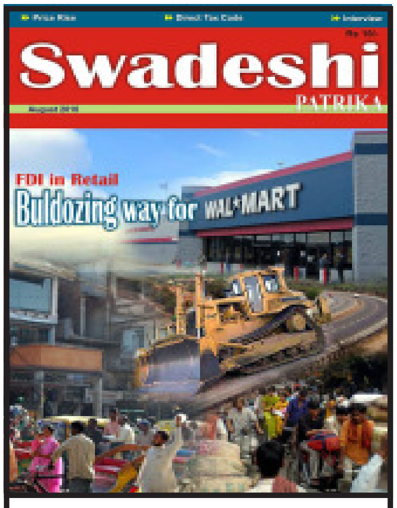


Vol-15, No. 8
Shravana-Bhadrapad 2067 August 2010

EDITOR
Ajay Bharti

PRINTED AND PUBLISHED BY:
Ishwardas Mahajan on behalf of **Swadeshi Jagaran Samiti,** 'Dharmakshetra', Sector-8, R.K. Puram, New Delhi-22,

COVER & PAGE DESIGNING
Sudama Bhardwaj

EDITORIAL OFFICE
'Dharmakshetra' Sector-8, Babu Genu Marg. R.K. Puram, N. D.-22
E-MAIL : swadeshipatrika@rediffmail.com
WEBSITE : www.swadeshionline.in

CONTENTS

Economist Prime Minister

Our PM is an economist yet he failed miserably in controlling inflation. He certainly is the weakest prime minister of India, who does not have confidence to answer the main issue confronting AAM ADAMI. He instead assigns the job to his FM. He did not utter a singal word ever about rotting of food grins (Rs. 28000 Cr loss). Have a look on any front of national activity, he has failed miserably. If he continues to be in chair it is because of the absence of alternatives. I am convinced that it is time he should step down himself, if he is not able to deliver his duties. His food and Agri. Minister along with the deputy chairman of planning commission should be fired for the same CRIME. Ware houses should have been constructed instead of constantly increasing budget for useless Common Wealth Games. The entire effort has become an enterprise to loot Khel Khel Main Common Wealth of the country by those in office. Talks and talks on economic development as the so called development without basic required infra structure is unjustified, shameful as well as criminal.

– **Adityaraj,** *Kurla, Mumbai*

Punish the Culprits

I am deeply hurt after reading news about rotten food grains. It is so pity that so much grain is wasted. Imagine if there is no rain as punishment for this act. What we can eat? Each religion teaches us to respect the food. For the food lots of people leave the family to earn daily bread. Whoever is responsible should understand how hard it is to grow a bag of rice in the heat and cold weathers. This is not the way to thank the farmers for their hard work and our Annadaata (food Provider).

Is there no court in India to take action suo motto against this national criminal negligence of FCI and government officials? We should punish the food minister and all the officials' responsible for the same. They are frankly killing the hapless poor citizens. Is there no NGO to file a suit on behalf of the poor of India so that we can get a good and quick verdict against this government? It's time public opinion mounts and forces those at helm do something to revamp the system.

– **Raghu,** *Hyderabad*

EDITORIAL OFFICE

SWADESHI PATRIKA

***'Dharmakshetra'*, Sector-8, Rama Krishna Puram, New Delhi-22**

■Tel. : 26184595, *E-Mail*: swadeshipatrika@rediffmail.com

For subscription please send payment by A/c payee Cheque/Demand Draft/ Money Order in favour of 'Swadeshi Patrika' at New Delhi.

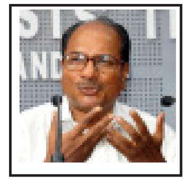
Annual Subscription : 100/-

Life Membership : 1000/-

Kindly write your full name and address in capital letters.

If you do not receive any issue of Swadeshi Patrika, kindly e-mail us immediately.

Quote-Unquote

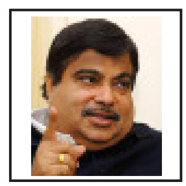


Arms aid to Pakistan, worth millions of dollars annually by the USA is disproportionate to the war on terror for which it is intended.

AK Antony
Union Defence Minister

The PSUs involved in mining spend only a small amount of their profits towards local development, which needs to be corrected urgently.

