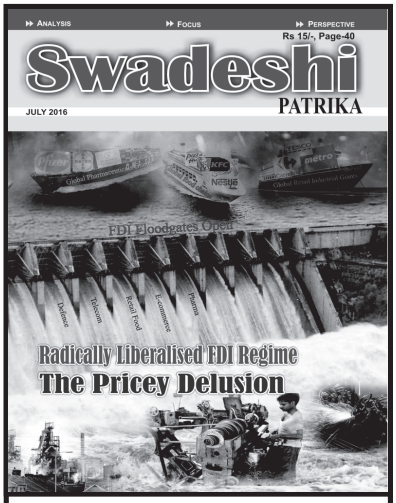

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Raising taxpayer's base

Prime Minister Narendra Modi ,while addressing tax administrators at Rajasva Gyan Sangam asked them to raise the number of income tax payers in India from the current 5.43 crore to 10 crore. It was in tune with the Economic Survey (ES) 2015-16, which proposed widening tax net from 5.5 per cent of earning individuals to over 20 per cent. While widening the tax net, ES hoped to reasonably tax better-off individuals with income from real estate and agriculture, hinting at gradually phasing out of tax exemption Raj. It may sound unbelievable but it is a fact that in our country having a population of more than 125 crores only 5.43 crore are tax payers as per the latest data available with the Government of India. PM aspires to expand it to 10 crore taxpayers within our tax bases. He has warned "the long arm of the law" will catch up with those evading taxes. There should be respect for law among all citizens and even fear of the long arm of the law for those who evade taxes. At the same time he said that the people should not fear tax administrators as our countrymen inherently are honest and asked the taxmen to build a bridge of trust so as to achieve tax collection targets without coercion. Tax administrators should have a cooperative approach so that tax payers should not face any problem in paying taxes. It is pertinent to mention that the Income Tax Department has 42000 officers, yet only 8 percent of the revenue comes from scrutiny of returns and as much as 92 percent of direct tax revenue come from tax deducted at source(TDS) of mostly salaried people, advance taxes and self assessment taxes.

It is not difficult to achieve the target of taxpayer base to 10 crore if the people in general and business class in particular are educated properly by highlighting the benefits which would be available to them if more and more people would contribute for the development of the country by way of paying taxes honestly. Income tax department should also hold seminars/ debates in each educational institute where students should be taught about the benefits of paying due taxes to Govt.

In view of the above, all those individuals/ business establishments who are evading tax are requested in their own interest as well as in the interest of the country to reflect their actual income honestly in their financial documents/ accounts and pay due tax to the Government so that the target fixed by our PM may be achieved in the current financial year and the problem of black money may be uprooted from this country.

– **S.S. Jamwal,** *New Plots, Jammu*

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Quote-Unquote

More encounters mean we are neutralising more terrorists, our intelligence has increased, and our counter-terror network is tightening.

Manohar Parrikar
Defence Minister

I don't think GST is going to be a game-changer. If it comes, it is okay. If it does not come, that is also okay.

Subramanian Swamy
Rajya Sabha MP

Exodus of Hindus from Kairana is a result of pseudo-secularism and appeasement policies pursued by different Governments in.

Yogi Adityanath
Uttar Pradeshi, BJP MP

Never has any leader made such a historic blunder. If Jawaharlalji had not declared a ceasefire at that time, the Kashmir issue would not have existed.

Amit Shah
BJP President

EDITORIAL

Rajan controversy

The Opinionated malicious Campaign

"Knowledge which is divorced from justice may be called cunning rather than wisdom."
— (Marcus Tullius Cicero)

Announcement by Dr. Raghuram G. Rajan in a letter to his colleagues at the central bank making public his decision to return to "academia" after his term as Governor ends in September 4, 2016" has shocked into silence the people who tried their best to make the issue an embarrassment for the NDA government, in particular for Prime Minister Narendra Modi. Clamour over second term of Dr. Rajan's as Governor RBI seems to be finally loosing heat in spite of all the effort by his so-called admirer's and sympathisers to make it as an agonizing loss to the country. This issue has once again brought into focus the Hate-Modi-Brigade unable to reconcile with the fact that an "outsider" breached the walls secreting "the colonised elite, bred by the British Raj" from the "India that was "carefully kept outside the closed doors of the Lutyens's Delhi club" in habit of controlling all the levers of political power in India. Rajan, like so many other issues, was simply an alibi to settle personal scores. Diverse range of people who forged an alliance on this subject reveals it all. Credentials of Raghuram Rajan as an expert economist, we know, are not and were never in question. His handling of Indian economy as head of the central Bank of the nation is questioned by many. Right to differ on that count can't be denied to people of this country. The person who brought the issue to public fora has also been a thorn in the eyes of 'exclusive club' for his non conforming style of politics. On this issue the first thing that needs to be emphatically underlined is the fact that appointment of the Governor, may I repeat 'appointment' of RBI is purely a prerogative of the central government. The power to appoint RBI governor is granted solely to the Central Government under S.8 of the RBI Act. The Governor typically has a term not exceeding 5 years, which can be extended but usually isn't. The Act also authorises the union government to remove him "from office any time". It suffices to say that s/he holds office at the pleasure of the Central Government. Instead of appreciating this government for not removing Rajan from the post soon after taking charge, PM Modi is being criticised for not allowing him second term. Strangely people outside India including known anti-India elements are joining the chorus. This in itself is sufficient to grant credibility to the allegations that Rajan was in a way imposed on this country and that the policy which he pursued were primarily to benefit his real masters. Unsolicited advice is being provided to the government through outdated mechanism of communication to ensure second term for Mr. Rajan. Rituals of reappointing RBI Governors are being quoted without questioning the previous UPA government that could have given full term to him. That again makes the bias against this government explicitly clear. Another ploy is to create fear by raising prospects of a scaring scenario ahead and hence the need to have an experienced person like Raghuram Rajan in the hot seat. Prime Minister in an interview to a TV channel elegantly responded to several queries regarding the issue saying that "those who are creating controversies, are being unjust to Raghuram Rajan".... by suggesting that "he will serve the country only if he is at a particular post". Having said so, it is very important to make certain points clear. First- the policies followed by Raghuram Rajan as RBI governor are open to discussion, even if his intentions are taken to be bonafide. Secondly his understanding of India and its economy is not the last word on the subject. His patriotism may not be doubtful but several of his actions are suspicious including the allegation that he planted "a time bomb" in the Indian financial system that will explode in December made by Dr. Subramanian Swamy. Thirdly Rajan understanding of the importance of unorganised sector and its inclusion in formal financial planning are at variance with the ground reality. Last but not the least is the issue of Doubting Thomas's who believe India is talent scarce nation and that it needs imported experts to tell us how to handle economy. Let's reiterate India is an ancient civilisation and a young modern democracy that has not only survived the vagaries of time but is once again ready to play a meaningful role befitting its size nd stature in the comity of nations. India has all the required wherewithal's including expert Human Resource required for the purpose. Rajan can rest assured.

India; the most open economy in the world for FDI?

Even a cursory look at Indian growth story reveals grossly exaggerated importance being accorded to the FDI, explains **G. Raina**

Overlooking the fact that extremism of any sort is not good, The Union Government abruptly liberalized the FDI regime that too 'radically'. It declared the objective of "radically liberalized FDI regime" as to provide major impetus to employment and job creation in India, a contention contested by a large number of observers. Government not only demonstrated utter disregard for the counter view that has for decades highlighted with evidence the adverse impact of unrestricted FDI regime, it also threw into dustbin the promises made in its own manifesto.

Foreign Direct Investment is taking place between countries from time immemorial and India is no exception. Merits and demerits of FDI is a serious subject of discussion for over two decades. India as nation now has sufficient experience, data and empirical evidence to analyse the impact of FDI on Indian Economy. That is the reason behind the demand of nationalist organisations like Swadeshi Jagaran Manch (SJM) for a white paper on the subject. Government found it convenient to ignore such a genuine demand, giving credence to the allegations that such an important decision like further opening up different sectors of Indian economy to liberalised FDI regime, has been taken under pressure, compromising even the sovereignty of the nation.

With the change of government in 2014 people anticipated a fresh look on the FDI policy as a whole. The change in 2014 was not simply a change in the

government at centre. Given the fiercely contested election and the issues raised during the campaigning outcome of 2014 general election is supposed to be the urge of people of this country to change the system. It was hoped in this context, that FDI even if allowed will be directed to flow in sectors where there is technological improvement, employment generation and green field ventures.

But the latest decision notified has proved to be a disaster. Not to speak of thoughtful management of FDI inflow, the government has surprisingly done away with the existing rules that were to ensure some benefits for the country like the condition of access to 'state-of-art' technology in the country in defence sector or relaxation of local sourcing norms up to three years and a relaxed sourcing regime for another five years for entities undertaking Single Brand Retail Trading

This for sure will result in setting up of 'assembling units' that will destroy all concerned small and medium industrial units in the country and throw hundreds of thousands out of job. Permitting FDI up to 100% under government approval in Brownfield pharma will pave way for merger and take over in the sphere, establishing monopoly of foreign players, besides opening the way to end the sector that brought laurels to the country by providing affordable medicine to the poor and deprived masses of the world.

Broken Promises

In run up to General Election2014, release of the manifesto of BJP got delayed and was finally released on April 7- the day first phase of voting was taking place. Delay in release was attributed to have the manifesto as being prepared a document of deliverable promises. Shree Narendra Modi at that time as a Prime Ministerial candidate of the Party, had stated while releasing the manifesto, "government must be one that thinks for the poor. A government must work for the poor and Development should encompass all and good governance should reach the lower strata of the society "

In a continuation of this spirit the manifesto promised that "The BJP will work for restoring the trust and credibility of the Government. We will also ensure that the chain of responsibility and accountability is built in the system". It further assured the nation that BJP "will actively involve people in policy formulation and evaluation through various platforms. We will encourage Openness in the Government, involving all stakeholders in the decision-making processes".

Simply speaking**, 'India First', the manifesto said,** puts the national interest first while taking any decision or step both by Governments and citizens. Even more simply put, you have to just see the face of India and Indians when you are in doubt".

Opening FDI Floodgates

Evaluating the government decision to 'radically liberalize the FDI regime'; in the background of promises made by the BJP in its manifesto; the word betrayal of trust looks mild. More excruciating is the fact that the decision was taken at a high-level meeting chaired by Prime Minister Narendra Modi.

One wonders what blocked the view of 'the face of India and Indians' from those taking this risky and anti-people decision making it convenient to give nod to a policy that will affect majority of the countrymen adversely.

The pledge to 'actively involve people in policy formulation and evaluation through various platforms,' was also not honoured. The assurance to, 'ensure the chain of responsibility and accountability is built in the system', automatically fell flat. This is the second major 'reform' after the last radical changes announced in November 2015.

Now most of the sectors would be under automatic approval route, except a small negative list."**With these changes, India is now the most open economy in the world for FDI"** boasted Prime Minister**.**

Role of FDI in Indian Economy

Even a cursory look at Indian growth story reveals grossly exaggerated importance being accorded to the FDI. India has been trying to woo investors from abroad for a long time now. Politicians while in office have gone to gratuitous levels to attract attention of investors, in particular from the west. P. Chidambaram, the former Finance Minister, while talking to foreign investors in October 1996 crossed all levels of sycophancy telling them, "You came to India and stayed for 200 years. Now come prepared to invest and stay for another 200 years, and there will be huge rewards."

In spite of opening all doors and windows and pushing Indian industry and business to disadvantageous position, FDI in India has not moved beyond 2% of our GDP. Sectoral analysis suggests that, on average, between 2000 and 2012, more than 35% of FDI inflows have gone into services, telecom and construction sector, with

pharmaceuticals, chemicals and computer sector each receiving about 5% of the country's total FDI inflows over the corresponding period. However, M&A data at the sectoral level for the same time span suggests telecom and pharmaceuticals (and healthcare) have attracted over one-third of the foreign M&A acquisitions in India. Of late, pharmaceuticals have attracted a greater share of M&As. This clearly indicates that the FDI that has flown in so far has hardly enhanced our capacity in any manner. It surely has taken over existing units.

FDI is not key driver of economic growth and economic development of India. Governments have been various excuses for attracting FDI as a priority. Sometimes it is said that technology will come, at other time it is assumed to bring global best practice or, as a minimum, better practice technology and management.

