues involved. First the dependence on the outer sources and second is the financial loss involved. But most important aspect is related with security of the country. No self respecting country with elementary knowledge of international politics will continue to remain constantly dependent on



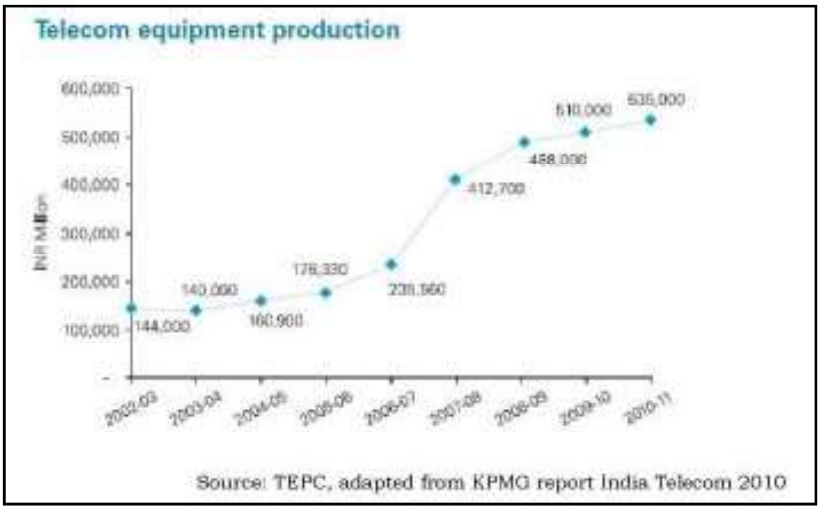


outer sources for any area of significance, not at least in matters of defense. It is therefore very essential to ensure enhancement of domestic capabilities in the area of core telecom equipment. Other related aspects are of no less significance. Constantly increasing import bill will always trouble the financial health of the country diverting the attention and resources of government away from poverty alleviation.

Finance Minister in his Budget speech also spoke about his intentions to increase contribution of Manufacturing sector from 16%-25% of GDP. Whether he will be able to do some thing in this regard is to be seen. but one must appreciative the intention for a cursory look at figures point out an alarming situation emerging on this front.

Writing in financial express dated December 23, 2010 Arindam Bhattacharya talks us, "India's manufacturing sector has grown at 7% over the last decade, the second fastest after China. Despite this growth, the sector has failed to build 'depth', which has manifested itself in the growing imports of capital equipment - the building blocks of a country's manufacturing competitiveness - into the country. For example, between 2003 and 2009, while the manufacturing GDP has grown about 2 times, the import of plant and equipment has grown nearly 8 times. While the downstream industries have grown rapidly, the core sector products like power, mining, port and telecom equipment, railway equipment manufacturing, and steel and chemical plants have remained underdeveloped. While Chine's overall GDP is 3.8 times that of India, when we compare machine tool production, China's production is 55 times that of India." He further says "Many countries take a view that depth is important for long-term competitiveness as it allows greater value capture and pricing flexibility is key to technologies innovation, protects local industry from shifting global demand-supply situations and increasing volatility. In industries such as defence and telecom, it is important to control and keep the value chain indigenous from the perspective of national security."

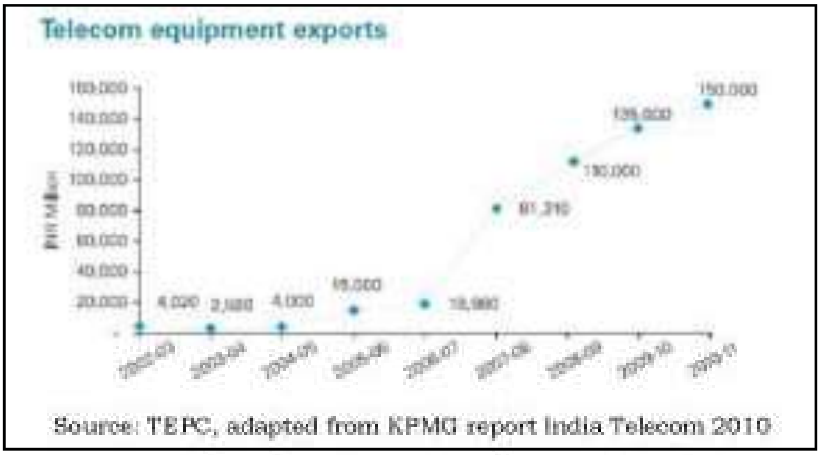
According to the consultation paper circulated by TRAI, The telecommunications industry is enabled by a complex value chain that includes equipment suppliers, service providers, and users. The telecommunications value chain begins with sourcing of components like semiconductor chips and software. These components are, in turn, incorporated into equipment purchased by service providers. The service providers then use the equipment to build networks and provider service to the end users. The equipment manufacturers also supply terminal equipment like mobile and fixed telephone in-



struments to the end users. It goes on to accept that "India has been able to drive innovation when it comes to software services in the telecom space. But the results are not so encouraging when it comes to developing telecom equipment." The paper says further that " To become an important player in the global telecom space, India has to create a synergetic telecom ecosystem and build globally competitive product companies across the telecom value chain. Despite the growth in the number of subscribers, the ecosystem has so far failed to adequately spur the manufacturing segment and as a result, the domestic telecom equipment manufacturing segment has not been able to meet the demand created by other segments of the telecom ecosystem forcing the telecom operators to import most of the equipment required for their Network."

In 2008-09 alone, as per Directorate General of Commercial Intelligence and Statistics (DGCIS) data, equipment worth Rs. 461.58 billion was imported by the Indian telecom operators. The telecom system/hardware equipment market is much bigger than the telecom software market and domestic production can not only reduce our imports, but also create a large export opportunity with the consequent benefits to the telecom industry and the country.

Most of telecom equipment being imported comes from from Nokia Siemens Network, Ericsson, Motorola, Huawei and ZTR Corp and is contributing to our export deficit. China, we all know was in a similar position some years ago. But despite several odds Huawei and ZTE from China are



Source: TEPC, adapted from KPMG report India Telecom 2010

counted amongst top telecom equipment manufacturers globally at present. China with several pro active steps including the efficient use of its market size and political will got vendors to produce locally, create a supporting ecosystem and leverage its strength.

There are several domestic manufacturers in India also but due to intense competition without a level playing field they are unable to sustain. In this connection it is to be remembered that several MNC's import parts of equipment from their own sources and assemble that in India to avoid taxes and claim other benefits under export policy.

The country's mobile handsets market only recorded a growth of 3.6% to touch 40.08 million units in the third quarter ended September 30, 2010, as compared to the second quarter ended June 30, 2010, according to IDC India. The year 2010 is expected to end with total mobile handset sales of 155.9 million units.

The sales in smartphones category saw a growth of 34.2% quarter on quarter and increase by 294.9% year-on-year and is likely to touch nearly 6 million in calendar 2010.

Teledensity is also an aspect that needs to be studied carefully. While private players are mostly concentrated in urban areas the rural India is being ignored for several reasons. During 2010-11, the growth rate of rural telephones was 21.05 per cent as against 18.69 per cent of urban telephones. Now that there is a sort of saturation in urban areas focus is shifting to rural side. But then we need to be careful about the way we approach rural tele-conectivity.

Again use of technology is also important. Presently the private players are using large towers which are supposed to be hazardous t health. So when we move towards rural areas we need to be careful about radiation and other health related issues.

Telecom policy at present is favouring big private players in almost all spheres. Most of these players are from outside India. This has affected the PSU's like BSNL"MTNL and DoT. There is hardly any research work going on in the country. Thus causing IPR related loss of revenue. Some what same is the story of regulatory mechanism and equipment specification mechanism.

All this warrants an immediate attention in an focused manner in order to enhance the indigenous capability for manufactur-

Security Clearance for procuring telecom equipment

Telecom equipment/software has a direct bearing on the security of the country. it was with this background that government directed Bharat Sanchar Nigam Ltd. in May 2009 not to 'procure resources from the Chinese vendors for deployment in the sensitive regions of Assam, Manipur, Tripura, Sikkim, Nagaland, Arunachal Pradesh, Mizoram, Meghalaya, West Bengal, Gujarat, Rajasthan, Punjab, Jammu and Kashmir, Himachal Pradesh, Uttarakhand and Mhajarashtra.

Subsequently based on the decision of the committee of secretaries held on 24th November 2009, amendments have been issued in December, 2009 in the Licence Agreement of all Telecom Service Providers for security related concerns stipulating that the Licensee(s) shall apply to the Licensor for security clearance, along with the details of the equipment (s) as well as details of equipment (s) suppliers and manufacturers including Original Equipment Manufacturers (OEM), before placement of the final purchase order for procurement/ upgradation of equipment/software for provisioning of telecommunications services under the licence and that it shall also include any such activity by the franchisee, agents or person of that licensees.

DOT instructions laying down the Performa for information to be furnished by the service providers for obtaining security clearance had a clause asking "the service providers shall mandatorily include a clause in their purchase order to foreign manufacturer (s) for transfer of technology (ToT) of all critical equipments/software to Indian manufacturer (s) within a period of three years from the date of purchase order. This condition would be strictly enforced as this is one of the effective measures to reduce vulnerability in the long term. In case of Non-compliance of the Transfer of Technology clause, the vendor service provider shall be penalized. Criminal proceedings would also be started in this case.

It is to be not that since DoT does not have capability of overseeing the complete supply chain and for security audit of networks, an undertaking in the form of self-certification as below is asked for remaining equipments (other than Chinese OEMs) from service providers:

The Service Provider certifies that the equipment/software proposed for procurement/upgradation mentioned in their proposal is free from black boxes, malware, trapdoor and remote/hidden attack through computerized command and control and adequate steps and mechanisms for adequate security against any subversive activity by company manufacturer vendors involved in the supply chain have been taken and are in place.

If the Licensor/Government of India at later state, after security audit of the above said equipment/software procured by the Licensee for use in licensee's network for providing licensed services, finds that the self certification is incorrect then the Licensee agrees to accept a penalty of upto Rupees Fifty Crore as per Licence Agreement for each such procurement. In such an event on hearning from Licensor Gol, the Licensee also undertake a immediately uninstall and remove the equipments/ software from the network for providing licensed services and follow any other direction from the licensor government of India in this regard in the interest of National Security. ❑

ing and R &D in Telecom.

But to achieve the objective of gaining depth in manufacturing sector the country needs to take some policy decision some of which may be tough on face of it. Others are very simple and can be done without any hue and cry.

For example Arindam Bhattacharya writes "Building depth means making some tough policy choices, ranging from ownership rules, preferential customer access, setting industry standards customized to the country that favours local suppliers, fiscal incentives for specific industries and customs duty to protect them in their development phase, and support technology development through technology parks, easier access to funding for firms in these parks, creating a technology transfer market, etc. These policy choices will, by necessity, guide both Indian and foreign manufacturers in taking investment decisions that could be different if left totally to the market forces."

Who will disagree with that? ❑❑

Boosting the trust deficit

On corruption, inflation and unemployment – the three major challenges to the nation – Budget 2011 maintained an inexplicable and eloquent silence. The disconnect of the Central Government to the mood of the nation seems complete, believes **M R Venkatesh**.

Budget 2011 merely reflects the drift in the Central Government. Perhaps never in the history of independent India, with the sole exception of the period during the Emergency, has a Central Government suffered from such a credibility crisis as the present one. Naturally, what matters is not the fiscal, revenue, current account, trade deficits or for that matter power, infrastructure or even manpower deficits, but trust deficit of India.