Raman Singh
Chief Minister of Chhattisgarh



Farmers are forced to commit suicide as they are not getting appropriate income for their produce.

Nitin Gadkari
BJP president

We are determined that groups like the Taliban or Lashkar-e-Tayyeba should not be allowed to launch attacks on Indian and British citizens.

David Cameron
Prime Minister of Britain

Criminal negligence or a sinister design

"When a sinister person means to be your enemy, they always start by trying to become your friend." – (William Blake)

Disgusting reports of rotting food grains in a country where millions sleep without food shocked the nation recently. Not that wastage of food grains is new to India. But the images of rotten food grains lying across the country and the sadistic explanation by the officials responsible looked horrible. More deplorable where the scenes of the food grains being buried and destroyed in other ways to conceal the criminal act. Such bad was the condition of rotten food grains that even animals hesitated to take it. This is happening in a country that is home to roughly one-third of all poor people in the world pegged at 1.4 billion people. India also has a higher proportion, 828 million people, or 75.6% of its population living on less than Rs 20 per day than even sub-Saharan Africa considered the world's poorest region. Acuteness of the poverty that prevails in India can be realized by a new 'multidimensional' measure of global poverty that quantifies the number of poor in eight states, including Bihar, Uttar Pradesh and West Bengal, together to be more than in the 26 poorest African nations combined. Now compare it with fact that according to some preliminary estimates wheat loss alone is 250 lakh tonnes. Reports published in important national dailies have revealed that, food grains sufficient enough to feed 140 million people for a month, rot.17.8 million tonnes of wheat and rice are being similarly stored under tarpaulin across India. Of this about 10 million tonnes, having seen at least one monsoon, is at risk of rotting, which will cost the country around Rs 17,000 crore. tarpaulin. According to official sources 13,00,000 tonnes of food grains were damaged between 1997 and 2007, mostly in Punjab and Haryana though floods are rare in these two states. The quantity lost was sufficient to feed one crore people for one year.When the hunger is a stark reality and persistent high food prices is pushing more and more people below poverty line it was expected that the government will turn its attention to raising food output and stopping wastage. Since food production has been stagnant for the past decade, efforts to preserve the produce and cut the wastage naturally should have been enhanced. What we see in reality is scary. Government in general and Agriculture Minister in particular is crying hoarse about lack of storage facilities. It is being said that lack of adequate or proper storage facilities is resulting in rotting of food grains worth Rs 58,000 crore or 10 per cent of the total food grain production. They avoid informing the countrymen about their own performance. For instance Mr Pawar has been agriculture minister for six years now. What action has he taken to augment the food storage capacity of the Food Corporation of India during his tenure? Is not his failure a criminal letdown? Or shall we believe that there is a sinister motive behind this? The sustained campaign launched about the inadequacy of existing storage capacity and highlighting of urgency to expand it to store the left-out 140 lakh tones of food grains smells foul. We are told that expansion requires an investment of Rs 4,000 crore and the fund-starved government has no way but to look to private firms for a bailout. Private companies both Indian and multinational are preferred beneficiaries of government largesse. How otherwise can one justify renting out state ware houses to private company for storing whisky even when food grains continue to rot out side same warehouses. Storage of food grains, by the way is not the only sector for which government is asking private players to step in. Opening up retail sector to organized MNC's by allowing FDI in multi-brand retailing is being pushed with vigor. Swadeshi Patrika this month has focused its lead on this crucial issue.

Smokescreen of concern for "Aam Aadmi" Vanishes

What does FDI in the retail sector really mean? Does it signify shopping pleasure, air conditioned plush environment, a greater variety of merchandise, "everything under one roof", discount schemes, uniformed handsome and beautiful employees to guide and assist you, and tea, snacks, ice cream parlors to refresh you after hectic shopping? Or does it imply that the local small stores will be wiped out rendering 12 million small shopkeepers, 40 million hawkers and at least 200 million (of the 600 million) small farmers jobless?

The letter diplomacy between Congress President Sonia Gandhi and the Prime Minister of the UPA government leaked systematically to press and alleged to be a PR stunt by opposition was considered by many people to be an opportunity for the government to address concerns of common people. Even those who considered these letters to be a sheer design agreed that they took out steam from unpopular decisions of the government. One of the most talked about letter was written in February 2007. It was about FDI in retail sector.