It needs to be remembered that there are no hard reserves in most of the countries barring few exceptions like China and Korea. Our country is a savings oriented with the 30 plus percentage of savings rate. With increase in GDP growth rate, the quantum of money available for investment is also raising multifold. There are studies from International as well local Financial organisations that at this rate of growth and savings rate India is well poised to take care of the Investments of trillions dollars on its own in the years to come.

Local Capital has been the main driver of the Indian Economy all these years and the FDI has played only a marginal role. We have immense experience of FDI flowing in and out and its impact on various sectors of the Economy. FDI has mostly come in brown field rather than green field with very little addition to the economy as a whole. The world has also witnessed international economic fall in the last decade and the hollowness of the so called developed Economies has been thoroughly exposed. The developed world is the most indebted to-day and the reasons are obvious.

India should not give an opportunity to convert the Investment of paper money flowing in and getting converted into tangible assets. In this background the latest decision is pure betrayal of the trust of the people which they had reposed in the leadership of Prime Minister Shree Narendra Modi. This policy is simply he continuation of earlier UPA regime that was voted out of the government. It can only be hoped that government realises the implication of the decision and reverses it before too much damage is done to the national economy. ❑❑

Relaxation of FDI reforms"betrayal" of people's trust

An RSS-affiliate body today termed as "betrayal" of people's trust the Centre's decision to relax FDI norms in various sectors and criticised the move, which it said will spell a "death knell" for local businessmen.

The Swadeshi Jagran Manch, which has been critical of some of the economic policies of the Modi government, lamented that the BJP-led dispensation was pursuing the same policy on foreign direct investments (FDI) as followed by the previous government & this will adversely affect job creation.

"Opening up sectors like retail, defence and pharma to FDI and by relaxing norms is 'betrayal' to people of the country. In doing so, this government has not done good to the country in general and local businessmen in particular," SJM's national co-convener Ashwani Mahajan told PTI.

Criticising the policy, he said the previous government had faced strong opposition while relaxing sourcing norms and domestic procurement in single-brand retail and added that it was "unfortunate" that the NDA government has done the same. However, the previous government had "promised" that local sourcing norms will not be relaxed in any way, he said.

Mahajan alleged that the "problem" with this government is that it works with the same mindset as that of previous regime as it feels development and job creation is created and is possible only with FDI.

"Whereas, the FDI policy adopted now will adversely affect job creation in the country," he claimed. Hitting out at the government, the Manch alleged that the move will provide ease of doing business only to foreign businessmen.

"This policy is not aimed at job creation, it is aimed at snatching away jobs from Indian people. It will spell a death knell for local businessmen," he said. Mahajan also criticised the entry of foreign players in brownfield pharma projects, claiming it would mean shifting of ownership of Indian pharmaceutical companies into foreign hands.

"They (foreign players) should only be allowed in greenfield pharma projects," he said, adding the edge the Indian pharma industry has in international market would be adversely affected.

"The decision is against the public health of not just India but many countries," he claimed. The government today launched a second wave of FDI reforms allowing 100 per cent inflows in civil aviation and food processing sectors, while easing norms in defence and pharmaceuticals.

FDI to pour in new "open economy";

Labour rules changed; short-term jobs a reality

Prime Minister Narendra Modi has virtually broken from the past and ushered in a new economy. The NDA government has allowed 100 percent FDI in defence, civil aviation, greenfield pharmaceutical projects, broadcasting carriage services – cable TV, DTH, food product e-commerce and relaxed sourcing norms for up to five years for single-brand retail trading. It also brings in 'labour reforms" through the textile package route.

It will help foreign defence firms, food marketing companies to enter India and opens up aviation sector with increased competition.

Now IKEA and Apple can have a sigh of relief as they can set up stores. Foreign pharmaceutical companies can now also set up their units in the country.

The Prime Minister's Office (PMO) said the decisions will make "India the most open economy in the world for FDI". Possibly that is correct as the country also prepares for mega telecom spectrum sale.

The decision to allow 100 per cent FDI in defence marks a major push to defence manufacturing under the 'Make in India' initiative. The government has dropped the requirement for 'state of the art' technology requirement to apply for FDI relaxation above 49 per cent.

This does not mean automatic approval for defence deals. Deals above 49 per cent still need government approval but now deals not involving 'state of the art' technology can also opt the route. It is now called 'modern technology"

While the government has been aggressively pushing global defence companies to set up manufacturing in India, one of the major limitations cited has been

The new policy may force Indian companies to re-look at their plans as it reduces the dependence of original equipment manufacturers on domestic manufacturers. That may change business dynamics, expects
Shivaji Sarkar

the 49 per cent FDI limit which meant the Indian partner holding a controlling stake in the joint venture. In the past, government has stated that relaxation above 49 per cent can be given on a case by case basis through the Foreign Investment Promotion Board (FIPB) for state-of-the-art technology and depending on the extent of technology transfer.

However in the past the major Indian corporate had opposed relaxation beyond 49 per cent arguing that Indian companies should be in control to build domestic expertise. The new decision virtually puts Indian companies at par with the foreign manufacturers. There is apprehension that since the foreign firms have technologies, they would have an upper hand.

The new policy may force Indian companies to re-look at their plans as it reduces the dependence of original equipment manufacturers (OEMs) on domestic manufacturers. That may change business dynamics. But it is possibly a clever ploy so that no company gets undue advantage in business, security and political brinkmanship.

But the corporate largely sees this as a win-win situation for the country's defence forces, local industries and international OEMs. The move, companies like Tata Motors aver, will also enhance overall R&D to develop and deploy country-specific solutions.

Opening up the skies, doing away with five-year operational requirement to fly abroad will help some of the new airlines set up as joint ventures. In the long run, it virtually clears the space for entry of any foreign airlines. Competition is going to be intense and only the fittest is likely to survive.

This should have been taken as an opportunity to close down, sale or lease out the Maharaja – Air India – that drains the exchequer continuously. It's bleeding and no amount of infusion of funds would help it. However, the new policy does not prevent that. It would be wise on the part of this government to unshackle the Maharaja and let it decide its own fate.

Severe competition is also on the cards in the broadcasting sector – cable TV, mobile TV and DTH. It would also see investments pouring in. This sector hopes to have a large Indian market. Still many regions need services of various kinds. There is expectation that high-end clients may have tailor-made needs. The market at the lower end has also scope for expansion. There is circumspection too. As the competition intensifies, possibly many groups can exit as well.

It is also to be seen how pharmaceutical companies bite the bullet. With the recent curbs on prices of scores of drugs, they may be a bit slow to invest. They are used to high profits. Social service is not in their blood. But if they decide to come, it is possible that there would be price wars to the benefit of the consumer.

A major hitch for most foreign investors is the labour law, though mostly these are observed in the breach. Recently, India refused to accept WTO norms on labour. It drew flak from Bharatiya Mazdoor Sangh. The government has virtually introduced new norms as it announced the Rs 6000 crore textile package and expects creation of one crore jobs in the textile industry over next three years. The Centre also plans to invest Rs 74,000 core in textiles.

It has allowed short-term employment of upto 150 days. Earlier it was for 240 days. But now these workers would get wages equal to those employed on regular basis. Besides, the employees can opt out of Employees Provident Fund (EPF) scheme. The government would also bear the cost of EPF contribution and give relief to the employers. It also announced Rs 5500 crore duty drawback for giving a boost to exports.

Hardcore trade unionists would see it as dilution of the present norms. But in practice the industry has been doing this in different garb. The new rules would at least ensure that all those working in the industry would be mentioned in muster roll and get the legally fixed wages. The EPF norm dilution would ensure that there would not be deduction as most such cuts went into dead EPF accounts as such small contributions were difficult to claim.

The policies may attract the foreign investors, who were critical of stringent laws. It also burdens the government with responsibility to protect the workers' rights.

The policies apparently were formulated with precision over a period of time. They were announced in phases as well so that the people could realize that government is in action mode.

But the industry and the government have to do more to have real investment. Industry grapevines say for that strategies have to be sharpened. It is expected to have the impact in about three to five years. Followed up with élan it may change the face of India as a world manufacturing hub. ❑❑

Bankruptcy Code to help the Bankers & Borrowers

The Narendra Modi-government has finally succeeded to get cleared the Bankruptcy Code from the Lok Sabha to enhance ease of doing business in the country and facilitate timely debt recovery in cases of default. The Lok Sabha has cleared the Bill on May 5 and it would effectively unlock the assets stuck up with bankrupt borrowers. On becoming a law it would enable banks to push for resolution/recovery of the money from a troubled company within a period of 180 days, with a grace period of another 90 days if majority (75 per cent) of creditors would agree to it. If the recovery doesn't happen even then, the company will be liquidated automatically. The Insolvency and Bankruptcy code, 2016 passed by the Lok Sabha (LS) on 5 May, 2016 would indeed ensure time-bound settlement of insolvency, enable faster turnaround of sick businesses and create a database of serial defaulters. The bill is yet to be approved by Rajya Sabha.

The new code will replace the existing bankruptcy code of the country by doing away with at least 12 different legislations in existence hitherto. Some of these legislations are centuries old. It will cover individuals, companies, limited liability partnerships and partnership firms. The bill also includes provisions to address cross-border insolvency through bilateral agreements with other countries.

The new code proposes to repeal the Presidency Towns Insolvency Act, 1909, and Provincial Insolvency Act, 1920 of British time, along with amending the other 11 legislations, including the Companies Act, 2013; Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; Limited Liability Partnership Act, 2008, etc. Policy-related aspects are being

In spite of all minor limitations, the code is the most desired and awaited. Because the Present mode for recovering money from a defaulted corporate borrower is nightmarish for bankers, and it takes years for the DRTs to overcome the litigations, observes **Prof. Bhagwati Prakash**

addressed in the code itself and vaious procedural aspects will be dealt under delegated legislations for the sake of flexibility. The code is unique in its approach as it has drawn the positive attributes of the bankruptcy systems of the US and the UK, like providing for a moratorium period during the resolution process, time-bound insolvency process, etc. But it is yet to address certain important aspects such as lifting of moratorium in the cases of fraud, option for management of affairs by the corporate debtor under supervision, etc. Another deviation is with respect to the chapter 11 of the US Bankruptcy Code which provides for debtor in possession concept, i.e. the debtor continues to manage the affairs of the company during the insolvency resolution process. The new code of India proposes the management of affairs by an insolvency resolution professional similar to the UK bankruptcy laws.

One of the important features is that this new Code empowers both the corporate debtor and the creditors to initiate corporate resolution process on the trigger of a loan default. On the initiation of bankruptcy, an Insolvency Resolution Professional (IRP) will assume control of the corporate debtor's management, displacing the incumbents. But, merely enabling stakeholders to move for insolvency resolution does not mean they will be motivated to move.

Counter-intuitively, the only stakeholders that have adequate information about the solvency risk of a firm are the management of the borrowing unit. But, because the probability of the management surviving in case of bankruptcy under the current Code is zero after moving for the same, it is most unlikely that they will move for the insolvency resolution process at all.

The insolvency resolution process could be initiated by a corporate debtor who has defaulted in payment of his dues or by creditors, on either case, whether it is financial or operational. When the process is triggered on, the creditors' claims will be frozen for 180 days, during which time they will hear proposals for revival and decide on the future course of action. As per the new code within those 180 days, 75% of financial creditors must agree to such a revival plan. If this minimum threshold is not met, the defaulting firm would automatically go into liquidation. But, if three-fourths of the financial creditors consider the case complex and feel it cannot be addressed within 180 days, the adjudicator could grant a one-time extension of up to 90 days on the process. Thus, it has to be resolved with in 180+90=270 days.

Court can appoint an examiner to investigate the affairs of the debtor.

The model that Chapter 11 of the US Bankruptcy Code offers is instructive and appears to have better flexibility in this regard. Under Chapter 11 of the US code, the management retains its job during the bankruptcy process except that the creditors and the Court are empowered to appoint a trustee. The Court can also appoint an examiner to investigate the affairs of the debtor. Thus in US, the management retains in management control in bankruptcy, except that they manage "in the shadow of a trustee" appointed as aforesaid and as such, the risk that they will indulge in asset stripping during the process appears substantially mitigated.

As the new code now attempts to create a formal insolvency resolution process (IRP) for businesses, either by coming up with a viable survival mechanism or by ensuring speedy liquidation, it will effectively curb the number of long-pending cases of default substantially. The code now envisages a new regulator also for bankruptcies—the Insolvency and Bankruptcy Board of India—while introducing professionals who will handle insolvency cases and insolvency professional agencies to oversee the overall supervision of the Insolvency Board. The code also proposes for information utilities to collect, collate, authenticate and disseminate financial information from listed companies and financial and operational creditors of companies. This will help make the IRP smoother, transparent and dependable by maintaining a range of financial information about companies.