When questioned on the state of drift by the electronic media a few weeks ago, the Hon'ble Prime Minister blamed it on coalition compulsions. If it is corruption, it is the ally from South India. Blame the ally from the West for inflation. Blame the ally from the East for Maoism, and the ally from Kashmir for the problems there. Yet the Hon'ble PM asserts that this is not a lame duck government and "assures us" that he will complete his term, little realising some analysts in the interregnum have hyphenated India with Egypt, Tunisia and Libya.

Given this state of affairs, Budget 2011 was an opportunity for the Central Government to address this trust deficit. Instead, Budget 2011 turned out to be an entirely vacuous one, an accountant's delight, interlaced with the "grand vision" of a gram panchayat leader. On corruption, inflation and unemployment – the three major challenges to the nation – Budget 2011 maintained an inexplicable and eloquent silence. The disconnect of the Central Government to the mood of the nation seems complete.

Short shrift to Manufacturing

Budget 2011 seeks to enhance the share of the manufacturing sector to the national GDP from the present 16 percent to about 25 percent in the next ten yeas. While the intention is indeed welcome, Budget 2011 has nothing specific to offer to effectuate the same. It may be noted that several developing countries, particularly Asian ones including China, have realised that the road to economic nirvana is only by developing their manufacturing sector.

India, on the contrary, has attempted to have a unique grammar of development – where services and not manufacture remains the engine of growth. While this is acceptable in the short run, the fact of the matter is that India's road to economic prosperity from now on shall impinge on our manufacturing sector. This is simply because empirical evidence worldwide demonstrates that the growth of manufacturing sector ensures broader based social development than say, the services sector.

Successive Central Governments have realised that this is easier said than done as the man-

The five point agenda to fight black money seems empty rhetoric with no concrete promise to take action on anyone.

ufacturing sector, in contrast to the services sector, is reforms sensitive. For manufacturing to contribute one-fourth to the national GDP, governments need to carry out intensive reforms. This includes labour law reforms, improved infrastructure, besides tax reforms and administrative reforms – all of which combine to wreak havoc on India's manufacturing competitiveness.

There is more to this. In March 2009, the Rupee was traded approximately Rs 52 to a US Dollar. Since then it has appreciated fifteen percent. It may be noted that this appreciation comes on top of significant levels of inflation experienced by India in these two years. That roughly translates into an implicit appreciation of the Rupee by more than thirty-five percent in the past two years.

This explicit and implicit appreciation of the Rupee is having a debilitating impact on the national manufacturing sector while simultaneously eroding our competitiveness. Some of India's peers have neither experienced such significant bouts of inflation in this period nor have they allowed their currency to appreciate. The net result is that we are running gargantuan trade deficits (caused to some extent by higher oil prices) – close to USD 10 billions per month. That in effect means we are importing jobs into a country that is having huge unemployment in the first place!

Naturally the obvious question follows: Why is the government preventing the depreciation of the Rupee to reflect our economic fundamentals? The answer for that is not far to seek. Economic text books suggest that a stronger currency is an antidote for inflation. By keeping the Rupee stronger, economic managers are hoping to address the issue of inflation, little realising that it is hurting the manufacturing sector, which incidentally is never in the radar of the national policy framers.

It may also be noted that several Asian countries have modelled their growth pattern on the back of a weak currency while maintaining lower import tariffs. In short, given the extent of undervaluation of these currencies, import tariffs are irrelevant. But in our anxiety to match with Asian rates, we seem to have forgotten the whole matrix.

And that is the crux of the issue. India is caught in a catch-22 situation – if it allows Rupee to depreciate, there could probably be higher inflation and should it not allow the Rupee to depreciate, it could hurt the Indian manufacturing, employment and of course our ability to eradicate poverty. The moot point is do we realise this? Forget providing a course correction, Budget 2011 does not even seem to cognise this difficult situation. The net result: increasingly government is seen as irrelevant.

But who is the beneficiary of all this?

Nevertheless, with mounting trade deficits, India is compelled to look at capital flows to bridge the current account deficits. Else we could have a repeat of 1991. That in turn compels the RBI to keep the Rupee stable and, if possible, strong.

A stable Rupee, it may be noted, virtually mitigates all currency risks as these are absorbed by our central bank. Naturally, a stronger and stable Rupee favours the financial sector, especially the FIIs, and positively discriminates against our domestic manufacturing sector. And in a country obsessed with Sensex and the stock markets, FIIs wield disproportionate influence on the national psyche and policy.

The reason for the same is not far to seek. It is generally believed that FII route, thanks to the large regulatory gap in our capital markets that a herd of elephants could walk through, allows enormous amount of money to be first laundered away from India and brought back through

It may be noted that several developing countries, particularly Asian ones including China, have realised that the road to economic nirvana is only by developing their manufacturing sector.

the FII route, more specifically through the Mauritius route.

The reason for Mauritius is compelling – according to the Indo-Mauritius Double Taxation Avoidance Agreement, capital gains arising out of investment from Mauritius is not taxed in India and shall be taxed in only in Mauritius where the tax rate is zero. No wonder, in the past decade or so, 50 percent of foreign investment into India has originated from Mauritius. FII in the Indian context represents Foreign Indirect Investment!

Naturally, vested interests in the establishment are rooting for this arrangement to continue. And successive Budgets have taken care to ensure that this arrangement not only continues, but also is continuously "liberalised."

Budget 2011 is no different. Accordingly, it states, "to liberalise the portfolio investment route, it has been decided to permit SEBI registered Mutual Funds to accept subscriptions from foreign investors who meet the KYC requirements for equity schemes. This would enable Indian Mutual Funds to have direct access to foreign investors and widen the class of foreign investors in Indian equity market."

But there is a serious catch here – SEBI has not prescribed the KYC norms or Know Your Customer norms for FII investment. And in case it inadvertently prescribes – do not worry – route it through the Participatory Notes (PNs). PNs as readers may note, are peculiar instruments in the Indian market that allows multi-layering, leading to anonymity for the "foreign" investors.

So all these allow (why even encourages) one and sundry to first launder money from India and bring it back through the Mutual Fund route. Who said the Budget has not done anything to bring back unaccounted wealth of Indians parked in Tax Havens into India? Sure it does, with an amnesty and at zero rate of tax!

It may be noted that during the course of his Budget speech, the Hon'ble Finance Minister dealt extensively on black money in six paragraphs where he was philosophical at best and vacuous at worst in his approach to fight the menace of corruption and the resultant illicit wealth. The five point agenda to fight black money seems empty rhetoric with no concrete promise to take action on anyone.

Interestingly, the obsession of the Hon'ble FM to the Settlement Commission (SC - also referred to as settlement through commission) – a relic of the pre-liberalisation era, continues. This year the Income-Tax Act has been further liberalised to include search cases provided that the additional income-tax payable on the income disclosed exceeds fifty lacs rupees. Well that is what we call a NALCO amendment! So much for our commitment to fight corruption!

Naturally the stock markets reacted positively to the Budget. So has the corporate sector. Little do we realise that the corporate sector contributes less than 10 percent to the national GDP. And of this, the contribution of the listed corporates is less than 07 percent. As my teacher put it tongue in cheek – an item number at best. Yet the Budget is strangely benchmarked on how the corporate and stock markets react to the Budget.

La affair Niira Radia had exposed these corporates and their functioning. Surely, like Munni badnaam, corporate India has lost its credibility. So has the UPA government. In this scenario, it is puerile to believe that government can constructively address the structural issues facing the Indian economy. In the process, the government, too, is reduced to an item number.

This may well be the weakest government since independence. But are we not also witnessing the weakest Opposition since independence - one that allows this government to function instead of pulling it down? ❑❑

Revise tenets now

Agriculture will never become fashionable unless rural living becomes socially respectable. Budget making in India being an economic appraisal of past and assessment of future provides an opportunity to revise the economic philosophy now in fashion, says **S. Gurumurthy**

Budget making in India has never been just an accounting exercise. It has been an economic appraisal of the past and assessment of the future. It keeps stating, restating and revising, from time to time, the philosophy of economics and development themes in vogue. It was hybrid economics in 1950s; socialist economics in 1970s; modern capitalist in 1990s. After the economic meltdown, there is a need to revise the economic philosophy now in fashion.

First, the budget philosophy must explicitly factor in the emerging global view that the modern theories of economics developed by the US-West are 'useless at best' or 'positively harmful at worst' (Paul Krugman, Nobel Prize winner, 2008); that the crisis has changed much of what economics is known to be (Barry Eishengreen, economic historian) and it is actually economics in crisis. Modern economics is now doubted as Anglo-Saxon, socially and culturally. Dr Manmohan Singh imported this to deal with an emergency situation and the country is stuck with it. All talks of second and third generation reforms are based on this economics. The world is reviewing this ageing idea. India also needs to initiate a review, or the budget will be just another holding operation.

Second, the budget will have to start national introspection about the very model of development. It should focus on keeping Indian society largely selfreliant, instead of turning it into government- dependent or marketen-slaved.

Likewise, the country should not be made extremely export or import dependent; it should remain largely domestically driven.

Third, the policy of seeing India as just a nation of a small group of employers and mass of employees who are further divided into primary and tertiary employees, should change.

Most Indian families are self-employed. India does not fit into stereotypes. For example, NSSO 2006 estimates that there are 43 million unregistered, nonfarming enterprises giving livelihood to almost 100 million people. But they get just 1.5 per cent of the organised finance! Skill-sets of India — from carpentry to masonry to diamond cutting to gold-smithy — are developed in these units. For instance, indigenous diamond cutting skills have made India a diamond trade power at the global level. It is no less than software as an economic engine; but less known, even less celebrated. This sector uses little or less energy. There should be total tax shelter, bank loans and inspection free regime for this sector.

Fourth, educational sector and industry should partner and certify all uncertified skilled persons in India. Most traditional skills that form the backbone of our economy remain unrecognised, uncertified. The skilled are even certified as unskilled in their passports, while an arts graduate is certified as skilled! The National Skill Development Corporation should work bottom-

upwards; not, like now, topdownwards.

This will improve India's Human Development Index itself.

Fifth, the agricultural crisis is not just wrong economics, as many think.

It is a product of wrong social psychology and policies. A huge field-level work done by Sri Govindacharya and Sri Basavaraj Patil for almost six-seven years in the four districts of Andhra Pradesh and Karnataka around Gulbarga and unveiled in December 2010, has brought out the dangerous state of not even one student among lakhs opting for agriculture or rural living.

Unless rural living becomes sociologically respectable, agriculture will never become fashionable. A huge shift in national mindset is needed from projecting the jeans-clad Indian as the exclusive future Indian model. They are of course important. But this exclusivist mindset tends to make the rural youth exotic appendage of his urban cousin. To shift from this, we need to have the Lagaan approach to modernity – like the rural youth (Aamir Khan) playing modern cricket. The budget policies must promote this national psychology.

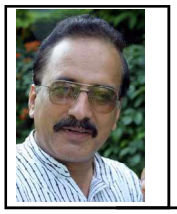
Sixth, the modern economic theories have adopted urbanisation as the index of development; this has shifted the resources to urban areas; market economics has deepened this process.

Rural investments steeply declined as a result. There is a need to reverse this by adopting counter-policies. This will help to address the rural and agricultural issues also.

Seventh, India is, will be and should be bank-led in savings and investment models, like most Asian nations including Japan. The budget should promote, not discount the bank-led model. A Goldman Sachs study factoring the RBI data shows that not more than 6 per cent of Indian savings will find its way to stock market, and that India will have net bank savings of $800 billion by 2016 which is equal to all bank advances today.