"In the case of the Right to Information Act (RTI), the Congress President's role in its implementation was obvious to anyone. It was the urging by the Congress President that led to the enactment of the legislation for the tribals. She wrote a letter to the prime minister to give due regard to the farmers' interest when land was acquired for SEZs. When it came to the question of FDI in the retail sector, the Congress President intervened keeping in mind the interests of millions of small traders and asked the government to review its policy. All these indicate that Sonia Gandhi and the Congress party are working for the welfare of the common man" wrote V Narayanasamy, General Secretary, AICC on February 16,2007 in Deabte section of Business Standard. Sonia Gandhi was clearly emerging as conscience keeper of the government.

In the counter view on same day same newspaper same section Prakash Javadekar, Spokesperson, BJP alleged, "The letter diplomacy between Congress President Sonia Gandhi and the UPA government is by design. There are two purposes of this, one is to pay lip service to public anger over FDI in retail and the second is to show beyond doubt that Sonia Gandhi's writ is supreme in this government." "The letter, portions of which were selectively made available, does not seem to oppose FDI in retail on principle, as the BJP does. There must be something personal that has spurred Gandhi to write. Looking at the last few examples, there is no doubt in my mind as to how this latest round of letter diplomacy will pan out. There will be no follow up and indeed, as Kamal Nath (Then Commerce Minister) has already shown, it's business as usual on this matter in the commerce ministry. Thus the whole thing is a charade — more political than real — and designed to fool the people," Javdekar continued. Allegations of BJP were dismissed as usual opposition charge without substance. People were not convinced and in the Parliamentary election that followed Congress returned victorious with improved mandate.

So far so good. What is the problem now?

Multi-brand global retail giants like the Wal-Mart, Metro, Carrefour and Tesco may soon enter the rapidly expanding Indian retail market, if the Manmohan Singh government has its way.

The government has now made a strong pitch for throwing open the retail sector to foreign direct investment (FDI). At present, FDI is not allowed in multi-brand retail for fear that it would hit small shopkeepers and neighborhood stores. Now the department of industrial policy and promotion (DIPP) has said in a discussion paper that FDI in retail may help both farmers and consumers and could contribute in controlling inflation. The department has argued that FDI in front-end retailing is imperative to fund cold storage for farm produce. The paper, released for public comments, has favoured allowing 51 per cent FDI in the sector which would allow the global giants to directly set up shops in the country.

The paper has also suggested that the government could make it mandatory for 50 % of all foreign investment in retail to be invested in creation of back-end infrastructure, and reserve half of all jobs in the retail sector for rural youth. The government has further tried to defuse concerns, by suggesting in its discussion paper that the sector would be opened up to foreign firms in a “calibrated manner”. The government has sought the views of different stakeholders by July 31 on whether FDI in the sector should be permitted. It did not propose any specific cap for FDI in retail firms.

Issue is will Madam Sonia Gandhi intervene for the sake of her much publicized and cultivated image of, “ impartial approach of the Congress President towards

the all-round welfare of the poor and the downtrodden.”

Retail trade in India is not just a business but a community undertaking in most parts of India, it carries a high risk of social unrest. Shri S. Gurumurthy, All India Co-convener of SJM pleads, “The unorganized retail trade in India represents the traditional, community centric, low-cost and employment-intense retailing that includes but is not limited to, kirana shops, owner-run general stores, paan/beedi shops, convenience stores, hand cart and pavement vending. In this model a whole family works in one shop and a whole community is engaged in the trade in a defined area. It is collectively almost an unincorporated enterprise formed by relation-based communities now increasingly regarded as social capital.”

“Most advocates of corporate retail in India and of foreign retail firms in India seem to ignore the critical contribution of the present model of retail trade to the Indian economy & society.