Currently, four different forums—High Courts, Company

Law Board (CLB), Board for Industrial and Financial Reconstruction (BIFR) and Debt Recovery Tribunal (DRT)—have overlapping jurisdictions, which used to give rise to systemic delays and complexities in the process. The code helps to overcome these challenges and would help to reduce the burden on the courts as all litigations will be filed under the code before the National Company Law Tribunal (NCLT) for corporate insolvency and insolvency of LLPs, and before DRT for individual insolvency and insolvency of unlimited partnership firms. So, the burden on judiciary would reduce considerably. Though, this model offers incentive for the management to move the insolvency resolution process at the earliest. Besides, the commentary to the Code also highlights the need to distinguish corporate failure from corporate malfeasance. Yet, a blanket rule for replacing the management with IRP also appears repulsive as well as internally incoherent.

But, inspite of all minor limitations, the code is the most desired and awaited. Because the Present mode for recovering money from a defaulted corporate borrower is nightmarish for bankers, and it takes years for the Debt Recovery Tribunals (DRTs) to overcome the litigations. Promoters on defaulters, typically drag banks to various other courts on one or the other pretext to delay their payments. By the time, the whole process gets over, there remains nothing for banks to recover. The underlying value of the assets gets eroded sharply by then. Yhough, It is not yet clear whether the new bankruptcy law would also allow a defaulted debtor to move to a higher court against the lenders or not. If it is yes then, things aren't going to be different, even now. Therefore, even when the new law is in place, its success would depend on how conducive our legal system would there be to support the execution of the new Law and how fast banks would be able to exercise their rights. Otherwise in Vijay Mallya's-Kingfisher case the banks have been fighting this case with this liquor baron in different courts (DRTs, High Courts and Supreme Courts), and even after 4 years of default, there has been no meaningful progress on recovery. Even he has left thecountry.

With this new code, the time-frame to resolve bankruptcy in India would atleast get shortened to one year. It will help creditors to recover the debt faster and will also help to improve India's position in World Bank's ease of doing business ranking.

The time-frame to resolve bankruptcy in India would atleast get shortened.

So, it is true that the proposed bankruptcy law, on replacing the Presidency Towns Insolvency Act, 1909, would come handy for banks to deal with future cases of default. However, a big question that emerges is whether the existing stock of bad loans, where recovery from corporations pending for several years the new code would be applicable or not which are currently in DRTs.

Another praiseworthy attribute in corporated in the new code is for protecting worker's interest. The code will allow the money due to workers and employees from the provident fund, the pension fund and gratuity fund would not be included in the estate of the bankrupt company or individual. Further, workers's salaries of up to 24 months will get the first priority in case of liquidation of assets of a company, ahead of secured creditors.

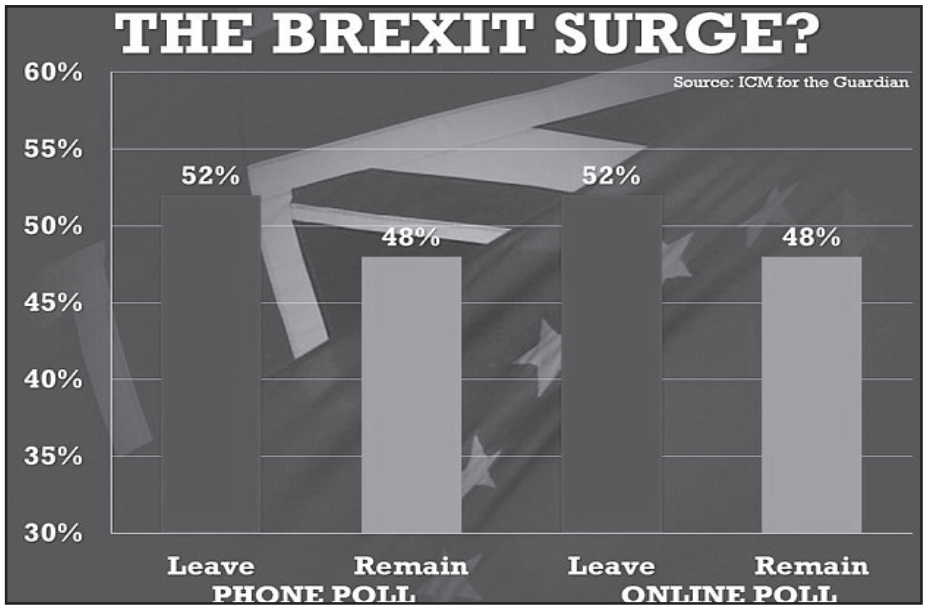
Howerver, Corporate democracy requires that each class of creditors under the proposed resolution plan vote separately on it. So nerely enabling each of them to attend the creditor committee meetings as "observer" as the bill (as passed by the Lok Sabha) has sought to do appears inconsistent with corporate democracy. Indeed the Chapter 11 of the US Bankruptry code provides for class voting to ensure that the sanction of the resolution plan is truly representative.

Finally, since the Code provides a hard deadline of 180/270 days for completing corporate insolvency resolution process and failing which, the Code mandates the "Adjudicating Authority" to order liquidation (Section 33 (2) of the Code, the Code offers a much smooth process for recovery of debt from defaulters. ❑❑

UK leaves European Union - learning the right Lessons

The UK has voted to leave the European Union in its historic referendum held on 23 June 2016. As is known UK joined European Economic Community (EEC), later known as the EU, in 1973 and similar referendum was held in 1975 on the country's continuance of its membership. Then it was 'yes'. Lots happened between 1975's 'yes' and 2016's 'No'. Although Scotland, North Ireland and London are all in favour of remaining in EU, all other areas voted to leave. UK Prime Minister David Cameron, who led the "Remain" campaign, has decided to resign after People's verdict going against. Many have many opinions about the consequential impact of UK leaving EU. Indians are also worried. World's top markets reacted negatively to UK's choice to leave EU. However, these reactions are of short term and may not last long. UK was once a super power in the world and is still a strong developed country. It will remain so. There is even a demand for fresh referendum. Many things, however, will depend on how UK respond to the decision through its policies. Hopefully, UK will continue to participate in global economy as was doing earlier and may not go for protective ways. No doubt, UK's new policies will have some impact on its own economy and on other countries particularly those having intense trade and investment relations with UK. Britons have knowingly said 'no' to EU and prepared for the consequences. India, as other countries, also need to prepare for such changes. Important is the learning of certain lessons from this referendum.

Globalisation need to be pursued cautiously as surrendering the future of people to global authorities is dangerous not only to Indian people but Indian sovereign rights is the message from Brexit , finds **Anil Javalekar**



UK and European Union

UK's relationship with Europe was tense most of the time and by current referendum, UK intended to renegotiate it. UK is world's fifth-largest economy by nominal GDP and ninth-largest economy by purchasing power parity. It is a high-income economy and is good in the Human Development Index.

In European Union, UK is the second largest economy, first being Germany. The European Union (EU) is a politico-economic union of 28 European member states and has developed an internal single market through a standardised system of laws. EU policies aimed to ensure the free movement of people, goods, services, and capital within the internal market, enacted legislation in justice and home affairs, and proposed common policies on trade, agriculture, fisheries, and regional development.

Many of countries within have maintained their own currencies and use euro as common currency. The intention of forming EU was to stand united and benefit from growing world trade and world prosperity.

What went wrong

There is no one reason that can be made solely responsible for UK's exit from European Union. Immediate reason seems the high level of migration to UK from EU neighbours. The campaign to leave EU, however, was more emotional as was led as if Britons are seeking independence. "We want our country back!" is the clarion cry of many who want Britain to leave the European Union. Many even quote bizarre regulations of EU for leaving EU. For example, EU rules

Referendum has shown that people like to live within their identities.

governed the shape of many fruits and vegetables — cucumbers, for example, needed to be almost perfectly straight; Bananas must be 'free from abnormal curvature'; phasing out Incandescent bulbs in the UK since 2009; prohibiting Companies from manufacturing or importing any vacuum cleaners above the 1,600-watt limit as part of a drive to reduce domestic electricity use etc. The feeling among British was that EU is dictating them and controlling their economic decisions.

Idea of Nation is still strong

The important reveal of this referendum is the idea of nation that is still alive. The feeling among British that they have lost their nationhood and sovereign right to decide things led the campaign to 'leave' EU. World countries moved nearer with new communication and transport technologies but their identities that separate them are still alive. This referendum has shown that people like to live within their identities and, more important, not inclined to give their sovereign rights to decide their own fate.

All are not for Globalisation

The second outcome of this referendum is that everybody is not for globalisation. Decades of globalization, deregulation, and policy changes that favoured the wealthy have left Britain a more unequal place, with vast regional disparities. The 'Remain' vote was stronger in prosperous areas. 'Leave' vote in poorer areas. The referendum revealed a deeply divided UK, separated by income, age, education, nationality and geography. Those with college degrees tended to opt for Remain, while people without them tended to opt for Leave.

The older and poorer voted to Leave. The younger and richer to Remain. Thus, majority who are not the beneficiaries of globalisation have voted to leave. The feeling was that UK need to run their economies for their own people and protect their own interests.

Migration is an important issue

The migration was most important issue in this referendum. In the past decade or so, Britain has taken in many thousands of immigrants from Poland, Romania, and other Eastern European countries that joined the European community after the Berlin Wall came down. In many working-class areas of the U.K., there is a lot of resentment toward these new arrivals, who are viewed as compet-

Idea of nation is still alive.

itors for jobs and government-provided services, such as education, health care, and welfare.

Referendum is not the solution

Calling for referendum can be termed as political mistake of David Cameron government. The issues of long term interest cannot be settled in emotionally charged atmosphere and by instruments like referendum. National interests are important and need to be protected even majority is not in its favour. The issue of EU membership was such an issue and should have settled by British parliament instead of allowing people to decide. All people, irrespective of their vote, suffer the consequential happenings.

Experts are not always right

One more important reveal of this referendum is that commons have disowned experts who were threatening of severe consequences of leaving EU. British commons instead relied on their own common sense and preferred to vote to leave.

Lessons for India

First, referendum is a false instrument to settle long term impacting issues. There are people like Mr Kejriwal who may seek frequent referendum on every issue. They may loose 100 times but their one win will cost heavily to the country in the long term.

Second, Globalisation need to be pursued cautiously as its prosperity is not reaching to last in row. Inequality of all types is already high in India and globalisation will further boost it. Rural urban divide is clear in India and globalisation has widened it. Surrendering the future of people to global authorities which are not directly responsible for Indian people is dangerous not only to Indian people but Indian sovereign rights.

Third, the issue of Migration is important. This migration need not be from one country to other. The migration from rural to urban and one state to other is also causing troubles. Unbalanced development of urban areas and desertification of rural areas will cost heavily and may lead to socio-economic conflicts. India need to be careful of such migrations.

Fourth, Idea of nation is still alive and Indian integration with other countries should not be pursued beyond a point. Indian sovereignty is important and allowing other countries to decide things will be a costly affair.

Fifth, stop relying on experts. The era of globalisation has given un-proportionate space to experts who are specialised in one aspect of whole, are dependent on computer techniques of analysis and use or distort data for convenient conclusions. Many of these experts are sponsored by speculators and profit oriented corporate and companies. It is dangerous to take long term decisions based on such expertise.

Integration of economy is not necessarily good

India is still an agrarian country with small economies of rural dominance. Its vast population is still earning meagre due to limited socio-economic options and failed education system. Only high tech communication and transport technologies will not help them to prosper. Nor profit oriented world capital will bring prosperity to rural Indians. The so called propagated model of integration of economies with that of world economies, even with economies of neighbourly countries, may take away whatever is good available in the country and leave countryside to suffer the consequences.

UK's referendum has brought this outcome in open as it has decided not to allow integration of UK's economy with that of European. It is important to understand that the globalization of national economies cannot be an issue of only comparative advantage and competitive efficiency of the market. The long term interest of the nation is more important as the impact of integration will be borne by its people, its environment and its natural habitats and resources. UK's decision to leave EU can be a good example to many countries including India. ❑❑

Uttarpara Speech-II

This is the second and concluding part of the famous "Uttarpara Speech" of Yogi Aurobindo delivered in 1909 after his acquittal as a suspect in the Alipore Bomb Case . The speech marks Aurobindo's transition from politics to spiritual affairs. In 1910 he fled from British India to the French colony Pondicherry where he lived for the rest of his live and established a famous religious centre. This important speech is reproduced for the benefit of the readers of Swadeshipatrika on demand - Ed.