Before the crisis of 2008, bank-led finance was considered an outdated economic model, not now. Pure state-led models and pure marketled models have failed. Bank-led model works with the families and society, not erode them. The budget should therefore promote banking more than it encourages stock markets. ❑❑

Budget 2011 will also bypass farmers



Mr Pranab Mukherjee should provide allocation for extending Andhra model (non pesticide management of a agriculture) of sustainable agriculture which does not force farmers to commit suicide and also does not end up destroying the environment, natural resource base and does not add to global warming, suggests **Dr. Devinder Sharma**

If we look at the Budgets presented in the past 5-7 years, it looks as if the government has been focusing on food and agriculture. We have seen successive finance ministers covering up their apathy towards agriculture by saying that their budget would bring in 'Kisan Ke Azadi' or terming their budget as the 'life line for agriculture' and so on.

However, in reality all annual Budgets in the recent past have bypassed agriculture when it comes to making the right investments, and this year too is not going to be any exception. The finance minister has been holding pre-budget parleys with industries and the industry sponsored farmer organizations. It is therefore quite obvious that the 2011 Budget (to be presented on Feb 28, 2011) is also going to be business as usual. I am not therefore much hopeful in the coming Budget for the farm sector as well as the farmers. They will have to live on hope. Like in the past, this Budget too will support the agribusiness industry in the name of farmers. This year, I am quite sure industry will manage a larger chunk of the state exchequer considering that the country is faced with rising food prices for quite some time. Don't forget whenever a crisis takes place or a disaster happens, it becomes an opportunity for business.

2010 was a year of unmanageable spiral in food prices. The crisis that the government faced with respect food inflation comes as an opportunity for the business to exploit agriculture. Having said that, the following is likely to be the highlighted in one way or the other in the ensuing Budget:

a. There would be more emphasis on streamlining agricultural supply, which means there will be more money allocated for the back end operations like cold storages and transportation. Already the State bank of India has reduced the interest on warehousing by about 3 per cent so as to attract private sector investment. This is primarily to facilitate the entry of FDI in multi-brand retail like Wal-Mart and Tesco into the country which would need backend support for its India operations. In reality, the backend investment too should come from the industry but as it happens it is the industry which walks away with bulk of the subsidy in the name of agriculture.

b. The other area that is likely to receive more emphasis by way of budgetary allocations would be in the field of enhancing crop production – primarily for wheat and pulses. And then of course there is going to be duty exemptions on import of farm equipments, all in the name of increasing production and productivity. Unfortunately

this is not what ailing farm sector needs.

In my understanding, what the finance minister needs to do is:

a) The government has to get over with the obsession with 4 per cent agricultural growth. Whether the farm growth is 2 per cent or four per cent, it is not going to rescue millions of farmers from the agrarian distress that stares at them. In any case, farm growth cannot be measured on the basis of production figures for two consecutive years. A realistic farm growth can only be ascertained when viewed over a minimum of a five year period.

The finance minister should instead focus on farmer's income. According to the National Sample Survey Organisation (2003-04), the average monthly income of a farm family in India was barely Rs 2115. In 2011, we can at best think that the monthly income has risen to Rs 2400. This means that farmers in India are by and large living below the poverty line. To expect these poor farmers to be investing their meager resources and effort in boosting productivity is not fair. I think the fundamental question that remains unresolved so far is how to increase the farm incomes. I don't see much of hope here, all that I am expecting this year is that the credit for agriculture would be enhanced from the existing Rs 3.7 lakh crore to Rs 4 lac crores or above. Even this is not going to be of much help to farmers since much of the credit in the name of agriculture goes to warehousing, cold storages, seed production etc etc.

b. Last year the government had allocated money for pulses production in 60,000 villages in the dry land regions. This became an opportunity for the industry, including farm equipment suppliers. They pooled the money allocated for 10 villages, forming a cluster, and were able to lease or sell farm equipments. It has therefore not made much difference to pulses production this year. The little increase we see is the result of the expectation of a higher price following the rise in dal prices in 2009-10.

Dr. BR Kamboj explaining CSISA activities at farmer's field in village Tarori during Agriculture Commissioner's visit

Actually pulses are not suffering from technology gap. What it requires is the provision of an assured market for the produce. Although the government does announce procurement price for the pulse crops but there is no procurement system in place. If pulses were to be procured, like wheat and rice, we will see the production rising steadily and the dependence on imports reducing.

c. Considering the stupendous rise in prices of vegetables, the focus of the finance minister will remain on efforts to curtail the price rise. For several years now, we are told that 40 per cent of fruits and vegetables go waste in post-harvest losses. I am not sure of the basis for these loss estimates. These figures of food wastage have not changed for the past 30 years or so. Having said that, what we need in case of fruits & vegetable is a surveillance and market intelligence system. This has to be back up by crop insurance and weather insurance. Unfortunately, crop insurance still remains at a pilot project level, and it is because of the lack of emphasis that farmers in India still are not ensured against the vagaries of the weather. More financial allocations are required for market intelligence and crop insurance.

d. Food security, especially in the light of the NAC proposal on the proposed food security bill, will also attract finance minister's attention. In the name of food security, and knowing that food prices had remained beyond the reach of the lowest strata, finance minister is likely to enhance the allocation. In other words, more money will be allocated for a defunct and corrupt PDS. What is needed urgently is to provide financial resources for setting up a network

of village/taluka grain banks across the country. This has to be linked with regional grain banks in each of the states.

The ministry of rural development has already provided resources for setting up panchayat ghar in every panchayat. The more pressing need is to construct grain banks in each panchayat, if not every village. This will not only help minimize grain wastage but also ensure household food security at the local level. There are about 6 lakh villages in the country, of which 4 lakh villages produce food. The national Food Security Act should aim at making these 4 lakh villages food secure. This will help reduce the burden on the PDS, which can therefore by trimmed and made effective.

e. There has been a lot of talk for ushering in 2nd Green Revolution to meet the growing food requirements. In the last budget, the government had provided for Rs 400-crore for extending the Green Revolution to the northeast states. What has not been ascertained is that damage Green Revolution has done to the intensively farmed regions of Punjab, Haryana, Western Uttar Pradesh. Already Green Revolution has destroyed the natural resource base by poisoning the soils, mining the ground water and contaminating the food chain with chemical pesticides. More investments to extend the Green Revolution model to the northeast or to bring in the 2nd Green Revolution in the rest of the country imeans that we have not learnt from past mistakes.

What we need is allocation to bring about a kind of a model of sustainable agriculture which does not force farmers to commit suicide and also does not end up destroying the environment, natural resource base and does not add to global warming. Such a model is already available in Andhra Pradesh. In Andhra Pradesh, out of 23 districts, in 21 districts there is something called as non pesticide management of a agriculture. Farmers in 28 lakh acres are not using chemical pesticides, and have also phased out the application of chemical fertilizers. There is no drop in crop yields, and the insect population has greatly reduced. The soil health is rejuvenated, and expenses on health for farm families have fallen by an average of 40 per cent. Farm incomes have gone up, and food security is ensured. This is Government of Andhra Pradesh programme.

Mr Pranab Mukherjee should provide allocation for extending this programme to the rest of the country. Here lies a future model of food security and farm viability for the country. ❑❑

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Economic Analysis

The Finance Minister has shown some favourable attention to the worsening situation of the Agricultural Sector but his sincerity is desired for due implementation of the schemes announced by him for rural micro credit facility and on building rural infrastructure, says **Dr. Dhanpat Aggarwal**

The Hon'ble Finance Minister Shri Pranab Mukherjee has presented his Sixth Union Budget in Parliament on 28.02.2011 after completion of two decades of economic reforms started on 24th July 1991. Therefore there is a need to look back and have a snapshot analysis of the economic achievements and failures of the new economic policies enshrined in several Union Budgets presented thereafter by different Finance Ministers involving almost all political parties of the country including the left and BJP. The major challenges facing the nation today are the problems of inflation, corruption, black money, poverty and unemployment.

The objectives of the Union Budget proposals are to improve economic development in the country and thereby create employment, reduce poverty and control the price rise/inflation. However it is observed that all successive governments have failed to provide adequate answer to the burning problem of unemployment. poverty and price rise. Although the economic growth rate has increased from an average of 3.5% during the first three decades of 1950-1980 to an average rate of 6% - 7% in the subsequent three decades of 1980-2010 and about 8 percent in the immediate past decade but the benefit of growth has not trickled down to the rural poors of our country. There remains a clear divide in the standard of living and the infrastructure facilities in Rural India and the Urban India.

Budget at a Glance

(In Crore of Rupees)

		2009-2010 Actuals	2010-2011 Revised Estimates	2011-2012 Budget Estimates
1.	Revenue Receipts	572811	783833	789892
2.	Tax Revenue (net to centre)	456536	563685	664457
3.	Non-Tax Revenue	116275	220148	125435
4.	Capital Receipts (5+6+7)'	451676	432743	467837
5.	Recoveries of Loans	8613	9001	15020
6.	Other Receipts	24581	22744	40000
7.	Borrowings and other liabilities *	418482	400998	412817
8.	Total Receipts (1+4)*	1024487	1216576	1257729
9.	Non-Plan Expenditure	721096	821552	816182
10.	On Revenue Account of which,	657925	726749	733558
11.	Interest Payments	213093	240757	267986
12.	On Capital Account	63171	94803	82624
13.	Plan Expenditure	303391	395024	441547
14.	On Revenue Account	253884	326928	363604
15.	On Capital Account	49507	68096	77943
16.	Total Expenditure (9+13)	1024487	1216576	1257729
17.	Revenue Expenditure (10+14)	911809	1053677	1097162
18.	Of Which, Grants for creation of Capital Assets		90792	146853
19.	Capital Expenditure (12+15)	112678	162899	160567
20.	Revenue Deficit (17-1) (5.2)	338998 (3.4)	269844 (3.4)	307270
21.	Effective Revenue Deficit (17-18)#	(2.3)	179052 (1.8)	160417
22.	Fiscal Deficit {16-(1+5+6)}	418482 (6.4)	400998 (5.1)	412817 (4.6)
23.	Primary Deficit (20-11) (3.1)	205389 (2.0)	160241 (1.6)	144831

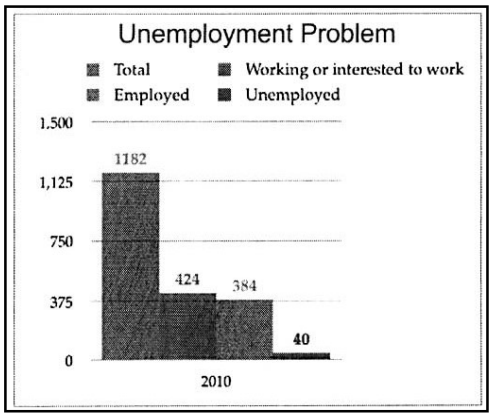
@ Actuals for 2009-10 are provisional
$ Does not include receipts in respect of Market Stabilization Schems
* Includes draw-down of Cash Balance.
Note: GDP for BE 2011-2012 has been projected at Rs.8980860 crore assuming 14% growth over the advance estimates of 2010-2011 (Rs. 7877947 crore) released by CSO.

Source: http://indiabudget.nic.in

Having a brief outlook on the above scenario when we look at the economic growth of 8.6 percent achieved in the Financial Year 2010-2011 in the aftermath of the global economic crisis, and on

growth target of about 9% in the coming fiscal year 2011-2012 with a projected fiscal deficit of 4.6 percent as against 5.1 percent in 2010-2011, we find that the debt burden of the Central Government is continuously increasing. The present level of public debt is RS.33,06,626 crores carrying an additional proposed borrowing of Rs.4,12,986 crores in the Financial Year 2011-2012 with an annual interest burden of RS.2,67,986 crores on the national exchequer leaves very limited scope for spending money in the development of social sector.

The Finance Minister has proposed to cut down the subsidies on account of food, fertilizer and oil in the current financial year from RS.1,64,153 crores to Rs.143,570 crores and has also proposed for a direct cash transfer via Adhar cards on account of fertilizer, LPG and Kerosene on the basis of the recommendation to be submitted by the Chairman of the Task force, Mr. Nandan Nilkani within June 2011. The pilot project is likely to be launched from 01.01.2011, once UIDAI start generating the Adhar Smart Card numbering 10 lakhs per day from 01.10.2011. It is expected that the direct cash transfer to people Below Property Line (BPL) will curtail the diversion and the corruption prevalent in the system. However the Finance Minister has refrained from introducing the same system in the distribution of food subsidies to the people under BPL category and over 5 lakh Ration shop owners will continue to benefit from the present loophole in the system. The Finance Minister has also deferred to implement the Food Security Act which provide Social Security to poor people against the menace and vagaries of higher food inflation. The Finance Minister himself has mentioned in his Budget Speech that the food inflation had reached 20.2% in February 2010 and according to the published Government data, the food inflation was at 17.05% on the week ending 22.01.2011, although the Finance Minister has claimed that it has declined to 9.3% in January 2011 which does not seem to convincing.



There is a huge drainage of national resources on account of corruption and the recent 2G Scam involving several thousand crores of rupees along with other major scams in Common Wealth Games and Adarsh Co-Operative Society are the matter of great national shame and there has been erosion to our national pride in the international arena. The Constitution of the Joint Parliamentary Committee (JPC) by the Lok Sabha has ultimately assured some respite for unearthing the exact amount involved in the scam and to finally find out the persons involved in the whole process apart from the former Telecom Minister Mr. D. Raja who is already under arrest. The Finance Minister should have taken some concrete steps to ensure return of the huge amount of black money lying in the Swiss Bank Accounts despite there being an active demand and the availability of few names of the economic offenders. According to the data provided by the Swiss Bank, India has more black money than the rest of the world combined, with a estimated amount of US $1500bn followed by Russia US $ 470bn, UK $390bn, Ukraine $100bn and China $96bn. Swiss Government has officially written to Indian Government that they are willing to inform the details of holders of RS.70 lakhs crores in their banks if Indian Government officially asks them.

The Finance Minister has shown some favourable attention to the worsening situation of the Agricultural Sector but his sincerity is desired for due implementation of the schemes announced by him for rural micro credit facility and on building rural infrastructure. It is worth noting that the share of agriculture in the GDP has been continuously shrinking since the introduction of reforms in 1991 from 35% to about 15% now and there are about 55% poor people in our country as per the recent Report of UNDP. It is quite absurd to claim that India is the 5th largest economic power in the World after US, China, Japan and Germany when we have such a high percentage of poverty coupled with unemployment and high level of inflation and weak public finance system.

The present composition of GDP consists of Agriculture 15%, Industry 25% and Service sector about 60% and the growth in the respective sector has been 5.4; 8.1 and 9.6 percentage respectively in the fiscal year 201 0-2011. However if we take into consideration the

dependency of population in each segment of economy, We find that Agricultural sector provide the maximum number of employment followed by industry and finally by the services sector although the reverse is the case with the adverse share of income of these sectors as said above. Therefore there is a need to give more legitimate attention to Public investments in the Agriculture Sector and to provide support to the social sector in the form of primary education, health, drinking water and other facilities so that the balance regional and sustainable growth with social justice can be achieved in the society.

The other major area of concern in the post reform period is the continuous rise in the trade account and current account deficit with imported goods dumping in the country and thereby adversely affecting the domestic industry on the one hard and increasing dependence on volatile capital inflow from Foreign Institutional Investors on the other hand. The present current account deficit of 3% of the GDP is an area of concern similar to Pre 1991 BOP crisis level. The Finance Minister has proposed for a comparatively more stable debt inflow in the form of Infrastructure Corporate Bonds by increasing the limit from the present level of US $5 bn to US $25bn by FIIs but it is very unlikely that we shall get debt inflow of this magnitude and therefore we must look into alternative solution to this major problem with some stable capital account inflow in the form of Foreign Direct Investment.

In Conclusion it may be said that the two decades of economic reforms have brought India as an important destination at global level but more needs to be done at local level. ❑❑

Economic Survey 2010-11

Key Indicators

	Data categories and components	Units	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	**GDP and Related Indicators**							
	GDP (current market prices)	Rs crore	3692485	4293672	4986426	5582623[PE]	6550271[QE]	7877947[AE]
	Growth Rate	%	13.9	16.3	16.1	12.0	17.3	20.3
	GDP (factor cost 2004-05 prices)	Rs crore	3254216	3566011	3898958	4162509[PE]	4493743[QE]	4879232[AE]
	Growth Rate	%	9.5	9.6	9.3	6.8	8.0	8.6
	Savings Rate	% of GDP	33.5	34.6	36.9	32.2	33.7	na
	Capital Formation (rate)	% of GDP	34.7	35.7	38.1	34.5	36.5	na
	Per Cap. Net National Income (factor cost at current prices)	Rs	27123	31198	35820	40605	46492	54527
2	**Production**							
	Foodgrains	Mn tonnes	208.6	217.3	230.8	234.5	218.1[a]	232.1[b]
	Index of Industrial Production (growth)	Per cent	8.0	11.9	8.7	3.2	10.5	na
	Electricity Generation (growth)	Per cent	5.2	7.2	6.4	2.8	6.0	na
3	**Prices**							
	Inflation (WPI) (52-week average)	%change	4.3	6.5	4.8	8.0	3.6	9.4[d]
	Inflation CPI (IW) (average)	%change	4.4	6.7	6.2	9.1	12.4	11.0[d]
4	**External Sector**							
	Export Growth (US$)	%change	23.4	22.6	29.0	13.6	-3.5	29.5[e]
	Import Growth (US$)	%change	33.8	24.5	35.5	20.7	-5.0	19.0[e]
	Current Account Balance (CAB)/GDP	Per cent	-1.2	-1.0	-1.3	-2.3	-2.8	na
	Foreign Exchange Reserves	Us$ Bn.	151.6	199.2	309.7	252.0	279.1	297.3[f]
	Average Exchange Rate	Rs/ US$	44.27	45.25	40.26	45.99	47.42	45.68[g]

AE GDP figures for 2010-11 are advance estimates; PE Provisional Estimates QE quick estimates
na not yet available/released for 2009-10
a Final estimates
b Second advance estimates
c The annual growth rates have been recompiled from 2005-06 onwards since the indices have been recompiled from April 04 onwards using new series of WPI for the IIP items reported in value terms.
d Average Apr.-Dec. 2010
e Apr.-Dec. 2010
f as of December 31, 2010
g average exchange rate for 2010-11 (Apr.-Dec. 2010)

Source: http://www.indiabudget.nic.in

Central and South Asian Convergence

With the blessings of US, TAPI countries signed an agreement on December 11, 2010, thereby opening an unprecedented chapter of deep economic cooperation between the Central and South Asian regions likely to stimulate fast economic growth for peoples struggling for improved standard of life, believes **Dr.K.N. Pandita**

The new game on the chess board of international relations is the 'Great Oil Game' manifest in emerging multi-faceted Central and South Asian concord. The two regions are poised for a new relationship based not on despised military alliance but on brisk and vibrant economic cooperation.

Two oil strategies in the region are running parallel to each other. In addition to local actors, big powers, the US, Russia and China, too, have vital stakes in theses strategies.

Central Eurasian hydrocarbon deposits may become the arbiter of unresolved disputes bedeviling bilateral or multilateral relationship among the states in the regions. Mutual acrimony may fade away making known a prospect of economic boom.

Central Asian Republic of Turkmenistan is desperately seeking markets for its huge gas deposits in Daultabad gas field close to Afghan border with a capacity of exporting 230 billion cms a year by 2030. Its traditional annual export of 70 billion cubic meters came down to 40 bcm in 2010 owing to world economic recession and reduced imports by the Russian Federation. Apart from Daultabad, Turkmenistan has another gas field at Yolton, 350 km southwest of capital Ashkhabad. This field is said to be one of the world's largest gas fields holding 4-14 trillion cbm of natural gas. In December 2009, Turkmenistan awarded contracts to the tune of 9.7 billion dollars to China, UAE and South Korea for the development of this gas field.

Western mega oil cartels have been eyeing these vast resources for quite some time. First the Spanish oil cartel Bridas, and then the US giant Unocal even conducted a billion dollar survey of a viable route for transportation of Daulatabad gas eastward across Afghanistan and Pakistan to India.

Blue prints of two trans-border gas pipeline projects called Iran-Pakistan-India (IPA) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) projects lay spread on the table. Countries involved are deeply engrossed in a discourse on the pros and cons of each project within the parameters of their national and international policy.

Given her traditional big power rivalry with Russia — a dominant influence in Central Asian region — and acrimonious relations with roguish Iran that is aspiring to be a nuclear power, the US Central Asian energy policy hinges on two basic perceptions viz. not to let pipelines pass through their territories and not to let them pocket enormous transit fee.

Washington brought pressure on both India and Pakistan to abandon the IPI while envisioning for itself conceivable strategic mileage from the TAPI if it became functional. At the end of the day,

India buckled but Pakistan dovetailed the project to a new dimension that replaced India with China proposing extension of gas pipeline to Xingjian along Karakoram Highway. Some commentators connect India's distancing from IPI with Indo-US civilian nuclear deal. This could also be the reason for Iran to unusually raise Kashmir tantrum in recent months.

With the blessings of US, TAPI countries signed an agreement on December 11, 2010, thereby opening an unprecedented chapter of deep economic cooperation between the Central and South Asian regions likely to stimulate fast economic growth for peoples struggling for improved standard of life.

TAPI 2000 km long pipeline costing 7.6 billion dollars will cover 735 kms in Afghanistan and 800 kms in Pakistan to reach the Indian border. India and Pakistan would be buying around 70 billion cm of gas a year. The US has lined up Asian Development Bank for funding the project and International Consortium will undertake construction of the pipeline. The route will be Daultabad- Harat – Kandahar – Quetta – Multan – Fazilka and India with an artery forking from Quetta to Gawadar sea port on Makran coast for export of Turkmen gas to Western countries.

Realizing the strategic importance of the TAPI pipeline to US' interest in the region, and the eagerness of Turkmen President Berdymohammadov to export gas to the big market eastward, the US wants the project to move forward with full steam. It legitimizes her presence in the region.

It is learnt that the presence of the Americans and NATO in Afghanistan would facilitate entrusting the security of the pipeline within Afghan territory to local tribal chiefs and their affiliates. Some portions may be laid underground as security measure. TAPI project is scheduled to become operational by 2013-14, the year by which the US would be marching out of Afghanistan.

India and Pakistan would be importing around 1325 million cbm of gas per day. India being at the tail-end will be paying hefty transit fee to Pakistan. However, India and Turkmenistan will negotiate the price of the gas bilaterally without any obligation of relating it to deals with other partners.