When I approached God at that time, I hardly had a living faith in Him. The agnostic was in me, the atheist was in me, the sceptic was in me and I was not absolutely sure that there was a God at all. I did not feel His presence. Yet something drew me to the truth of the Vedas, the truth of the Gita, the truth of the Hindu religion. I felt there must be a mighty truth somewhere in this Yoga, a mighty truth in this religion based on the Vedanta. So when I turned to the Yoga and resolved to practise it and find out if my idea was right, I did it in this spirit and with this prayer to Him, "If Thou art, then Thou knowest my heart. Thou knowest that I do not ask for Mukti, I do not ask for anything which others ask for. I ask only for strength to uplift this nation, I ask only to be allowed to live and work for this people whom I love and to whom I pray that I may devote my life." I strove long for the realisation of Yoga and at last to some extent I had it, but in what I most desired, I was not satisfied. Then in the seclusion of the jail, of the solitary cell I asked for it again. I said, "Give me Thy adesh. I do not know what work to do or how to do it. Give me a message." In the communion of Yoga two messages came. The first message said, "I have given you a work and it is to help to uplift this nation. Before long the time will come when you will have to go out of jail; for it is not my will that this time either you should be convicted or that you should pass the time as others have to do, in suffering for their country. I have called you to work, and that is the adesh for which you have asked. I give you the adesh to go forth and do my work." The second message came and it said, 'Something has been shown to you in this year of seclusion, something about which you had your doubts and it is

the truth of the Hindu religion. It is this religion that I am raising up before the world, it is this that I have perfected and developed through the rishis, saints and avatars, and now it is going forth to do my work among the nations. I am raising up this nation to send forth my word. This is the Sanatana Dharma, this is the eternal religion which you did not really know before, but which I have now revealed to you. The agnostic and the sceptic in you have been answered, for I have given you proofs within and without you, physical and subjective, which have satisfied you. When you go forth, speak to your nation always this word that it is for the Sanatana Dharma that they arise, it is for the world and not for themselves that they arise. I am giving them freedom for the service of the world. When therefore it is said that India shall rise, it is the Sanatana Dharma that shall rise. When it is said that India shall be great, it is the Sanatana Dharma that shall be great. When it is said that India shall expand and extend herself, it is the Sanatana Dharma that shall expand and extend itself over the world. It is for the dharma and by the dharma that India exists. To mag-

This Hindu nation was born with the Sanatana Dharma.

nify the religion means to magnify the country. I have shown you that I am everywhere and in all men and in all things, that I am in this movement and I am not only working in those who are striving for the country but I am working also in those who oppose them and stand in their path. I am working in everybody and whatever men may think or do they can do nothing but help on my purpose. They also are doing my work; they are not my enemies but my instruments. In all your actions you are moving forward without knowing which way you move. You mean to do one thing and you do another. You aim at a result and your efforts subserve one that is different or contrary. It is Shakti that has gone forth and entered into the people. Since long ago I have been preparing this uprising and now the time has come and it is I who will lead it to its fulfilment.'

This then is what I have to say to you. The name of your society is "Society for the Protection of Religion". Well, the protection of the religion, the protection and upraising before the world of the Hindu religion, that is the work before us. But what is the Hindu religion? What is this religion which we call Sanataria, eternal? It is the Hindu religion only because the Hindu nation has kept it, because in this peninsula it grew up in the seclusion of the sea and the Himalayas, because in this sacred and ancient land it was given as a charge to the Aryan race to preserve through the ages. But it is not circumscribed by the confines of a single country, it does not belong peculiarly and for ever to a bounded part of the world. That which we call the Hindu religion is really the eternal religion, because it is the universal religion which embraces all others. If a religion is not universal, it cannot be eternal. A narrow religion, a sectarian religion, an exclusive religion can live only for a limited time and a limited purpose. This is the one religion that can triumph over materialism by including and anticipating the discoveries of science and the speculations of philosophy. It is the one religion which impresses on mankind the closeness of God to us and embraces in its compass all the possible means by which man can approach God. It is the one religion which insists every moment on the truth which all religions acknowledge, that He is in all men and all things and that in Him we move and have our being. It is the one religion which enables us not only to understand and believe this truth but to realise it with every part of our being. It is the one religion which shows the world what the world is, that it is the lila of Vasudeva. It is the one religion which shows us how we can best play our part in that lila, its subtlest laws and its noblest rules. It is the one religion which does not separate life in any smallest detail from religion, which knows what immortality is and has utterly removed from us the reality of death.

This is the word that has been put into my mouth to speak to you today. What I intended to speak has been put away from me, and beyond what is given to me I have nothing to say. It is only the word that is put into me that I can speak to you. That word is now finished. I spoke once before with this force in me and I said then that this movement is not a political movement and that nationalism is notpolitics but a religion, a creed, a faith. I say it again today, but I put it in another way. I say no longer that nationalism is a creed, a religion, a faith; I say that it is the Sanatana Dharma which for us is nationalism. This Hindu nation was born with the Sanatana Dharma, with it moves and with it it grows. When the Sanatana Dharma declines, then the nation declines, and if the Sanatana Dharma were capable of perishing, with the Sanatana Dharrna it would perish. The Sanatana Dharma, that is nationalism. This is the message that I have to speak to you." (8: 9-12)

(Concluded)

Can Aadhaar be a game changer?

Recently Parliament passed the 'Aadhaar' (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill as a money bill to facilitate its safe passage. The government lacks a majority in the Rajya Sabha and thus wanted to avoid the embarrassment it faced in the case of Land Acquisition (Amendment) and GST Bills.

Safe passage of the Aadhaar legislation is being considered as a game changer and a big success. Aadhaar was given legal status by the previous UPA government, as provision was made to give unique identity to all residents (including children) by assigning a 12 digit number.

The UPA government could not get the Aadhaar Bill 2010 passed due to intense opposition from Bharatiya Janata Party and other opposition parties. During the Lok Sabha elections of 2014, the BJP had opposed Aadhaar. However, after coming to power the party thought it was a good proposition, as with the help of Unique Identity (UID) of residents' financial subsidies and other public services could be targeted more efficiently. It was felt that apprehensions expressed about the assault on privacy could be taken care of by making appropriate statutory provisions. We must understand that although the 2010 Bill and the current legislation seem similar, there are several dissimilarities.

Thanks to the technology, it is possible to transfer benefits of subsidy and other services directly to bank accounts of the beneficiaries without much cost and save billions of rupees, without leakage, believes **Dr. Ashwani Mahajan**

According to Aadhaar Bill 2016, if a person has resided in the country for 182 days or more, he/she is entitled to get an Aadhaar card. A person is entitled to avail of a subsidy or a service from the government if he/she either possesses an Aadhaar card or has applied for it. These provisions were not there in the Aadhaar Bill 2010.

According to the current legislation, information related to aadhar holder's fingerprints and iris scan shall not be published or displayed publicly, except for purposes specified by regulations.

When authenticating an individual's identity, the UID authority cannot reveal information related to iris scan and fingerprints to the entity requesting for authentication. Therefore one can say that an attempt has been made to address concerns about privacy.

In order to grant it legal status, the Aadhaar Bill 2010 was unsuccessfully attempted by the then UPA government. Later, courts also ruled that Aadhaar could not be made an essential condition for availaing benefits. When the concept of Aadhaar card was brought in and the Unique Identity Authority (UIDAI) given statutory recognition, there was no clarity about the usage of data. For people at large, this was merely an easy-to -obtain identity card.

Easy availability without proof of citizenship gave rise to apprehensions that this instrument may provide legitimacy to foreign intruders (especially from Bangladesh).

Once Rajiv Gandhi, our former Prime Minister, had said that 85 per cent of the money sent to the poor did not reach the intended beneficiaries. Our experience is that the food and petroleum subsides do not fully reach the intended beneficiaries. Apart from this, in order to provide food security to people, government has to maintain huge buffer stocks and this involves substantial budgetary support.

According to the erstwhile Planning Commission, transfer of food subsidy of one rupee costs Rs. 3.85. Similarly the benefits of Mahatma Gandhi Rural Employment Guarantee Programme do not fully reach intended beneficiaries.

Fertilizer subsidy given for chemical fertilizers goes to the companies and does not reach the farmers fully. A decade back it was impossible to even think of transferring the benefits from the government directly to the targeted beneficiaries. Thanks to the techniques today, it is possible to transfer benefits of subsidy and other services directly to bank accounts of the beneficiaries without much cost. A bank account and a unique identify number overcomes this hurdle. Earlier, because of issues with opening a bank account and requirement of minimum balance, a poor person was unable to open an account. However, under the Jan-Dhan Yojna, nearly 18 crore new bank accounts have been opened with zero balance requirements.

In fact, along with this, extremely low cost new insurance schemes have also been launched, encouraging more people to open their bank accounts. According to official figures, out of a 1.27 billion population, more than 1 billion possess Aadhaar cards; thus. 93 per cent of the adult population today has the cards. The Aadhaar number is registered in 255 million bank accounts. Persons under 18 years can also get their Aadhaar cards; however few have actually got these made. Overall thus it seems that universal coverage of Aadhaar is possible in the near future, especially after passage of Aadhaar Bill 2016. With almost universal coverage of bank accounts of households and the Aadhaar card, it has become easier to transfer benefits directly to the targeted population.

This scheme may save billions of rupees, as now LPG subsidy, food subsidy, MNREGA wages and many other benefits can reach the targeted beneficiaries without leakage. According to the government, this could save Rs 70,000 crore for the exchequer. If this is correct, the measure could prove to be a game changer. ❑❑

Rajan: The exit that was inevitable

In highly dignified words, which fit his character, Raghuram Rajan has scotched all media hype and speculation and said that he would like to go back to academic work after September 4, when he retires as Governor of the Reserve Bank of India (RBI). For a couple of months the media had made huge news business out of whether the Modi government would continue with him or not. Rajan's dignity did not calm the media. It made an issue out of his exit too. It first kept advocating he should continue. Then turned it into a prestige issue for itself. It downsized whether Rajan should continue or not into a street affair. It mindlessly advocated against what is essentially the prerogative of the government and invited counter campaign. Finally it reduced the Rajan extension issue into a street brawl between those who wanted him and those who did not, bracketing those who admired him as a person and an economist but not his policies, with those who did not. No one could have embarrassed the gentle Rajan more than his self-appointed advocates. The street brawl for and against Rajan was exported, and it echoed, abroad, particularly in US. The Wall Street Journal directly asked Prime Minister Narendra Modi on the eve of his US visit: "Do you support the reappointment of Mr Rajan?". Modi silenced the voice of US financial actors by saying, "I don't think this administrative subject should be an issue of interest to the media". Now on to the Rajan exit story.

Raghuram Rajan, a man of intellectual integrity and character, does not understand the unorganised part of Indian economy because he has never handled economies where banks do not control the entire monetary system, says
S Gurumurthy

UPA discounted Rajan

P Chidambaram, who was the Finance Minister when Rajan was appointed as Governor, has expressed his acute pain at Rajan not being repeated. The Modi government does not deserve Rajan, he says. Now go back to 2013 and see how

While Reddy became famous as Governor, the famous Rajan became the Governor.

this great Rajan admirer treated him then. Under the law, the full term of an RBI Governor is five years. But the UPA appointed Rajan only for three years. That is, it gave him only a 60 per cent rating. All his predecessors post-Independence, barring only two — Dr Manmohan Singh and S Venkitaramanan — were appointed for five years. The age of six of them was 60 or close to it when they were appointed and five of them, were in their mid or late 50s. Yet all of them were appointed for the full five-year-term. But Rajan was the youngest, only 50, when he was appointed. If Chidambaram, who values Rajan so much, had got him appointed him for full five years, Rajan would have been in office till September 2018, almost co-terminus with the Modi government's five-year-term.

Most certainly the Modi government would not have sacked him midway. Did not the UPA government discount Rajan by giving him a truncated term, putting him at the mercy of the successor government?

Rajan and Reddy

Who is Rajan? A man of intellectual integrity and character, respected for his independence, Rajan differed from the mighty Wall Street in US supported by the then US Federal Reserve Chairman Alan Greenspan. Greenspan was, for two decades, worshipped as the God of Money, who could and did create money out of thin air and kept the US finance theatre going. Rajan had forewarned the US of the impending disaster of 2008. That was how he became famous in the world of finance. And that brought him to India. He was a celebrity even before he became the RBI head. The other way round in the case of his predecessor's predecessor Dr YV Reddy. Dr Reddy became a global celebrity central banker based on his stewardship of the RBI during the global crisis. Joseph Stiglitz, Nobel Laureate in economics (2001) said, "If America had a central bank chief like YV Reddy, the US economy would not have been in such a mess." The New York Times (Dec 19, 2008) credited the tough lending standards Reddy had imposed on Indian banks for saving the Indian banking system in 2008, when cheap money was flowing into India in billions. Despite all pressures from Chidambaram, Reddy did not allow the government to live off the easy money. Chidambaram, who had shared no friendly relation with Reddy, himself, confessed in 2011 that Reddy must have had a "premonition about the 2008 crisis." Reddy prevented reckless lending by Indian banks and avoided the crisis. Rajan wrote against cheap money, Reddy acted against it — both when the whole world was celebrating cheap money. While Reddy became famous as Governor, the famous Rajan became the Governor. Understandably Rajan must have been under pressure from within to protect his celebrity profile abroad. But Reddy was in sync with Indian economy as well as the West. Rajan knew the West, but he was not in sync with India. While everyone knows about Reddy's global fame as monetarist, most analysts do not know about his work on rural banking, on reviving co-operative banks, his focus on the common man, and his emphasis on financial inclusion through information technology. This made Rajan and Reddy, both otherwise brilliant, different. Rajan, who had spent his whole life after post-graduation in US, missed interior India like Ludhiana, Bhatala, Rajkot, Jamnagar, Baroda, Morvi or Coimbatore, Tirupur, Namakkal, Karur, Sivakasi down south where business entrepreneurship has grown as a communitarian movement, almost disconnected from the formal banking — read monetary — system. Had he done so he would have understood that Mumbai is not India and the knowledge about India is beyond its expertise. Just a couple of examples, out of several hundreds. Most policy makers in India do not know that it is Morvi in Gujarat which has the highest per capita income in India. More than half its population is employed or self-employed. It produces 70 per

cent of gross national ceramic production, (5 per cent of the world's); some 80 per cent of the country's Compact Fluorescent Lamps (CFL) and is also the largest producer of wall clocks in India. It is the social capital of Morvi, not any IIT or IIM or university that did it for Morvi. Many do not know that two thirds of the knitwear entrepreneurs in Tirupur, which exports almost $4 billion worth garments, have ended their formal education before Class 10. In 2009, the banks under RBI supervision cheated them by illegally selling exotic derivatives and caused them losses of Rs 400 crore. They paid that money, which they did not borrow, without asking for a write off. This unorganised part of Indian economy would not figure in the financial media which is hooked to the stock market as the measuring rod of the Indian economy. This India was not on Rajan's radar.

Mudra and Rajan

When the Modi government came it realised that it could not generate jobs unless it funded the 58 million unfunded unorganised businesses which needed a capital of Rs 12 lakh crore — of which just 4 per cent was provided by banks. The government decided on a new financial architecture, the MUDRA bank, on the lines of the National Housing Bank, to focus on them and fund them. But Rajan's RBI stonewalled it, saying it would lead to regulatory arbitrage — meaning seeking to profit between two regimes — and systemic risk. That these 58 million units are funded by Rs 12 lakh crore in black money is not systemic risk? Is the usurious interest charged by private money lenders — at 30 to 120 per cent — not arbitrage between regulated lending and unregulated financial markets? Are these not the concern of the RBI? Rajan did not have an answer and yet he would not think of organised finance for the unorganised sector. A study by Credit Suisse, endorsed by The Economist, both driven by western impulses, had said that the best way to organise the unorganised Indian economy, which generates half of India's GDP and 90 per cent of non-farming jobs, is to provide it organised finance. Yet the RBI just turned its back on MUDRA, which is one of the flagship programmes of the government. The result? MUDRA is in limbo.

MUDRA is in limbo.

Fiscal vs monetary

The RBI has exclusive domain over monetary economics. But it is not clear whether it has fully grasped the impact and effect of the crash of credit growth as a percentage of the GDP from 2009-10. The ratio of bank credit to GDP had slipped from 10.95 per cent in 2009-10 to just 4.4 per cent in 2015-16. In the same period the fiscal deficit too was cut from 6.45 per cent to 4 per cent. The combined fiscal deficit and bank credit fell from 17.4 per cent to 8.4 per cent — to less than the nominal GDP of 11 per cent for 2015-16. When there is a secular fall in bank credit, the only way the government could fix the economy was by expanding the fiscal economy — read by raising the fiscal deficit. But Rajan who, in trying to target bad loans, virtually destroyed the business appetite for credit, would not even allow government the flexibility of a higher fiscal deficit to energise the economy. He began saying, and the Western media began quoting, that he was watching whether the government moved towards fiscal consolidation — meaning towards the fiscal deficit target of 3 per cent — or not, a domain that was not his. His monetary fundamentalism came close to Western textbook rules whose universal validity has become suspect even in the West, with each country working out its own independent course. With the result, the economy becoming increasingly starved of money, the government was forced to seek to to amend the law relating to fiscal deficit for a new fiscal-monetary relation so that if one goes up the other comes down. With the credit off-take falling in a rising economy, the RBI ought to be clearly seeing where the vitamin of money comes from to finance the higher growth. The new finance is sourced in an unprecedented rise in cash holdings which have risen to Rs 15 lakh crore in 2015-16 with the share of high denomination notes in the total currency in circulation rising from 33 per cent to 85 per cent in 2015-16. These distortions were occurring under the very nose of Rajan. But he overlooked them, because he had never handled economies where banks do not control the entire monetary system.

QED: *Change of guard at the RBI is inevitable. India does not need a celebrity governor. It needs an economist who knows the hinterland India, who can keep his head down and work. To U-turn the current direction of the RBI will take a long time — but let it begin at least.*

A policy for employment generation

The United Nations Development Programme has warned that India need to generate 28 crore jobs before 2050 to absorb all the new entrants into the work force. The Government has taken a few initiatives in this direction lately. Incentives have been provided to businesses to generate employment. The Government will pay the Provident Fund contributions of new employees for the first three years. The Government also hopes that its flagship "Make in India" program will lead to creation of jobs. The intent of the Government is good but success will require more than providing petty incentives like those above. A change in the underlying economic policies is necessary. The direction of the economy needs to be modified for these well intentioned policies to deliver results.

Basic problem is that "development" and unemployment go together. Yes, please, development leads to unemployment, not employment. "Development" means creation of wealth which, in turn, means plenty availability of capital. Businesses can borrow at zero rates of interest in developed countries like Japan and the United States. The same "development" also means higher wages. The workers in developed countries earn about Rs 6,000 per day. In consequence, businesses find that it is cheaper to use robots than human beings to manufacture goods. Some new factories do not employ even a single worker in production. As a result numbers of jobs is getting reduced while production is increasing. Therefore, unemployment is a natural consequence of development.

We should not confuse this job eating nature of development with the creation of jobs in the United States these days. The job situation in developed countries as a whole is dismal. Nearly one half of the youth in Spain are unemployed. Thus the developed countries are in the grip of development-and-unemployment syndrome although selected countries like the US, UK and Germany are bucking this overall trend. Unemployment spreads from the outlying areas to the center.

The Government has only three years left to change the direction of the economy. Lower rates of taxes, imparting of skills and exemption from labour laws must be provided only to the "labour intensive" sectors to create required number of jobs. Failure to generate jobs will be disastrous. Unemployment will push the youth towards terror, warns **Dr Bharat Jhunjhunwala**

This basic job-eating tendency of the economy is counteracted in the short term by new technologies. Innovation of the personal computer and windows software, for example, has created a large number of jobs in manufacture and service of computers and in software writing. These developments lead to the generation of jobs in the short term until the long term tendency of job eating takes over again.

"Make in India" will not create jobs if development goes together with unemployment. The manufacturing sector has created only few jobs in the last few years. The employment grew at the rate of about 1.5 percent per year in the private manufacturing and construction sectors between 2006 and 2012. The growth rate of GDP in this period was about 8.5 percent. The GDP growth rate is far higher than the employment growth rate. Reason is that manufacturing is being undertaken increasingly by machines. Thus more "Make in India" means more use of robots and less generation of jobs.

The Government must cross subsidize employment generation. Way forward is to rank all industries in the country value added to labour ratio, that is, number of jobs created per Rs one crores of value added. The industries can be divided into three groups—capital intensive, medium, and labour intensive. A surcharge on excise duty can be imposed on capital intensive industries and a parallel discount can be provided to labour intensive industries. This will lead to growth in labour intensive industries and create true employment. The tendency to use robots will be arrested by such cross subsidization.

The Government proposes to provide incentives to Medium, Small and Micro Enterprises (MSMEs). Indeed most jobs are being created by this sector. However, these industries are under severe pressure from big industries. The local bread- and biscuit manufacturing industries have downed their shutters in face of competition from big companies. My eye doctor tells me that all small eye glass frame manufacturing companies have folded shops. This has happened because big companies have come with automatic machines and provided cheaper frames. The Make in India program proposes to take this policy forward. It will kill jobs because big companies will manufacture goods with automatic machines and MSMEs will be killed. It is necessary to impose high levels of excise duties on large industries that kill the MSME sector. This, however, will require us to simultaneously impose high levels of import duties on imported goods manufactured with machines. That, in turn, may require us to walk out of the WTO. There will be no employment generation in industries—big or small—without taking such strong measures.

The Government hopes that its efforts to impart skills to the workers will lead to greater employability and create jobs. Indeed, imparting of skills will reduce the cost of skilled workers in the market. However, the impact on employment may be negative. A skilled JCB operator may become available at Rs 8,000 per month instead of the present Rs 12,000 per month. The number of JCBs in operation may increase. More JCBs will mean fewer jobs for manual labour in digging etc. The increase in number of jobs of JCB operators will be a fraction of the jobs lost in digging. The overall impact will be negative. It is necessary to distinguish between job-eating skills like JCB operators and job-creating skills like handlooms. Once again, this requires first separating the economy in "labour intensive" and "capital intensive" sectors. Imparting of skills in the labour intensive sector alone will help in employment generation.

The industry has been clamoring for labour reforms. Businessmen fear to employ large number of workers today because of these laws. Difficulty is that reforming labour laws will enable businessmen to reduce the size of their work force. The way out is to exempt only those industries from labour laws that generate employment in large numbers. Then industries will try to employ large numbers of workers so that they can get themselves exempt from labour laws.

The Government has already completed one-third of its tenure. The remaining three years provide an opportunity to change direction of the economy. The Finance Minister must divide the economy in "labour intensive" and "capital intensive" sectors. Lower rates of taxes, imparting of skills and exemption from labour laws must be provided only to the "labour intensive" sectors. Conversely, higher rates of taxes must be imposed on the "capital intensive" sectors and also imports of goods made with machines. Such a strategy alone will lead to large scale creation of the required number of jobs as told by the United Nations. Failure to generate jobs will be disastrous. Unemployment will push the youth towards terror.

Author was formerly Professor of Economics at IIM Bengaluru.

India debates right-to-die with Dignity

Dr. B.B. Singh

Welcomes the Bill relating to the rights of competent patients including minors above 16 years of age, to take a decision and express the desire to the attending medical practitioner to withhold or withdraw medical treatment to him/her and allow the nature to take its own course .

In a Circular dated 6th May 2016, the Ministry of Health and Family Welfare has invited public opinion and comments on the proposal for a law on passive euthanasia. The draft of The Medical Treatment of Terminally-ill Patients (Protection of Patients and Medical Practitioners) Bill – 2016 has been uploaded on its website. The text of the Bill is extracted from the Report of the Law Commission of India released in March 2006. The Report specifically mentions that the proposed Bill is not intended to legalize Euthanasia or Assisted Suicide. It relates only to withholding or withdrawal of life support from competent and incompetent patients who are terminally-ill. Technically speaking it is called "Passive Euthanasia" where something is done or not done to delay death. In the "Active Euthanasia" specific steps are taken to accelerate the end of life of the patient such as injecting some lethal substances like sodium pentothal which causes patient to sleep within a short time and die painlessly in that sleep. In both the types of Euthanasia the act is done by the physician or a third person whereas in "physician-assisted suicide" the patient does it him/herself. Almost all over the world with a few exceptions, active euthanasia is illegal and a crime while passive euthanasia is on the different footing. The proposed Bill is devoted to this exclusively.