Apart from providing strong economic stimulus to the countries concerned, the deal has far deeper strategic implications for the entire region. It may prove a stabilizing factor among the neighbours who have been haunted for long by mutual mistrust and acrimony. Pakistan could achieve a new and different sobriquet: from "the most aligned ally" to "US Gateway to Central Asia". It could also prompt the US for providing Pakistan a better deal to overcome her economic crunch. Moreover, American presence in and around Pakistan would not be resented as fiercely as is being done at present. Extended pipeline to Gawadar port, wherefrom gas would be carried by tankers to the western world, would also enhance Pakistan's strategic importance to European Union.

India, though nearing self sufficiency in indigenous gas, has more than one interest in becoming stakeholder of TAPI. There are powerful Indian business interests in petrochemical industry. Four governments signing the deal have agreed

India, though nearing self sufficiency in indigenous gas, has more than one interest in becoming stakeholder of TAPI.

to outsource execution and management of 7.6 billion dollar project. This means big potential for employment and services. Speaking on the occasion of signing the deal, Indian minister Murli Deora said that India was at the tail-end of the pipeline and thus was incurring maximum risks. Prime Minister Manmohan Singh said that it was the pipeline of peace in the region. It answers to India's quest for access to Central Asia. Policy planners think that the mega deal may induce Pakistan do course correction in regard to her Indian policy.

US policy planners take some solace that the project could help build consensus of opinion between India and Pakistan over relations with Afghanistan. Further, we know that India and Pakistan are back to Track II diplomacy for resolution of Kashmir tangle. Pakistan has been holding back, at least to some extent, prompting of armed insurgency in Kashmir. The volatility of Kashmir Valley during the last summer has subsided at present. Next round of Indo-Pak talks is in the offing. If this has any meaning for the parties, then the Kashmir issue comes into focus as the work of laying pipeline gains momentum. From Fazilka, an artery of the TAPI could shoot out to Northern India tail ending in Kashmir. ❑❑

(The writer is the former Director of the Centre of Central Asian Studies, University of Kashmir)

Global crisis is brewing

The developed countries are now mired in the double problem of debt and inflation. This policy would have been successful if a major technological innovation-say, a personal helicopter-had happened. The same policy has become their undoing in absence of such innovation. **Dr Bharat Jhunjhunwala**

The World Bank has estimated in the recently released 'Global Economic Prospects' report that the growth rate of developed countries is likely to increase from present 2.2 percent to 2.5 percent in 2012. Growth rate of the developing countries is likely to remain firm at the respectable 6 percent. The Bank, in the same breath, has cautioned that the problem of government debt of the developed countries can become dangerous. Other analysts have expressed concern that inflation in the developed countries can become a major problem. We thus have two contradictory scenarios before us. Economic growth rate is slated to rise but debt and inflation problems loom on the horizon. The question is which of these tendencies will be dominant?

We must examine the reasons of the global economic crisis of the last three years in order to unravel this question. The developed countries were growing robust before the crisis hit in 2008. Wages of their workers were high. An unskilled worker in the United States earns about Rs 4,000 a-day against Rs 300 earned by his Indian counterpart. People of the developed countries were consuming large amount of goods on the back of these high incomes. Developing countries were supplying goods for their consumption-China was supplying footwear, toys and electronics while India was supplying basmati rice and software. New technological developments like personal computer, internet and hybrid cars were being commercialized by the developed countries. The developed countries were earning huge amounts by selling these high-tech goods to the developing countries. They were paying high wages to their workers on the strength of these incomes.

This happy circumstance of the developed countries has come under severe pressure during the last few years because commercially profitable advanced technologies have been few and far apart, if at all. The last such technology, perhaps, was the internet. No major profitable technology has been developed thereafter. The problem has been further aggravated by the developed countries speedily transferring their advanced technologies to the developing countries through Foreign Direct Investment. Hybrid cars, for example, are now being manufactured in India. The special advantage enjoyed by the developed countries has, therefore, eroded. Developing countries are producing the same goods as them cheap because the wages are low. Result was migration of entire industries to the developing countries. Textile mills, for example, have totally closed

down in the United States. Financial and software services are also being increasingly outsourced to the developing countries. The developed countries have little left to compete with in the global markets. They are being forced to reduce the wages of their workers as seen in the recently concluded agreement entered into by General Motors with its workers. These wages will have to decline much more for the developed countries to reestablish their competitiveness vis-à-vis the developing countries in the global markets. This lack of new technological innovations and the consequent reduction in incomes of the developed countries is the fundamental reason of the global economic crisis of the last three years.

Leaders of the developed countries have failed to grasp this underlying tendency of wage reduction. They thought that they will be able to maintain their competitiveness on the strength of new technologies or better management and infrastructure. It is doubtful if such will happen. The developing countries are fast imbibing advanced management practices and making first class infrastructure. One sees no difference whatsoever between Heathrow and IGI Terminal 3 airports.

The developing countries ignored their lack of competitiveness at their peril. They anticipated that somehow their incomes will rise again. They implemented huge stimulus packages and encouraged people to continue with their high levels of consumption. They borrowed heavily from the world financial markets for providing loans to their people. They also loosened the purse strings. They printed notes to support the already bloated government expenditures. They printed more money to make up for the tax cuts given in the stimulus packages. This printing of money has led to inflation. The developed countries are now mired in the double problem of debt and inflation. This policy would have been successful if a major technological innovation-say, a personal helicopter-had happened. The same policy has become their undoing in absence of such innovation.

The outlook for 2011 can be made on this background. The pressure on wages in the United States and United Kingdom will persist. They will have to withdraw their stimulus packages because of increasing inflation and debt. This withdrawal will further exacerbate the downward pressure on wages. Citizens will be up in arms. These countries will have to adopt protectionist policies. But this will not provide them much relief because they are dependent on imports of textiles, oil, food and minerals from the developing countries. This will push them into a deeper crisis. The unanswered question is exactly when the withdrawal of the stimulus package will begin. It is possible this may happen in 2012. In that case situation in 2011 will remain as it is.

Problems of Europe are deeper. United States and United Kingdom have allowed the wages of their workers to decline in tandem with global pressures. Mainland Europe has done less of this. As a result their economies are being eaten away from the inside as seen in the crises of Greece, Ireland and Portugal. It is likely that this problem will make inroads in the leading countries of Germany and France. This will put the very existence of the European Union at stake as countries clamour to find and implement different solutions to their predicament. It must be repeated that this scenario may unfold in 2012, not in 2011.

The developing countries ignored their lack of competitiveness at their peril.

Situation of China, India and other developing countries will be, relatively speaking, better. They will face two opposite pressures. Deepening crisis in the developed countries will push them down. Foreign capital may frighten and seek to fly back. Exports of the developing countries will be down. On the opposite side, there will be a positive impact. Their goods will become more competitive in the world markets as the stimulus packages in the developed countries are whittled down. The price of a car made in the United States has been lowered, for example, by the soft loans provided by the U.S. Government under the stimulus package. Withdrawal of the stimulus package will make the goods produced by developed countries expensive and thereby improve the competitiveness of the developing countries. This positive impact will be somewhat mellowed by the adoption of protectionist policies in the developed countries. But the fundamental tendency will be of improved competitiveness of the developing countries.

In conclusion the outlook for the developed countries is negative for 2011 while that for the developing countries is positive. ❑❑

M. P. Govt's Revolutionary Decision to Help Farmers

The historic decision of the Madhya Pradesh government to extend help and save farming community from the clutches of moneylenders and falsehood of insurance against the natural calamities is required at the national level, says **D. G. Bokare**

The Madhya Pradesh Government has shown a way to all, including the central government, by taking a bold decision to save the farming community of the State by announcing many measures on 15th January 2011. This is for the first time that any state government has come forward to take the cognizance of farmers' age old difficulties and miserable conditions of living. The farmers have started coming together in organized way only since 1970s to rightfully demand what they needed to survive since almost over sixty percent of our population live in rural areas and have no one to sincerely look at their problems to make them to lead a life of peace and prosperity. Cotton Growers Association (kapas utpadak Sangh) was established in Nagpur some time in 1967 under the leadership of Dr. M. G. Bokare along with some leading persons from Vidarbha region to fight for the cause of farmers. Subsequently it spread to other states in north and south India.

All the governments since our independence from the British rule have never bothered to look after the prime activity of our people i.e. the agriculture. Instead they have been taking pleasure to support the industry sector representing only the monopoly activities. The farming activity is always having a curse of the Nature, floods, droughts, vanishing jungles, etc have made the life of farming community uneconomical and with full of poverty. Local money lenders have been exploiting the poor and illiterate people from the rural areas for ages. The government has never tried seriously to provide banking network, provision of loans, fertilizers and tools and equipment; but the same could not abolish the bankruptcy. Governments have also never bothered to uplift the farmers by declaring cost plus profit support prices for the farm produce. This would have solved many problems of farming community by now. They would not have thought of committing suicides in large number. Still the government machinery does not care for this vital sector. Instead it constantly supports industrialists notwithstanding their attitude to avoid taxes and create black money economy.

Today the whole world is seriously facing food safety problem due to climate change and also the exponential growth in population. Present population is

around 650 crores. The experts are projecting that it would touch about 900 crores by middle of this century. This would put the pressure on food supplies throughout the world. This additional population is bound to be from Africa and Asia. The pressure would naturally be on farm sector of these two continents. The food supply pressure is already being felt by millions of poor people from these two continents. In this position, the farm sector has to be given top priority in the government planning and programmes. Today's attitude and biased mind of India's government machinery does not give that confidence to the farming community. At Davos meeting of World Economic Forum started from 27th January, 2011, the world leaders have warned that rising food prices stoking unrest and even war. Recent street protests in Egypt are cited in support of the present alarming situation across the world.

Shortage of food will stoke inflation in all parts of the world. Such signals are presently available even in India. Despite Reserve Bank's monetary strategies, the inflation is still not being tamed. This raises a question about the relation of money supply and inflation. In present capitalist economic systems, the monopoly sector is basically responsible for inflation. It has a tendency of hoarding the essential items of consumption. As such, its intentional price rise can never be dictated by monetary policies of Reserve Bank. This is witnessed by us particularly in the past six months when Reserve Bank started its disco dancing by reducing and increasing money supply in the economy. The solution lies in the hands of farming community. The farming sector is having the capacity and capability to increase food production if the community is enjoying comfortable living and positive support from the government machinery all the time. It is sad to say that this is not forthcoming.

In this background, the government of Madhya Pradesh has come out with bold mind to extend help and save farming community from the clutches of moneylenders and falsehood of insurance against the natural calamities. This alone will give comforts to the farmers of the state. This exactly is required at the national level. The policy decision announced by the state government has no parallel in our post-independence history of agricultural activities. It is a revolution of a kind. This is just a starting of the measures in right direction. Let us look at the major decisions announced by the Chief Minister of the State:

1. Interest on loans- Interest means exploitation. Holy Vedas has criticized excessive charging of interest by moneylenders. This practice of charging interest is with us most prominently through the capitalist economic system. The government has decided to give loans to farmers at just one percent per annum from the coming financial year. The loans taken by farmers earlier but could not repay due to natural calamities in the recent past, need not be repaid this year. The loss of interest on this loan will be borne fully by the government. The repayment of loans could be repaid next year if the nature is kind. The CM has also clarified that shortage of funds will not be a constraint for this purpose. If by any chance, the state finds it difficult

Governments have never bothered to uplift the farmers by declaring cost plus profit support prices for the farm produce.

to mobilize the funds in normal way; his government would divert funds from its other developmental projects. This shows the sincere commitment of the state to the purpose.