The most significant point in the Bill relates to the rights of every competent patient including minors above 16 years of age, to take a decision and express the desire to the attending medical practitioner to withhold or withdraw medical treatment to him/her and allow the nature to take its own course and on communicating such decision to the medical practitioner, it will be binding on the medical practitioner to fulfill the patient's desire provided that the medical practitioner is satisfied that the patient is competent and able to understand the information about his/her medical treatment, is able to retain that information and use the

information to make an informed decision, and to communicate the same by speech, sign, language or any other mode, provided further that he/she is not incapable to take that decision because of impairment of or a disturbance in the functioning of his/her mind or brain. The informed decision means a decision by such a patient to continue, withhold or withdraw the treatment after he/she had been informed about the nature of the illness, availability and consequences of alternative treatments and implications of remaining untreated. On receiving such a communication from the patient the medical practitioner shall inform the near relatives or next of kin of the patient like spouse, parents and major children and in their absence, the person or persons regularly visiting the patient, the need or otherwise of withholding or withdrawing the treatment from the patient. The medical practitioner shall take appropriate action three days thereafter. The proposed Bill protects the patient from being tried under section 309 of Indian Penal Code for abetment of suicide which attracts imprisonment up to one year or fine or both. Likewise, the medical practitioner or persons working under his/her direction or supervision and the hospital taking the action as directed by and in the best interest of the patient, shall be deemed to be acting lawfully.

This is a very welcome step in the country where patient refusing treatment could otherwise be held guilty of attempt to suicide that is punishable under the said section 309 of the Code. In fact criminalization of suicide came to India with the British through this section of the Indian Penal Code 1860. Suicide got decriminalized in UK in 1961 and Law Commission of India as well as the Supreme Court has recommended scraping this provision and the present Government seems to have decided to do so. We find no mention of suicide in Vedic literature. In the Puranic literature of the later times we find that Indian people had "right-to-die" under a variety of circumstances. While Lord Ram and His brothers walked into the river Saryu and took Jal Samadhi when they felt that their purpose in this world was completed, His consort Sita on being humiliated took Bhoo Samadhi and disappeared into the lap of the mother earth. Likewise Parvati (Sati) took Agni Samadhi when She found that Her consort Lord Shiva was being insulted by her father Daksha Prajapati. The great Sage Dadhichi gave away his bones for the good of gods. In the early historical times the great Emperor Chandragupta Maurya faced death by fasting and women have jumped into the pyre of the dead husband and committed Sati to escape from the miseries of widow-hood. In Rajasthan women collectively practiced Jauhar to escape from rape and atrocities of the enemy. They were not condemned but respected and often deitified. In recent times highly respected personalities like Acharya Vinoba Bhave, Veer Savarkar and several Jain Munies practiced Santhara – embracing death-at-will by fasting. The proposed Bill is therefore a welcome step touching upon the law on suicide and murder where terminally-ill patients and attending health care professionals are concerned.

Criminalization of suicide came to India with the British.

The Bill provides also for the case of a competent patient who has not taken informed decision. It also relates to an incompetent patient who is unable to understand the information relevant to his/her medical treatment, is not able to retain that information and use the information to make an informed decision and to communicate the same by speech, sign, language or any other mode, or he/she is incapable to take that decision because of impairment of or a disturbance in the functioning of his/her mind or brain. In such cases the Bill proposes legal route for obtaining permission from the High Court under the Doctrine of *parens patriae* as suggested by the Supreme Court of India in Aruna Shanbhag case. Thus any near relative, next friend, legal guardian, the medical practitioner, paramedical staff generally attending the patient or even the management of the hospital or any other person after obtaining the leave of the court, may apply to the High Court of

appropriate territorial jurisdiction for order and direction granting permission for withholding or withdrawing medical treatment.

The Bill specifically does not recognize Advance Medical Directives popularly known as "Living Will" and Medical-Power-of-Attorney as prevalent in many countries. While rejecting the validity of Advance Medical Directives in India the Law Commission has extensively deliberated the issue. The major point of contention is the burden of proof on those who rely upon the Directives that it exists, that it is clear and convincing; that its validity and applicability is continuing; and that it can still be relied upon with the lapse of time during which there might have been material changes in the patient's circumstances, views and religious convictions. Therefore special care has to be ensured that the prior directions in the remote past are still in conformity with the patient's current convictions and views since the operability and effectiveness of a Living Will is valid only during the lifetime of the executor and can be varied at-will unlike the ordinary testamentary Will which is operative and effective only after the demise of the executor. The Law Commission has also opined that the Advance Medical Directives can create complex legal and factual issues leading to serious problems of proofs and possibility of abuse

Notwithstanding the aforesaid, it is seen that section 3 of the Bill recognizes that every competent patient including minors over the age of 16, has the right to take a decision and express the desire to the medical practitioners attending on him/her for starting or withholding and withdrawing medical treatment and when communicated to the medical practitioner, it becomes binding on the medical practitioner. Strangely though, a competent and well informed normal person (non-patient) enjoying good physical and mental health is deprived of the same privileges through an Advance Medical Directives or Living Will. The Law Commission Report 2006 gives elaborate reasons for this recommendation. It is nevertheless violative of Art.14 of the Constitution of India that provides every citizen the right of equality before law. In addition, the competent patient as defined in the Bill is a terminally-ill individual. The terminal illness is defined in the Bill as an illness, injury and degeneration of physical and mental condition which is causing extreme pain and suffering to the patients and which, according to reasonable medical opinion, will inevitably cause untimely death of the patient. Such a patient with pain and hopelessness in his/her psyche is certainly a vulnerable person and would be ethically unqualified to take a major decision on the type of his/her treatment and issue directions to the attending medical practitioner sensibly. It must be emphasized that mental and physical state of a person making any deposition like a normal Will or the Living Will is a very important factor that can be used successfully to challenge. The Living Will or The Advance Medical Directives therefore also deserves to be legally acceptable despite its complexities and legal hassles.

The present decision of the Government is definitely a step forward.

The situation is different for Medical Power Of Attorney in favour of a close relative or friend (surrogate) to take such a vital medical decision on a terminally-ill patient. It is prevalent mainly in the US but has been rightly declared void in the Bill on the ground of public policy and Indian situation. The observations of The Supreme Court of India in para 127 of the Judgment in Aruna Shanbhag case are very apt here.

"127.... there is always a risk in our country that this may be misused by some unscrupulous persons who wish to inherit or otherwise grab the property of the patient. Considering the low ethical levels prevailing in our society today and the rampant commercialization and corruption, we cannot rule out the possibility that unscrupulous persons with the help of some unscrupulous doctors may fabricate material to show that it is a terminal case with no chance of recovery. There are doctors and doctors. While many doctors are upright, there are others who can do anything for money (see George Bernard Shaw's play 'The Doctors Dilemma'). The commercialization of our society has crossed all limits."

In summary the present decision of the Government is definitely a step forward. It deserves to be carried further to hold The Advance Medical Directives legally valid ❑❑

The author is a practicing lawyer associated with ethics committee of several medical research institutions and a retired bio-scientist formerly with Bhabha Atomic Research Center, Mumbai and IAEA, Vienna.

SJM Protest against China

In the wake of China's opposition to India's entry into the Nuclear Suppliers Group (NSG), Swadeshi Jagran Manch took out a protest march in Vijayawada seeking ban on Chinese products in the country. It also made an appeal to people not to buy any Chinese products. A memorandum of demands was submitted to the Sub Collector.

SJM activists also took out a strong protest march to Chinese Embassy in New Delhi. They were however, stopped by the police authorities and taken to Chankyapuri Police station. SJM leaders while speaking on the occasion termed China as a permanent enemy of India. Blocking of NSG membership was the latest step in this direction, they said. Expressing concern over the whopping trade deficit as well as the internal and external security threat by China, they asked for "boycott Chinese product" campaign.

Accusing government for failing miserably to check invasion of Chinese products in Indian markets, they said China was eyeing to grab Indian market completely and succeeded to a great extent by making inroads in all sphere of products from big to small. China continuously takes stand inimical to Indian interests making it unequivocally clear that China objects to Indian aspirations of being a bigger player in the global order. It also dumps its cheap industrial products into Indian market that adversely affects the local industry. Weaker sections like small scale industry are worst hit. The cheap Chinese products being environmentally hazardous are another issue.

China is also a security threat to India. It has tried every trick to encircle India by promoting anti India forces in Nepal, Maldives, Bangladesh and SriLanka. Its obstructionist role in Indian Ocean is also a worry for India. Helping Pakistan in arms buildup against India, blocking declared terrorists like Masood Azhar and Chinese role in POK can not be looked away.

SJM urged the government to take appropriate steps to ban Chinese products from coming to Indian market legally as well as illegally.

Sh. Deepak Sharma 'Pradip' (Akhil Bharatiya Prachar Pramukh), Sh. Kamaljeet (Delhi-Haryana Sanghthak), Sh. Kamal Tewari & Sh. Ravinder Solanki (Co-convener, Delhi), Smt. Sudha Sharma (Mahila Pramukh, Delhi), Sh. Sunder Basoya (Vichar Mandal Pramukh, Delhi), Vikas Chaudhery (Delhi-Haryana Sangharsh Vahini Pramukh), Sh. Manoj Gupta (Kosh Pramukh, Delhi), Sh. Deepak Tyagi & Sh. Yashwant Chauhan (National Council Member) and others Swadeshi Karyakartas expressed their views on the occasion. ❑❑

Self Sufficiency in Defence – A Necessity

For a sovereign country, it is essential to be able to defend itself as and when other country encroach its territory. Any country should not depend on others for its safety and integrity. We are a very complex society. National integration is a very difficult task. In a country like India, where people of different faith, geographic condition, food habits, and different culture live, national security is always in danger. We have to learn lessons from history that how small kingdoms and their fights were responsible or gave way for foreign invaders. A country which was strong, rich and had reached the cultural zenith had to live under the slavery for centuries. From 1857 to 1947 it was a period of unity to fight against the British to get freedom. The elements responsible for the division of country were coaxed by the then rulers. Efforts of Saradar Vallabai Patel have made us to stand together. It is the responsibility of each one of us to strengthen our relations between communities, languages and areas. At the same time our leaders have to make constant efforts to strengthen our relations with other countries with mutual understanding and help. History is not only a record of the past, it is a record of our mistakes, failures and others' tactics and decisions. There are many lessons to be learnt from history.

If we review our policies after independence, it will give us some awareness. The indifferent policy regarding Kashmir in 1947-48 resulted in losing some part of it. Hindi Cheeni bhai bhai also taught us a lesson. The people at the helm of affairs having soft corner towards Pakistan has resulted in losing many precious lives during 1965, 71, 99 etc.

In 1962 when Chaina made an aggression on our territory, it was not easy for our men to fight against Chinese soldiers, because our soldiers were not pro-

We should not be under the impression that democratic countries will help us in times of difficulties, particularly with regards to the defence of our country, advises **Prin. M B Biradar (Retd)**

vided with automatic and effective weapons. When our govt requested America to supply automatic weapons and modern equipments, America agreed to supply against gold but not as per the international norms of exports and imports.

America always propagates that it is the champion of democracy has supplied more than thousand Paton tanks, knowing well that they will be used against India, which is the biggest democracy in the world. The world's strongest tanks in those days were supplied to a military government. During 1971 the East Pakistan wanted to be free from the bondage of military government and its atrocity. As a good neighbor, it was our duty to help it. The so called champion of democracy sent its seventh fleet to bay of Bengal to help the military govt of Pakistan and to threaten India. The same America used its influence on Russia to stop the supply of creogenic engines to hinder our space programme. The same America hindered our neuclear programme in many ways, for its own intrest. America is supplying tanks, weapons, planes everything possible to Pakistan to hinder the progress of India.

We should not be under the impression that democratic countries will help us in times of difficulties. Particularly we should not depend on others for the defence of our country. We have the potentialities to produce the best fighter planes like Gnat field vehicals like Vijayant, and ulta modern ships. Our scientists and technocrats have proved their potentiality by conducting neuclear explosion tests, launching rockets, and by sending space crafts in to the space. Why to depend on others ?

A country with rich natural recourses, maximum man power, intelligence, technical skill and everything necessary for development, need not depend on others. Dependency on others will increase problems and lead to slavery. During 1965 America threatened to stop the supply of food grains supplied under P.L 480. During middle-East conflict OPEC hindred the oil supply though India was neutral. Our space programme was delayed by two years because of creogenic engines. Basic and development requirements like-food, transportation, industry, technology will make a country to be submissive.

We have to develop and establish a workaholic culture like Japan. A fighting spirit like Isreal. Our policy and culture are not aggressive but we have to be always prepared for defence. Ever preparedness will be a best plicy to establish peace. At least to establish peace in our neighbourhood we have to be strong enough. Had we adopted the policy our spending in 1948. 1962, 1965, 1971, 1999 could have been spent on development projects like, Ganga-Kaveri, Rail Lines every where, increasing the National Highways, Electricity production, Education and Health. With all the capabilities depending on others,

We have the potentialities to produce the best fighter planes.

perticularly for defence requirements will be a very bad policy. We have forgotten our possessions, availabilities and potentialities, let the words of swamy vivekanand 'Arise, awake stop not till the goal is reached' energize us. We have to be serious to achieve self sufficiency in everything. The way in which terrorism is encouraged in our neighbourhood to weaken us. Considering the efforts of our neighbours we have to determine to be self reliant and strong. Then only we can dictate terms to others and can establish our identity in the comity of nations. India has its record in giving 'zero' vedic knowledge, Tippu's rocket technology, software manpower to the world. Work culture should be made a peoples movement by a dynamic leadership. When there will be no dependency on others ie everything 'Swadeshi Nirmiti'. Then only our 'Jai Swadeshi' will be a meaningful slogan. ❑❑

The 7th Pay Commission

The Government's largesse only limited to employees?

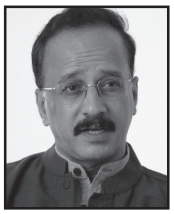
The implementation of the Seventh Pay commission will turn out to be the real game changer for the Indian economy. Forget about rate cuts, policy paralysis and opening the floodgates to the 2nd phase of FDI wave, it is the much awaited salary hike for government employees that in reality is expected to act as a stimulus for the slogging economy.

No wonder, the Union Cabinet has hinted of a substantial pay hike, more than the recommendations of the 7th Pay Commission. Against the recommended minimum basic salary of Rs 18,000 and a maximum of Rs 2,50,000 as per the Pay Commission, the Empowered Committee of Secretaries is expected to ask for a 24 per cent jump, which translates into a minimum basic pay of Rs 23,500 and a maximum of Rs 3,25,000.

The bonanza for the government employees, coming at a time when the economy is showing no signs of tiding over the continuing crisis, hides the real intentions – it is an indirect rescue plan to bail out the industry.

It is like hitting two birds with one stone.

A report in LiveMint (Oct 29, 2015) says: "*A historical analysis of auto sales shows that arrears and pay hikes of government employees have led to immediate spike in the purchase of two-wheelers and passenger vehicles in the country*". Although the wait has been long but the automobile sector is not the only exception. Take the case of the realty sector. Says a report in Indian Express (Dec 5, 2015) based on an analysis by Credit Suisse: *"While the Centre's easing of FDI norms last month was a positive development on the supply front, a new report says that the pay panel's recommendations will provide a much-needed boost to the demand side."*



When it comes to 60-crore farmers, reeling under a back-to-back drought for two years, the government has never been forthcoming as agriculture continues to remain outside the economic radar screen of the country, complains **Dr. Devinder Sharma**

The rise in the minimum support price of wheat & paddy has remained at a paltry Rs 50 per quintal.

In another report in Forbes India (Jan 18, 2016) all hopes for the revival of FMCG prospects hinged on the expected pay hikes: *"Very recently, the Seventh Pay Commission has recommended an average 23.55 per cent hike in salaries and pensions, which could see an additional $15 billion in the hands of consumers, starting 2016. This could give a very good fillip to consumer spending across sectors such as automobiles, consumer durables and non-durables."*

That day has now arrived. As the Financial Express (June 29, 2016) rightly states: *"Stocks of FMCG and auto companies will be in focus as the cabinet is likely to approve on Wednesday higher increases in basic pay for over 1-crore government employees and pensioners."* You will see the Chamber of Commerce welcoming it with a glee, and the markets giving a big Thums Up.

It is not only the 45-lakh central government employees and about 50-lakh pensioners who will be the only recipient of the government's largesse, but as a Credit Suisse report tells us the recommendations will be followed by State governments and Central PSU besides colleges and universities. This means a total of 3.4-crore employees and pensioners will in reality see surplus cash flowing into their pockets. The annual additional burden on account of pay hike alone, for both the Central and the State governments put together, will therefore grow to Rs 4.5 to 4.8 lakh crore every year.

Although the PMO is believed to have directed the Empowered Committee of Secretaries to ensure that the pay hike is 'sufficient to provide for the life and health of central government employees', I fail to wonder why the concern is only limited to employees. I have nothing against the government employees being bestowed with huge salary hikes plus allowances but I thought the mandate of the PMO runs beyond the Central and State employees. But it appears as if the country's economy only revolves around India Inc and the government employees. The rest don't matter.

Take a look. At the time of economic meltdown in 2008-09, Rs 3-lakh crore bailout package was given to the industry. In addition, since 20104-05, tax concessions to the tune of Rs 48-lakh crore have been doled out for the India Inc. Similarly, for the employees, the 7th pay Commission is going to translate into Rs 4.5 to 4.8 lakh crore bonanza despite the economy not showing signs of any recovery. Exports are down, industrial output refuses to pick up, and job creation remains subdued.

But when it comes to 60-crore farmers, reeling under a back-to-back drought for two years, the government has never been so forthcoming. If it were not for a Supreme Court drubbing, the government was not even willing to acknowledge that a severe drought prevailed in 13 States. I had expected an economic bailout package of at least Rs 3-lakh crore for the drought affected areas, in line with the stimulus package for the industry, but then agriculture continues to remain outside the economic radar screen of the country.

Government employees all across the country work for not more than 150-160 days in a year. Farmers have to work 24x7 bit still have been denied a legitimate income by successive governments. They are being deliberately kept impoverished, penalized for keeping food inflation in control.

For several years now, the rise in the minimum support price of wheat and paddy has remained at a paltry Rs 50 per quintal. Economic Survey 2016 tells us that the average income of farming household in 17 States has been computed at Rs 20,000 a year. Add to it the farm incomes in the rest of the country; the average a farmer earns from agriculture comes to Rs 3,000 a month. But I never heard the PMO express the same concerns about the plight of farmers as it does for government employees, directing the Finance Ministry to ascertain whether it is sufficient for the life and survival of the farming community. ❑❑

Source: **7th Pay Commission is welcome, but is the government's largesse only limited to employees?** ABPLive.in June 29, 2016. http://www.abplive.in/blog/7th-pay-commission-is-welcome-but-is-the-governments-largesse-only-limited-to-employees

Anti-submarine Torpedo Inducted

The Navy inducted the indigenously built heavy-weight anti-submarine torpedo ' Varunastra', thereby, making India one of the eight countries in the world having the capability to design and build such a weapon system. The torpedo was developed by the Naval Science and Technological Laboratory(NSTL), a premier laboratory of Defence Research and Development Organisation(DRDO). Presiding over the induction ceremony here, Defence Minister Manohar Parrikar lauded DRDO for the successful effort and directed it not to have a hands-off approach after developing the torpedo and transferring the technology to Bharat Dynamic Limited(BDL) for serial production.

Sale of 'Varunastra,' weighing around 1.25 tons carrying 250 kg of explosives and capable of travelling at a speed of 40 nautical miles an hour, was one of the issues that came up for discussion during Parrikar's recent visit to Vietnam, officials said. The other weapon systems to figure in the talks with the Vietnamese top brass was indigenously designed Brahmos supersonic cruise missile. However, the government is yet to take a decision.

Having almost 95 per cent indigenous content, 'Varunastra,' costing about Rs 10-12 crore per unit, is capable of targeting quiet and stealthy submarines, both in deep and littoral waters in intense counter-measure environment. Terming its induction as a "game changer" in favour of warships in the sub surface warfare, Navy chief Admiral Sunil Lanba said successful induction has put "Indian navy in elite club of navies across the globe that can boast of self-reliance in under water sensors and under water weapons."

Surface-to-air Missile test fired

India has successfully test fired a new surface-to-air missile, developed jointly with Israel, from a defence base off Odisha coast. The Medium Range Missile (MR-SAM), a product of joint venture between India and Israel, was successfully test launched from a mobile launcher in the Integrated Test Range (ITR) at Chandipur at around 08.15 hours, a DRDO official said.

"The test launch was a grand success and it met all the targets," he said. The missile positioned at launch pad-3 of the ITR swung in to action after getting signal from the radars to intercept a moving aerial target supported by an unmanned air vehicle (UAV) 'Banshee' over the Bay of Bengal, officials said.

Apart from the missile, the system includes a Multi Functional Surveillance and Threat Alert Radar (MF STAR) for detection, tracking and guidance of the missile, they said. Indian Defence Research Development Laboratory (DRDL), a laboratory of DRDO based at Hyderabad, has jointly developed this missile in collaboration with Israel Aerospace Industries (IAI), he said. A new production facility to deliver 100 missiles a year has been established for such type of long rang and medium range surface-to-air missiles at M/s Bharat Dynamics Limited, India.

Solar systems to power PHCs

Electricity-starved primary health centers (PHCs) in the rural areas across the country are likely to be lit up with solar power soon. The Indian Council of Medical Research (ICMR), research wing of the Health Ministry has initiated a pilot project in three PHCs in Tamil Nadu, Haryana and Rajasthan to ensure last mile health care facilities, aiming to cut down maternal and infant mortality rate. Depending on the results, the Union Health Ministry might expand solar energy facilities to other PHCs as well. The move is expected to benefit nearly 35 million people in rural areas, who presently have to rely on un-electrified PHCs -at least 30 per cent of the total PHCs—for basic health services. In the absence of electricity, services catered by these centers such as institutional deliveries, pediatric emergencies, and administering of vaccines get severely affected.

Triple Talaq decision to be reviewed

The Supreme Court set the stage for a wide debate on the issue of triple talaq, assuring the Muslim women, who are petitioners before the court, that if need be, the court will reconsider its previous decision that exempted religious personal laws from judicial review. With more and more Muslim women joining the chorus to put an end to the discriminatory practice of triple talaq under the Muslim personal law where a Muslim man can divorce his wife by repeating talaq thrice, the apex court felt that the issue was "important" and required serious consideration of views on both sides.

The bench of Chief Justice TS Thakur and Justice AM Khanwilkar allowed all persons and Muslim bodies interested to put forth their point of view and decided to have preliminary hearing of the issue after

eight weeks. "The issue is important as it affects large section of society. Strong views exist on both sides and so we will hear all who want to be heard."

Suspected ISIS module busted

In a joint operation by Hyderabad Police and the National Investigation Agency (NIA), 11 youths were picked up from different localities of Hyderabad for their suspected links with the international terrorist organisation ISIS. However, NIA sources said that only four of those picked up were likely to be arrested formally, as some incriminating material, including explosive were recovered from their homes. NIA Inspector General Sanjeev Kumar said that the searches were carried out at ten locations in Hyderabad after midnight, following the registration of an FIR on June 22.

In the raids carried out around midnight in the old Hyderabad areas of Chandrayangutta, Talabkatta, Mirchowk, Bhavaninagar and Moghulpura, cops found ammonium nitrate and hydrogen peroxide, which can be used for manufacturing explosives at the house of one Fahad. They also recovered pistols of prohibited bore ammunition and some training material. NIA acted after monitoring the online activities of the four, who were in touch with others on social media and there were indications that they had planned to produce explosives and carry out series of blasts in the city. They had also identified some religious places to target and did some target practice with air guns, the sources said. The search parties also seized Rs15 lakh worth fake currency and some other incriminating documents from them. Police sources said that the module was in touch with some ISIS handlers abroad through social media, including Facebook.

3 PSU banks decline info

Citing customer confidentiality, three state-owned banks, including State Bank of India (SBI), have declined to provide information with their overseas branches regarding transactions by leading power companies which are being probed for alleged overvaluation of coal imports, pegged at Rs 29,000 crore. Published report quoting sources in the Finance Ministry said this has prompted Revenue Secretary Hasmukh Adhia to write to these lenders to cooperate with the ongoing investigation. The government plans to issue letters rogatory seeking help from at least three countries — Singapore, Dubai and Hong Kong — to access documents lying with the overseas branches of SBI, Bank of Baroda and UCO Bank relating to transactions by top power companies, sources said. A letters rogatory is a formal request from a court to a foreign court, seeking some type of judicial assistance in investigating a foreign entity.