2. The interest on the future loans from the third year will be only three percent per annum. The decision for future loans would be taken soon to formulate a standard policy of the state. This rate could be even lower than decided now. (In my opinion, the government should think of bringing down the rate to zero for creating positive atmosphere and also generating employment).

3. Loans taken from unregistered moneylenders need not be repaid at all by the farmers. The government will initiate steps to bring all these unregistered moneylenders to justice and ensure due punishment. Details of all such moneylenders are expected from the farmers. The government also will make necessary laws, if required, to tackle this problem permanently.

4. Due to climate change, natural calamities are bound to increase in future. Such calamities are beyond the control of the farming community. Why then the losses to be borne by them in such cases? The government has decided to suitably compensate as per crop basis all the farmers having suffered more than fifty percent as well as less than fifty percent but more than 25% damages. The rates vary between Rs. 6,400 and Rs. 11,000. It is also praiseworthy to pay Rs. 350/- per fruit tree for the losses.

How not to compensate the losses suffered by farmers by taking advantage of intentionally kept loopholes is the rule of the game of insurance companies.

5. Similarly, insurance is a game of hide and seek between farmers and insurance companies. How not to compensate the losses suffered by farmers and taking advantage of intentionally kept loopholes is the rule of the game of insurance companies. The state government has decided to insure all the crops. Compensation of crop failure would be as per damage of each crop of a farmer instead of damages suffered by the farmers of that area or village as a whole. This is a unique way of assuring the farmers about the compensation. The government will make arrangement to assess the losses by deploying the government personnel.

I am sure that this is just a beginning of such revolutionary policy decisions of the state government. This is what is expected from the central and state governments across the country. We must congratulate the government of Madhya Pradesh and more particularly the CM for such a path breaking policy decision. The result of lower interest rates is directly related to the abolition of money-lending class as a whole. Moneylenders can never compete with the state at these rates. Secondly, the exploitation of farmers by some insurance companies would end as the government itself is taking care of this aspect of farming activity. In reality, food, water and capital are the basic needs of any citizens to lead a decent life with his family. These, unfortunately, have been handed over to the private sharks by the government as a part of capitalist economic system. This is pure and simple avoidance of own responsibility towards its own citizens by the government. Farmers from other states should now take a clue from this bold decision to pressurize their own state governments to imitate and, if possible, to improve further in this respect. Farmers have to organize themselves at national level to protect their living. Today, we need to have such decisions for the entire nation for achieving steady and real progress of our economy and people. This is a kind of parallel economic activity started by one state government in the background of crisis in capitalist economic systems. ❑❑

Indians have Rs. 500 lakh crore black money: **Ramdev**

Looters in high posts should be prosecuted and the money looted by them should be taken back, says Yoga Guru Baba Ramdev. Continuing his tirade against corruption, he said if brought back, the huge amount of black money could change the economy of the country. black money to the tune of Rs. 500 lakh crore was stashed by Indians in foreign banks claims **Baba Ramdev.**

"The finance minister in his budget speech was categorical in admitting that black money and corruption were the two major concerns for the country. But the steps he pledged to take are not sufficient," he told a huge gathering in a rally held in Ramleela ground Delhi. Inspite of efforts of some corrupt people to fill water in Ramleela Maidan to create hurdles for the rally and more than 100 busses being stopped at Delhi borders because of space shortage issues the rally was conducted successfully .

He also questioned the rationale behind existence of branches of four Swiss banks and eight Italian banks in the country, and asked, "Who are the people who keep money in these banks? Of course, it is not the common man." "Unless exemplary punishment is given to these looters, such corrupt practices will continue," Baba added.

Baba Ramdev further alleged that the lawmakers themselves do not follow the law of the land, he said, "80 per cent of the budget is non-plan expenditure, while 20 per cent is for planned expenditure which is for developmental projects. Of this 20 per cent, 80 per cent is goes into corruption and the remaining little is spent for development."

On bills like the Right to Education (RTE), he said "When the country has a shortage of 20 lakh teachers, what can the RTE do in improving the education scenario?"

Following are the highlights of a 45 minute fiery speech given by Baba Ramdev which covers a long list of conspiracies our nation is facing:

1. Rs. 400 lakh crore black money in our economy – Our economy has a huge amount of black money. Rs. 300 lakh crore being stashed away in tax havens and Rs.100 lakh crore being in internal circulation. The government is not doing anything to stop this or to get back the money stashed in swiss banks. This is a massive amount which means that every family in this country would get Rs. 2.5 lakh. Each jila can get Rs. 50,000-60,000 crore for development. Each village would get Rs. 100 crore. It could take our country ahead of many developed nations overnight.

2. Rs. 10,000 lakh crore national resources at risk – Our country has 89 types of minerals and the known reserves of these 89 minerals are worth Rs. 10,000 lakh crore which is at a huge risk. The Government has granted licenses to only 200 companies whereas in reality more than 1 lakh people are mining the resources and illegally generating wealth and black money. If this is not stopped our country could lose a massive amount of natural

resources reserves.

In this natural resource reserve we have iron reserves worth Rs. 550 lakh crore and coal reserves worth Rs.950 lakh crore which are being deppleted at a very fast pace by illegal miners.

3. Huge money in circulation – We have Rs. 10 lakh crore of money in circulation which is more than 15% of our GDP. What is so much money doing in our economy ? This is nothing but to facilitate the black money economy. In US, UK, Canada there is a money circulation of only 3% of the GDP. Hence if the money circulation in our country is Rs.10 lakh crore then our GDP should be approximately Rs. 330 lakh crore instead of Rs. 60 lakh crore. So where is the rest of the GDP ? The answer is black money and the location is Swiss Banks.

4. Massive amount of high denomination notes in the economy – In this money circulation of Rs. 10 lakh crore 30% of the money is in Rs.1000 denomination. What is such a massive amount of high denomination note doing in the circulation when 80% of our country gets only Rs.20 to spend per day ? The amount of Rs.1000 notes in the circulation was 1.8% in 2001 which has been cunningly raised to a massive figure of 30% for no logical reason in a period of just 10 years. This is doing nothing but helping in easy transporation of black money in form of cash. Hence the government should recall all high denomination notes instantly.

5. Corruption eating national spending – The government has made budgets worth Rs.200 lakh crore in the past. This is a huge sum of money. But can we see anything ? Former Prime Minister Rajiv Gandhi had said that only 10%-15% of the money spent on the nation reaches the people, the rest is engulfed by corruption. Then why is the government not doing anything against it?

6. Huge amount of scams – The 2G spectrum scam alone is worth Rs. 1.76 lakh crore. That is equivalent to 25% of the annual budget of our country. And what is the govt. doing ? NOTHING.

7. No punishment for the corrupt – There is not punishment for the corrupt in our country. The government is only claiming to punish the corrupt but WHERE IS THE PUNISHMENT ? The maximum a corrupt person gets is a imprisonment of 2-3 months or if its a huge corruption case then upto 3 years. But even then no one is actually caught because of the corruption in the judicial system and the massive amounts of cases pending in the courts.

8. British Laws still being followed – According to the constitution of India if a person like Binayak Sen speaks against the Government its considered to be National Betrayal and the person is imprisoned. This law was made by the Britishers to suppress any form of voice against the British government but sadly this law continues to reside in the constitution of India. If the Government is corrupt you cannot raise a voice against them, it will be treated as national betrayal. Voice against the governemnt is betrayal but actions of corruption agaisnt the nation is NOT national betrayal. If you speak against the nation you are safe. If you speak against corrupt government you will be imprisoned. This is what the Constituion of India says.

9. Government turning into property dealers – Huge scame of immoral land acquisitions are going on everywhere. in U.P. 2 km wide fertile lands are being acquired for building a road for Rs.20 lakhs and are being sold at the rate of Rs. 5 crore by the government. What is the government doing ? Buying land from farmers and turning it into waste be feeding it with harsh chemicals and selling it to people for such massive profits ? Why has the government turned into property dealers ?

10. Operation of Swiss and Italy Banks – Why are 8 Italy banks and 4 Swiss Banks like UBS being allowed to operating here ? When no common man has accounts in these banks why are these banks being permitted to operate in our country when its a known fact that these banks come from tax havens? The answer is obvious. They are allowed here to facilitate easy transfer of black money to tax havens from our country.

11. Demoralization of the youth – 450+ government schemes are running and gloryfying just 1 family. No schemes are named on krantikaris like Bhagat Singh or Chandrashekhar Azad. People who sing songs get national awards like Padmashree which is fine. But people who have died for our country do not get anything. This is a cunning conspiracy to not allow development of nationalistic and independent idealogies in the students and youth. Huge money is spent just to glorify 1 family as if they are the only people who work for our country. ❑❑

Follow Swadeshi Economic Model for Complete Development of Nation: **Arun Ojha**

Sh. Arun Ojha speaking in Swadeshi Sankalpit Parivar Mahasangam.

A grand "Swadeshi Sankalpit Parivar Mahasangam" was organized by Swadeshi Jagaran Manch Bhilwara in Chitrkoot Dham on Republic day. Several thousands families from over 200 places representing about 57 communities participated in this unprecedented congregation. National convener of SJM Sh. Arun Ojha was the main speaker and Sh. Jayanti Lal Jain national secretary of Bharatiya Mazdoor Sangh was the chief guest. Dr. Mahesh Chandra Sharma, former State President of Rajasthan BJP presided over the Mahasangam. Sh. Anil Baldwa and Dr. Shyam Sunder Bhatt (Retd.) Principal were the guests of honour.

Speaking on the occasion Sh. Arun Ojha described "family" as the backbone of Indian economy. When majority of India families decide to abide by swadeshi way of life India will become economically independent and self reliant. Family system that exists for centuries in India is capable of taking us ahead of developed countries like USA & Europe. Not only is the 'family' as a unit economically tenable but is the great trainer of global fraternity and coexistence.

Dr. Mahesh Chadan Sharma highlighted the unparalleled achievements of India in the fields of science and knowledge. "We have been unable to understand importance of the achievements of our ancestors and hence could not make rest of the world realize our advancement in these fields", he regretted. These days when our younger generation is being imparted education based on "West is best" model, it is the family alone that can connect it with Indian civilization, he added. Chief guest Sh. Jayanti Lal Jain stressed the need for adopting swadeshi in day to day life. Guest of honour Dr. Bhatt was of the opinion that holding such a Mahasangam in Bhilwara, the place that prides itself in being a confabulation of farming, mining and industry will go a long way in strengthening Swadeshi sentiment in the area.

Dr. Rajkumar Chaturvedi, state convener gave a brief back ground of the programme. He spoke about the concept of "Asht-Bandhow". Such impressive function have already been held in HP, Kerala, MP and Tamil Nadu, he said. It was decided to constitute. "Maitri Swadeshi Sehkar Kendra in immediate future.

An entertaining cultural programme was another attraction of the event. Titled "Bhilwara Gorav", "Mewar Gorav", "Rajasthan Gorav", "Bharat Gorav" & "Swadeshi Gorav" this was a combination of dance, music, skit and traditional folk dance.

More than 10,000 people from around 5000 families participated in this "Mahasangam", Dr. Kashmir Bhat conducted the programme very effectively.

A view of the huge gathering

Entire arrangements were taken care of by local Swadeshi Karikarta's like Mahesh Nehwal, Bhuvnesh Chaturvedi, Madhav Singh, Dr. BL Jagotia, Omprakash Lieoda, Ramkumar Trivedi, Nanoo Ram, Kailash Jinger, Sawan Kumar, Jargid, Dr. Santoshanand Ravinder Jajju, Satya Prakash Gagged, Suresh Parikh and others from Gangapur, Chittorgarh, Raipur, Sholapur, Baingoo, Aasind, Sawaipur and Mandegarh.