Debate auditing regulators: CAG

CAG Shashi Kant Sharma has sought discussion on the need to audit financial sector regulators to check their effectiveness in dealing with frauds. In India, the Comptroller and Auditor General (CAG) does not audit RBI whose auditors are appointed by the central government under the provisions of the RBI Act, he said at an industry event here. "In the light of growing incidences of the financial frauds, it is a thought for consideration as to whether in future our audit should look into risk and vulnerability facing our financial sector and the ability and effectiveness of our regulators to mitigate such risks," Sharma said.

He further said that the developments in the USA and the UK will suitably inform such a discourse. Emphasising that risks and vulnerabilities from financial frauds are substantial, the CAG said there should be a comprehensive strategy to deal with them in order to safeguard the integrity of the financial system as well as the enormous public interest.

In a country that is largely financially illiterate, the possibility of fraud is much higher and promoting financial literacy is a long term strategy for mitigating this risk, he said. At the same time, he said, the regulators have to work together to not only enhance their capacity to deal with financial frauds, but also to remove any regulatory arbitrage.

Tejas induction 'unparalleled pride'

The Light Combat Aircraft (LCA) project, has been inducted into the Indian Air Force. Two of the single-engine multi-role fighter jets, pegged to be the world's smallest and lightest supersonic fighter, were handed over to the Air Force. They will be stationed in Bengaluru, as part of the first Tejas squadron called 'Flying Daggers'. Friday marked the end of a **33-year-old wait** for an indigenous fighter, but Tejas still has a lot of imported material in it, including its heart, a GE engine. Prime Minister Narendra Modi hailed the induction as a matter of "unparalleled pride and happiness" and a step which illustrates the skills and strenghts of Indian scientists. ❑❑

Istanbul-type attack in the US

The Islamic State terror group may carry out large-scale attacks in the US similar to the one in Istanbul, CIA Director John Brennan has warned. The despicable attack at Istanbul's Ataturk International Airport that killed dozens and injured several certainly bears the "hallmarks" of the Islamic State's depravity, Brennan said. "We've seen ISIL (Islamic State) carry out and incite an array of terrorist attacks in the region, directly, indirectly and I would be surprised that ISIL is not considering carrying out these attacks in the near abroad as well as the far abroad," he said.

"And the United States, as we well know, is leading the coalition to try to destroy as much of this poison, inside of Syria and Iraq, as possible. So it would be surprising to me that ISIL is not trying to hit us, both in the region as well as in our homeland," Brennan said while to replying to a question at the Council on Foreign Relations, a top American think-tank.

"I think what you see in the propagation of their material, they have a magazine, Dabiq, that goes out that says exactly that. It exhorts individuals to do it."

Brennan said global instability is one of the defining issues of the time, and its implications are hard to overstate. As many as 42 people were killed and hundreds wounded yesterday after suicide attackers armed with guns and bombs attacked Istanbul's busy Ataturk Airport, apparently targeting Turkey's crucial tourism industry. The government blamed the attack on Islamic State extremists but there was no immediate confirmation from the group.

China must be held accountable

After India failed to get entry into Nuclear Suppliers Group (NSG) due to China-led opposition; the US has said one country can break consensus in the atomic trading bloc and insisted that such member should be held accountable. US Under Secretary for Political Affairs Tom Shannon asserted that the US is committed to ensuring India's entry into the NSG while expressing "regret" that Washington was unsuccessful in making India a member of the bloc in its pleanary in Seoul. "We understand that in a consensus-based organisation, one country can break consensus. But, in order to do so it must be (held) accountable not isolated. "I think what we need to do going forward is, for both of us India and the US, sit down and take a call what happened in the Seoul, take a close look at the diplomatic process which is significant and see what more we can do and how we can ensure that next time we are successful," he said during an interactive session at the Foreign Service Institute.

Calling India an "anchor of stability" in the Asia Pacifc region, US Under Secretary for Political Affairs Tom Shannon also said what China was doing in South China Sea is "madness" and it wants New Delhi to play a major role in the Indian Ocean. Describing India a responsible and important player in the sphere of nuclear non-proliferation, Shannon said, "We are committed to having India join the Nuclear Suppliers Group. We believe that through the kind of work we have done, the civil nuclear agreement, the way India conducted itself, it is worthy of this."

English to be dropped by EU

The English language may be one of the casualties of Brexit as it emerged that no state other than the UK has registered it as a primary language among the 28 countries within the European Union. English has been the top choice for European Union (EU) institutions but Britain's vote to leave the union last week could trigger a ban on its use.

"We have a regulation where every EU country has the right to notify one official language," Danuta Hubner, the Polish MEP or Member of European Parliament who heads the European Parliament's constitutional affairs committee, told a press conference in Brussels.

"The Irish have notified Gaelic and the Maltese have notified Maltese, so you have only the UK notifying English," she said in reference to the fact that English is in everyday use in member countries Ireland and Malta. Hubner said that although English was the "dominant language" used by the EU civil servants and MEPs, in legal terms "if you do not have the UK, you do not have English", 'The Times' reported. Regulations would have to be changed to retain the language, requiring a unanimous vote from the 27 remaining states.

Selling Poisoned dog meat sold in China

Twenty two people were sentenced to up to eight years in prison for making and selling more than 5,000 kilogrammes of tainted dog meat in China's Jiangsu Province. Prosecutors in Rugao city have investigated 14 cases regarding tainted food, which involved over

5,000 kilogrammes of poisoned dog meat, 11,000 poisoned birds and 500 kilogrammes of hazardous chemicals. Police detained Lao Gan (pseudonym) who purchased 7,000 kilogrammes of poisoned dog meat before tracking down another five people. They also bought half of the meat and sold it to restaurants in the outskirts of cities in Anhui, Shandong and Jiangsu provinces, state-run Global Times reported.

China pulls up chief negotiator

The Chinese leadership has pulled up Wang Qun, its lead negotiator and Director General of the Arms Control Division at the Foreign Ministry, for failing to drum up significant global support for China's position in Seoul which blocked India's entry into the NSG. Highly placed Western and Chinese sources said that Wang Qun had told Beijing that at least one third of the NSG nations would endorse China's position. However, the position was totally in the reverse, with as many as 44 nations backing India and China only having the support of four nations. Beijing now fears that the fallout of the NSG outcome could have an impact on a crucial verdict expected soon from the Permanent Court of Arbitration in The Hague in a case brought by the Philippines concerning China's territorial reclamation activities in the South China Sea.

Make in India's success?

Ruchir Sharma, chief global strategist and head of emerging markets, Morgan Stanley, says that we haven't seen any evidence of it as yet. On the ground, there's been no pick up in private investment and manufacturing also is not doing that well in India. It may happen. Perhaps it's too early, or perhaps we've come to the party too late. Having said that, it's a tough environment globally for exports and manufacturing led exports. On India, I'm optimist that we have a growing population at a time the world's population growth rate is slowing down. Our debt seems to have stabilised after a long time. I do feel good that we have a competitive currency now and the FDI success story is a reflection of that. Even Indians who were taking a lot of money out of the country have stopped doing that in the great measure. The expectations among the external community about India are very high now. Foreign investors have put in a lot of money, they think India's the next thing. But this external perception is part of the problem, as I see.

Taiwan missile towards China

A Taiwanese warship "mistakenly" fired a supersonic "anti-ship missile" towards China as it celebrated 95th anniversary of the ruling Communist Party amid assertions by President Xi Jinping ruling out independence for Taiwan.

The "accidental launch" of the domestically developed Hsiung Feng III anti-ship missile from a naval base in Kaohsiung, south of the island, took place as Taiwan's President Tsai Ing-wen, also commander-in-chief of the armed forces, was overseas.

"The missile was launched by operational error. We are investigating the case," Vice-Admiral Mei Chia-hsu of the Taiwanese Navy was quoted as saying by the Hong Kong-based South China Morning Post. Asked if the incident risked a misunderstanding with Beijing, Mei said the navy had reported the incident to the island's defence ministry, which would handle the case accordingly. The missile, with a range of 300 kilometres, flew about 75 kilometres before plunging into waters off Penghu, a Taiwanese -administered island in the Taiwan Strait. Meanwhile in Beijing, Taiwan figured prominently in a speech by President Xi to a rally to mark the 95th anniversary of the Communist Party of China (CPC), where he said China is firmly opposed to Taiwan's independence.

Hindu priest killed in Bangladesh

Unidentified assailants shot and hacked to death a Hindu priest in Jhenaidah in southwestern Bangladesh in an attack that bore the hallmarks of the recent murders of activists and writers in the country. Ananda Gopal Ganguly, the 70 year-old victim, was riding a bicycle to Naldanga Bazar to perform puja when he was attacked by three men who came on a motorcycle carrying sharp weapons, local police said.

Farmers discovered Mr. Ganguly's body in a rice field near his home in the village of Naldanga. The Islamic State terror group has claimed responsibility for the murder. In January this year, a local homeopath Samir Ali, who had converted into Christianity, was found murdered in Jhenaidah. In the last two days, two other people have been killed in a similar manner. The wife of a senior police officer, who was involved in counter-terrorism, was stabbed and shot in the head in the port city of Chittagong. A Christian grocer was killed in northern Natore. ❑❑

World trade Declines

World trade recorded a 1.1 per cent decline in the first quarter of 2016 compared with the previous quarter, and a 1.0 per cent decline compared with the same period last year, according to quarterly trade volume statistics jointly prepared by the WTO and the United Nations Conference on Trade and Development (UNCTAD). These estimates reflect the volume of world merchandise trade as measured by the average of exports and imports, seasonally adjusted. World trade as measured by exports fell by 0.8 per cent in the first quarter of 2016, with Asia recording the largest drop (2.7 per cent). All countries in Asia, with the exception of Thailand (+3 per cent), recorded a decline in their exports. Conversely, exports from South and Central America rose by 3.7 per cent and exports from Africa, Middle East and the Commonwealth of Independent States rose by 4.2 per cent collectively.

Meanwhile, world imports declined by 1.5 per cent in the first quarter, with Asia seeing a decrease of 3.9 per cent and South and Central America declining by 2.8 per cent. Europe saw a slight growth in imports (+0.6 per cent) fuelled by stronger demand in the European Union (with imports from outside the EU growing by 2.6 per cent).

China threatens WTO case

China could a file suit at WTO in order to protect its steel industry, the Chinese Commerce Ministry said, after the US said some steel imports from China were hitting US producers. The US International Trade Commission had said earlier that imports of corrosion-resistant steel from China and four other countries were harming US producers, the final step in the imposition of US anti-dumping and anti-subsidy duties. The US Commerce Department had already slapped duties of up to 450 per cent on the steel products from China and duties ranging from 3 per cent to 92 per cent on corrosion-resistant steel from Italy, India, South Korea and Taiwan. The ministry said Washington's large anti-dumping and anti-subsidy duties would force Chinese companies to pull this type of steel product out of the US market.

Steel mills in China, the world's biggest producer and consumer of the metal, have raised production and beefed up exports despite the government's efforts to cut overcapacity. This has escalated trade spats between China and other steel producing nations, such as Japan, India and the US. The Commerce Ministry has said that it is deeply concerned about protectionism in the US steel sector. It argues that the difficulties facing the global steel sector have resulted from falling demand, and that trade protectionism from the US will intensify conflicts and disputes.

China objects to India's probe

China has expressed serious concern over India initiating an anti-dumping probe against Chinese steel products as it sought a 'fair' and 'transparent' investigation in line with WTO rules. China is highly concerned by Indian trade remedy measures against Chinese steel products, the Ministry of Commerce said. Excess steel production capacity is a global challenge. Countries should unite to face up to it, rather than abuse trade remedy measures, the Ministry said in a statement, adding that China and India should "properly handle trade frictions."

The ministry said it hoped the Indian government could conduct a fair and transparent investigation in line with WTO rules, and refrain from trade remedy measures. India launched an anti-dumping investigation in April into hot-rolled steel coils imported from China. It is the fourth such probe against China this year, state-run Xinhua news agency reported, citing the statement.

GCC Launches Safeguard

Saudi Arabia, as President of the GCC **(Cooperation Council for the Arab States of the Gulf)** and on behalf of the GCC Member States: Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, Kingdom of Saudi Arabia, and United Arab Emirates, notified the WTO's Committee on Safeguards that it initiated on 9 June 2016 a safeguard investigation on flat-rolled products of iron or non-alloy steel.

It is indicated in the notification as follows: "Interested parties willing to receive a questionnaire should request it no later than 10 days from the initiation of the investigation. All interested parties have a period of 21 days, from the initiation of the investigation, ta make themselves known. Any information which the interested parties may wish to submit before the investigating Authority should be submitted in writing. ❑❑