The entire event was an impressive show of inclusiveness and equality distunctions of caste, colour creed dissolved completely. It was an integral human united in every respect. Amazing atmosphere was created by 101 women from families of Nobel international, Bharat Vikas Parishad, SJM & Kerala, MP and dressed in sarees of Tri-colour singing National song "Vandematram". ❑❑

We and the Black Money stashed abroad

SJM Bareilly unit organized a seminar on the above subject in the urban co-operative bank auditorium. All the prominent people of the town were present in the panel discussion. The function begin with the garlanding of the portraits of Mahatma Gandhi and Babu Genu, the eternal swadeshi icons. Introducing the subject Dr. Chander Mohan, zonal convener SJM, said that these public awareness programmes are not merely preparing people for protests. It is an issue of national pride and self reliance and countrymen will have to fight it for themselves. We need to introspect and find out the reasons for generation of such a huge amount of black money and how it is finding its way into foreign banks, he added. He also said that way to get it back is also to be found.

Special invitee CA Shri Kumar Aggarwal, while speaking asserted that black money exists and government is aware of its existence, still it is not ready to take any action. Even G-7 summit had decided to expose names having accounts in tax heavens. But in our country people involved in this public loot are not allowing any action to be taken, he continued. Figures being quoted suggest that if this black money is brought back our economy will get a big boost and we will not remain a poor or developing country but will become a developed nation.

Dr. Chandermohan Sharma, Dr. Mahesh Chander Sharma, Sh. Santosh Gangwar & others on dais.

Main speaker, thinker, philosopher and former member of parliament, Dr. Mahesh Chandra Sharma said that it is believed that 500 billion rupees are deposited illegally in these banks. Swiss bank is not the only place where the black money is kept. There are seven tax heaven, he added. We need to have a look at why in first place this black money gets created. Then why it is kept in foreign banks and what implications it has for our money flow. The developed west is using same money to capture our market, he added. For achieving this objective they interfere in political activity and create instability world over. If USA and Europe is asked to mind its own business their economies will callapse immediately Dr. Mahesh Sharma said. He asserted that people of this country must ask why our money went abroad. Every Indian irrespective of colour, caste, religious faith and political affiliation must ask this question and it must become talk of the day so as to make it an issue strong enough to force the government to take required action to bring the money back before next elections. SJM appeals youth of the country to spread the message through every available means of communication and take it to every untouched person. This is the only way to bring back the golden wings of golden sparrow former minister Santosh Gangwar presided over the function. He reminded people that in 2009 elections UPA-II had promised to bring back black money within 100 days. But inspite of orders from Supreme Court govt. has not even named the people who have money in these tax heavens. Why is government so helpless and waiting for public agitation to act upon, he asked?

Chairman of Sidhi Vinayak institute Sh. Anupam Kapoor thanked SJM for organizing such an informative programme in Bareilly. Manish Aggarwal asked youth to come forward and force government to act properly otherwise people like Nira Radia, A. Raja, Suresh Kalamadi will continue to misuse power and youth will continue to suffer unemployment. ❑❑

Vanvasi Kissan Panchayat

Gudda (Chhattisgarh)

SJM organized an impressive and effective Tribal farmer's Panchyat in Kowdav of Gudda block in Chattisgarh. The "Vanvasi Kissan Panchayat" was formally inaugurated by Sh. Arun Ojha, National Convener SJM, Sh. Muralidhar Rao, National Secretary BJP and former National Convener SJM. Zonal Joint Convener of SJM Sh. Dinesh Mandal and Chairperson of the Panchayat Ladli Mohan Jha were also present.

Sh. Muralidhar Rao addressing the Vanvasi Kissan Panchayat

These Swadeshi leaders also garlanded the portraits of Bharat Mata, Siddhu Kanha, Mahatma Gandhi and Dattopant Thengadi. Lifesize portrait of Baijal Baba were also garlanded. Speaking on the occasion Arun Ojha ji asked the participants to be ready for the struggle for economic freedom. The country has been pushed into economic subjugation, he added. Vanvasi brothers, sisters will have to take a lead and follow the path of Tilakmanjhi, Sidhu Kanha, Baijal Murmu, Birsa Munda and Bhagirath Baba to ensure happiness in the homes of farmers and labourers, Arun ji continued. Expressing anger over the anti poor role of the government, Sh. Arun Ojha said that Indian market has been captured by MNC's as a result of this policy. He asked the government to have agreement with other countries on the basis of equality and reciprocity not surrender national interest.

Tribal farmers in traditional dance.

Addressing the huge gathering of Tribal farmers Sh. Muralidhar Rao said that the government is making policies centred around 5% population of the country while 95% are pushed to margins. He said that tribal heros like Sidhu Kanha and Baijal Baba sacrificed their lives for freedom and protection of land and forests. They lead the struggle for the rights of Tribal people of Sunderpahadi and Gudda. But outsiders are taking the benefit of this freedom while Tribals continue to be a deprived lot. Real freedom is for city-dweller capitalists of Mumbai and Delhi and Tribal formers are not able to get even the farm loans. Rulers living in cities don't want to provide basic facilities like electricity to these people, he added. ❑❑

Verdict on Thomas biggest blow to government: BJP

BJP termed the Supreme Court's decision to set aside the appointment of PJ Thomas as central vigilance commissioner (CVC) "historic" and the "biggest blow" to the central government. "This is the biggest blow to the United Progressive Alliance (UPA) government, Prime Minister Manmohan Singh, UPA chairperson Sonia Gandhi and the Congress government," BJP leader Rajiv Pratap Rudy told reporters.

The apex court struck down the appointment of Thomas for his alleged involvement in a corruption case, six months after he was appointed to the post.

"Today, in a historic decision, the CVC appointment by the union government has been struck down. This also vindicates the BJP position, more so the position taken by the Leader of Opposition Sushma Swaraj who had opposed the appointment then on the same ground on which the Supreme Court has struck it down," he said. The larger issue is that the government is part of all the corruption, Rudy alleged. ❑

SC pulls up Centre on Hasan Ali case

The Supreme Court has questioned the government over the progress made into investigations on Hasan Ali, the main accused in the multi-billion-dollar money laundering and tax evasion case. "What is in the way of taking action against Hasan Ali," the court questioned the Centre. "How many years will investigations continue against Ali?" it added. The court said the matter was serious and it did not want any delay.

The Supreme Court wanted to know why custodial interrogation of Hasan Ali and other alleged black money launderers had not taken place yet. The apex court also ordered forthwith reinstatement of three key ED officials allegedly transferred midway into the probe in a case of foreign exchange law violation by the Pune businessman Hasan Ali Khan. A bench of justices B Sudershan Reddy and S S Nijjar also indicated that if the government fails to act, it would be compelled to appoint a special officer for supervising the probe against the offenders, PTI reported.

'Raja used wife's a/c to stash bribe money in Mauritius and Seychelles'

The CBI is believed to have gathered evidence of former telecom minister A Raja using his wife's bank accounts in Mauritius and Seychelles to deposit part of the Rs 3,000 crore bribe he allegedly took for favouring telecom companies with 2G spectrum.

Media reports quoting CBI sources said that in response to letters rogatory (LRs), authorities in both the island countries have provided the agency with details which confirm a quid pro quo between Raja and the telcom companies that were helped by him to jump the queue for spectrum, in contravention of the first-come first-served policy.

The LRs were sent soon after the CBI lodged an FIR in October 2009 on the spectrum scan, and much before Supreme Court started probing its investigation into the alleged swindle.

Sources in the ED, whose work has been appreciated by the SC, said that the scam money invested in little known companies in these countries has been routed back either as foreign direct investment (FDI) or as payoffs.

India resumes payments to Iran for crude oil imports

India has resumed payments to Iran for the crude oil being purchased after putting in place an alternative system of routing money through a German bank, putting an end to the oil payment crisis. "Pending dues of National Iranian Oil Company (NIOC) are now being cleared and as on March 1, 2011, payment of euro 1.5 billion has been made to the Central Bank of Iran," Petroleum and Natural Gas Minister S. Jaipal Reddy informed the Lok Sabha in a written reply. The Reserve Bank of India in December last stopped use of a long-standing clearing mechanism of the Asian Clearing Union (ACU) for payments.

After prolonged negotiations, India had last month decided to pay for the Iranian oil using euro through German-based Europisch-Iranische Handelsbank AG (EIH Bank)."Consequent to the withdrawal of the ACU mechanism by the RBI with effect from December 23, 2010, all payments to Iran for imports of crude oil have to be settled in any permitted currency outside the ACU mechanism," Mr. Reddy said. India imports 12 million barrels of crude oil

Centre recognises political grievances of Kashmiris: PM

Prime Minister Manmohan Singh said the Centre recognises the genuine political and emotional grievances of the people of Jammu and Kashmir and was willing to discuss all issues that have a bearing on the peace and dignity of the people under a constitutional framework. "We will always keep the interest of people of Jammu and Kashmir in our minds. We are willing to discuss all issues that have bearing on peace, dignity and well-being of the people of Jammu and Kashmir," he said speaking at the convocation ceremony of the Sher-e-Kashmir Institute of Sciences and Technology in Jammu.

"There is no way forward but a sustained dialogue and resolution of all problems under a constitutional framework that I believe has the flexibility to accommodate honourable and durable solutions for all", he said. Referring to the initiative taken by the Centre in J&K, the Prime Minister said the visit of an all-party delegation to the state last year was intended at bringing about a national consensus on some important problems. The problems of Jammu and Kashmir are complex and each region of the state - whether it is Kashmir, Jammu or Ladakh- have their own problems which require attention, he said.

The Prime Minister said a group of interlocutors was appointed to facilitate a continuous dialogue with all sections of the people in the state. Regarding development in J&K, he said, "As a part of our efforts to promote balanced development of Jammu and Kashmir, the Centre has set up special Task Forces on Jammu and Ladakh regions". ❑

every month from Iran, which is the nation's second-largest supplier after Saudi Arabia.

After the scrapping of the ACU, Iran, which makes up for over 12 per cent of India's oil needs, as a gesture of goodwill, continued to supply oil to Indian oil companies on credit despite the outstanding having run to a staggering $4 billion.

GST implementation may be delayed beyond April 2012

With a consensus nowhere in sight, the Central Government admitted that it might not be possible to roll out the Goods and Services Tax (GST) from April 2012, as implementation of the new indirect tax regime would require the nod from all the States.Speaking at a CII post-Budget interaction, Revenue Secretary Sunil Mitra said: "...the [GST] legislation cannot be voted upon until the ratification is completed...there may be problem on the time factor [April 1, 2012]".

Ideally, the government would have liked to usher in the GST along with the roll-out of the Direct Taxes Code (DTC) from April 1, 2012. The current position is that while the Centre has been engaged in discussions with the states for the last four years over the modalities of implementation of the GST, the necessary Constitution Amendment Bill is slated for tabling in Parliament during the current session. Explaining the reason for delay, Mr. Mitra said: "Even if the constitutional amendment goes in now, practically it would be referred to the Standing Committee for examination". Following that, if the Standing Committee gives its suggestion towards the end of the winter session, the government can then present it for voting in Parliament, earliest in the next budget Session. "...once it is voted in Parliament, it has to go for ratification of 50 per cent states, that will take some time," he said.

MAT on SEZs surprises Com Min

Expressing "surprise" at the Budget proposal to impose Minimum Alternate Tax on SEZ developers, Commerce and Industry Minister Anand Sharma says he has voiced his concerns to Finance Minister Pranab Mukherjee as the move would impact these projects. Mukherjee has proposed to levy Minimum Alternate Tax (MAT) of 18.5 per cent on the book profits of Special Economic Zone developers and units.

The changes in the tax rate would be effective April, 2012.Both developers, as well as units in the tax-free enclaves, were earlier exempted from MAT under Section 115 JB of the Income Tax Act.The minister was surprised because MAT was scheduled to be imposed on SEZs when the Direct Taxes Code (DTC) is rolled next year.

He, however, said that the Finance Minister has assured him that the benefits and concessions that were available to the developers until 2012 and units until 2014 will be there. ❑❑

Counterfeit money flooding India from Pak: US report

Counterfeit currency is flooding into India from Pakistan and terrorist and criminal networks are using this money to finance their activities in the country, an official US report has said.

Warning that burgeoning black money, remittance systems and porous border were triggering money laundering at an alarming pace, the International Narcotics Control Strategy of the State Department in its 2011 report said the Indian government should facilitate development of alternative money transfer services including mobile banking.

The report said because of prevalence of an informal economy, India had become a significant target for money launderers and terrorist groups. The US State Department report comes at a time when strident calls are being made in India for action to make public names of persons holding illegal foreign bank accounts, with political parties saying that they fear that the staggering amounts stashed in these accounts are laundered money. ❑

12.7% hike in China defence spending

China has announced that it will hike its defence spending by 12.7 per cent, raising it to a staggering 601 billion yuan (USD 91.5 billion), signalling the country's return to double-digit military growth after a short lull. The increase in the draft defence budget focuses towards military hardware upgrade and modernisation, military training, human resource development and improving the living standards of the Red army, said Li Zhaoxing, spokesman for the annual session of China's national legislature.

The hike in military spending comes a day ahead of the opening of the National People's Congress which is to chalk out the country's new social and economic goals. The raise also comes at a time when the Chinese military has embarked on development of new weapons system like carrier killer and space missiles, aircraft carrier and new range of nuclear submarines.

Nobel winner Muhammad Yunus out of bank he founded

Nobel laureate Muhammad Yunus has been removed from his position as head of microlender Grameen Bank, Bangladesh's central bank said, following allegations of irregularities in its operations. Yunus, 70, set up Grameen Bank and has been its managing director since 2000. Lauded abroad by politicians and financiers, he has been under attack from Prime Minister Sheikh Hasina's government since last year, after a Norwegian documentary alleged the Bank was dodging taxes.

Yunus has denied financial irregularities and his supporters say he is being discredited by the government because of a feud with Hasina dating back to 2007, when he tried to set up a political party. "We have delivered a letter to Grameen Bank that Yunus has been removed," said the central bank governor's spokesman, AFM Asaduzzaman.

US court summons Congress party on 1984 riots case

A US court has issued summons to India's Congress party to answer charges of "conspiring, aiding, abetting and carrying out organized attacks on Sikh population of India in November 1984." The US district court for the southern district of New York issued the summons in a class action law suit filed by Sikhs For Justice (SFJ), a US based community group along with several Sikh survivors of the 1984 attacks.

The compliant against Congress alleges that in November 1984 the "organized killing" of Sikhs took place only in states where Congress was in power, according to SFJ legal advisor Gurpatwant Singh Pannun. According to the government of India's record a total of 3296 Sikhs were killed while a total of 35,535 claims for deaths and injuries were received throughout India, he said. These attacks were neither "riots" nor were they confined to Delhi alone. In fact, during November 1984, Sikhs were attacked in 18 states and more than 100 cities of India in an identical manner and the attackers were led by Congress (I) leaders, the complaint alleged.

Pak's only Christian minister shot dead

Unidentified gunmen assassinated Pakistan's minorities minister, a vocal advocate of diluting the country's harsh blasphemy law, near his Islamabad family home. The killing of Pakistan's only Christian cabinet minister came under two months of the murder of Punjab governor Salman Taseer and added proof of the growing intolerance of minorities.

Like Taseer, Shahbaz Bhatti, 42, a leader of the ruling Pakistan People's Party (PPP), wanted a bill to amend the blasphemy law to go through Parliament and had received threats from Islamic extremists. Taseer was shot dead by his bodyguard on January 4 and the two high-profile killings would further suppress the country's marginalized voices of moderation.

Bhatti was intercepted by his assailants just as he left his mother's home in Islamabad's I-8/3 sector. Assailants in a white-coloured 800cc Suzuki car first dragged the minister's driver out of the car and then indiscriminately fired at him from Kalashnikovs, eyewitness said.

SEC probing possible corrupt act by Cadbury in India: Kraft

Kraft Foods, the world's second biggest food company, has said it is facing investigation by the Securities and Exchange Commission (SEC) for possible corrupt practices in India by its arm Cadbury relating to a manufacturing plant there. In a regulatory filing, the company said on February 1, 2011, it received a subpoena from the SEC in connection with an investigation under the Foreign Corrupt Practices Act (FCPA). Kraft Foods had acquired Cadbury globally, including the Indian operations, last year for USD 19.6 billion.

In India, Cadbury has five factories located in the states of Maharashtra, Karnataka, Andhra Pradesh and Madhya Pradesh producing confectionery items. Cadbury India spokesperson declined to comment on the developments and referred queries to counterpart in Chicago, and immediate response could not be obtained.

World food prices hit record highs as oil rises

World food prices have hit new records and oil price spikes could push them even higher, the UN food agency warned, as unrest in the Middle East and North Africa hits markets. The Food Price Index, which monitors average monthly price changes for a variety of key staples, rose to 236 points in February from 231 points in January, the UN's Food and Agriculture Organisation (FAO) said.

It was the highest level since FAO began monitoring prices in 1990. "Unexpected oil price spikes could further exacerbate an already precarious situation in food markets," David Hallam, director of the Rome-based FAO's trade and market division, was quoted as saying in a statement. "This adds even more uncertainty concerning the price outlook just as plantings for crops in some of the major growing regions are about to start."

Crude prices pushed higher amid fighting in oil-rich Libya between Moamer Kadhafi loyalists and rebel forces. New York's main contract, light sweet crude oil for April delivery, rose to $102.56 and Brent North Sea crude for April was up at $116.65 dollars.

The International Energy Agency said oil exports from Libya had been cut by between 850,000 and one million barrels per day, out of a total of 1.6 million barrels sent mostly to European buyers before the uprising. Aid agencies have called on the international community to take urgent action to put an end to the recent food price volatility.

Maoists finally join Nepal govt after month-long dispute

Nepal's Maoist joined the Communist party-led government, as four of its top leaders took oath as members of the cabinet after a month-long row with new Prime Minister Jhala Nath Khanal over portfolio allocations. Khanal administered the oath of office and secrecy to four Maoist ministers, Krishna Bahadur Mahara, Top Bahadur Rayamajhi, Barshaman Pun and Khadga Bahadur Bishwokarma.

Senior leader Mahara was appointed the Deputy Prime Minister and Minister for Information and Communication, while Pun has been appointed the Minister for Peace and Reconstruction. Rayamajhi was allocated the Ministry for Physical Planning and Works while the Ministry for Tourism and Civil Aviation went to Bishwakarma.

With the new inductions, the cabinet has eight ministers, including the Prime Minister. CPN-UML last month had inducted Bharat Mohan Adhikari as Finance Minister and Bishnu Paudel and Gangalal Tuladhar as ministers without portfolios soon after the election of Khanal.

Reports earlier said that the UCPN-Maoist, the largest party in the 601-member Parliament, has been allocated a quota of 11 ministries. They are are yet to finalise the names for the other ministers amid differences in the party.

Maoist spokesperson Dinanath Sharma, however, said there was no deadlock in the party. He said the next meeting of the party's standing committee would finalise the names of the remaining seven candidates.❑❑

China files shrimp dispute against US at WTO

China has taken the United States to the World Trade Organization over a controversial anti-dumping calculation imposed by Washington against Chinese frozen shrimp, the trade body said.China requested consultations with the United States under the dispute settlement system concerning the latter's anti-dumping measures on certain frozen warmwater shrimp from China," said the WTO on its website.

The Chinese commerce ministry said in a statement that in 2004, the United States decided to apply a complex anti-dumping calculation called zeroing on Chinese shrimps. Chinese exporters brought their case to US courts, but lost a final appeal in 2010.

"In this case, the United States implemented the zeroing method, which breaches world trade rules... damaging the rights of the Chinese warmwater shrimp industry," said the ministry. It added that Beijing has sought to negotiate a solution with Washington, but the United States failed to address China's concerns.

The United States has lost several disputes at the WTO over the zeroing method, and Washington proposed in December to end the anti-dumping measure in upcoming reviews. "The United States is deeply disappointed in China?s decision to request consultations," said Nefeterius McPherson, spokeswoman for the US Trade Representative.

Stop cheap goods from China: AWU

The Australian Workers Union (AWU) has renewed its calls for the federal government to protect jobs and producers from Chinese companies dumping subsidised goods in the local market.The AWU's national secretary, Paul Howes, said the government should follow its US and Canadian counterparts who are pursuing anti-dumping measures to defend their markets against abuses of WTO free-trade rules.

The federal government last month said it would unveil measures in the May budget to stem the tide of cheap goods from China and other countries. But the AWU is pushing for action sooner as part of its Don't Dump on Australia campaign. The AWU says thousands of manufacturing, agriculture, forestry and fisheries jobs are under threat because of goods being sold in Australia below their normal home market price or below the cost of production. In many cases the price discrepancy is because of direct and indirect government subsidies that give exporters an unfair advantage over local producers.

"China, with deep pockets, is a major abuser of the WTO rules," Mr Howes said in a speech to the Foreign Correspondents Association in Sydney.

India, Bangladesh vote against EU

India and Bangladesh, the two regional competitors of Pakistan in the textile trade, have once again opposed the European Union's (EU) trade concession package for the flood-hit country at the meeting of WTO. Sri Lanka, the third opposing nation in the case, has however given up its objection to the EU trade concession to Pakistan at the last meeting of WTO.

Pakistan has written letters to India and other countries in an attempt to address their concerns on EU trade concessions announced by the EU in October last year for Pakistan. Secretary Commerce Zafar Mehmood talking to reporters after the Senate Standing Committee on Commerce said that the letter written by the Commerce Minister Makhdoom Amin Fahim to his counterparts addresses their concerns and seeks their support for the passage of the concessions at the upcoming meeting of the WTO council.

In Oct., the EU had approached the WTO to seek waiver on trade concessions to Pakistan on 75 products amounting to 900 million euros for a two-year period to help the country recover from floods damages. The strong resistance put by India & other countries at the WTO council meeting resulted in delay on their implementation from Jan. 1 to April 1, 2011.

India is developing good competition policy, says WTO official

India is developing an effective "competition policy" and is also making significant efforts to strengthen its intellectual property rights regime, a top WTO official has said. World Trade Organisation's Director (Intellectual Property Division) Antony Taubman said that India is a good example in terms of balancing sustainable development initiatives with Intellectual Property Rights enforcement.

"India is developing a good competition policy. To ensure strong IPR regime, the country has put in very significant resources not just on the legislative side but also on legal and institutional aspects," Taubman told PTI . He pointed out that India also has the technology power as well as the platform for innovations, that would help in having a good IPR regime.