First, as its very structure and its reach from the main metros to the remote hamlets testify, this multi-layer retailing is the most decentralized economic activity in India after agriculture. Second, it constitutes almost 98% of total trade with an estimated 12 million outlets; in contrast, the organized trade accounts for just 2%. Third, it is the largest employment provider after agriculture again, employing an estimated 40 millions. In contrast,

Allegations of BJP were dismissed as usual opposition charge without substance. People were not convinced and in the Parliamentary election Congress returned victorious with improved mandate.

the largest retail giants in the world, the Wal Mart employs just 5 lakh persons; this demonstrates how insignificant that is in comparison. Fourth, being self-employed, most of them are engaged in the trade along with their families, the work and livelihood of some 120 millions more rests on this sector. Fifth, the retail trade in India is run by community-centric social capital, not unrelated individual traders. Sixth, consequently, it is an open air community B-School for retailing that continuously generates, by sharing knowledge and experience through relations, huge community-based entrepreneurship. Seventh, it contributes to over 14% of India's GDP, while the share of all companies in the BSE 500 index is some 4%! Eighth, this so-called unorganized re tail segment has been growing at an average of over 8% per year for the last 8 years [1999-00 to 2006-07] which is second only to the construction trade that grew at some 10%," he continues.

Dr. Devinder Sharme, the internationally known Food policy expert believes, "12 million small shopkeepers, 40 million hawkers and at least 200 million (of the 600 million) small farmers will be rendered jobless". Commenting upon the repeated assertion of Prime Minister Dr. Manmohan Singh, "The entry of foreign enterprises into the retail trade will not hurt our small shopkeepers but will create lot more employment," Dr. Sharma emphasizes, "

Organised retail occupies 92 per cent of the retail business in the United States, and 70 per cent in Britain. And this has come at a heavy social, economic and environmental cost, and big retailers have added to poverty.

but the international evidence is to the contrary. Organised retail occupies 92 per cent of the retail business in the United States, and 70 per cent in Britain. And this has come at a heavy social, economic and environmental cost, and big retailers have added to poverty." Citing a study done by Stephen J Goetz and Hema Swaminathan of the Department of Agricultural Economics and Rural Sociology, at Pennsylvania State University in the United States in support of his argument, he adds, "Entitled Wal-Mart and Poverty, the comprehensive 2004 study clearly brings out that those American states that had more Wal-Mart stores in 1987, had higher poverty rates by 1999 than the states where fewer stores were set up. "Equally important, the counties (districts) which built new Wal-Mart stores between 1987-1998 also had high poverty rates," the report concludes. Interestingly, increased poverty growth from Wal-Mart operations comes at a time when poverty rates nationally were otherwise in decline.".

With the rise of indigenous supermarket chains belonging to corporations such as Reliance, Birla and Bharti, the retail sector has seen a growth of 40 percent in the organized, modern retail in the last five years. From the initial 3 to 4 percent growth, the retail chains have come a long way. Small kirana stores are already feeling the pressure of competition from these indigenous supermarket giants. Multinationals like Kafu, Ikia, Shoprite, Wal-Mart, Tesco, Carrefour and Woolsworth will further add to their woes.

Representatives of small and medium enterprises (SME) have called for a more "calibrated approach." Media has reported, a senior functionary of prominent industry lobby, saying: "We have to be sensitive about allowing unrestricted FDI in retail because it may result in serious consequences for employment." The retail sector is the biggest employer, after agriculture. Referring to "stagnant agriculture" in the past few

years, he said although modernisation of distribution channels can have a positive impact, "this has to be tempered with the recognition that these channels can turn out to be monopolistic in nature." "We have to be alive to the fact that a single large retailer can put at least 25 small kirana shops out of business."

In fact, the Federation of Karnataka Chambers of Commerce and Industry (FKCCI), which represents and articulates the interests of the SME sector, recently "cautioned" the Government against any "hasty" decision on opening up the sector to foreign competition.

N.S. Srinivasa Murthy, president of the FKCCI, said the argument that more FDI will ensure investments that would lead to the development of the back-end infrastructure in the sector, is "spurious" because the same can be achieved by giving the retail sector the status of an industry. "If this is done, the sector can be given sops that have been given to the IT industry," he said. Industry sources are wary of any dilution in norms governing the entry of foreign firms such as Wal Mart and Carrefour. "Look at what has happened in the garb of allowing 100 per cent FDI in the cash-and-carry segment," says Mr. Srinivasa Murthy. "Entities such as Metro were only supposed to supply other retailers, but it has morphed into full-fledged retailing activity," he said. "The apprehensions of smaller retailers stem from the fear that more liberal norms will result in the stealthy entry of foreign companies in the sector," he said.

Swadeshi Jagaran Manch has been in forefront to oppose anti poor and anti common man policy of the government. In its recently held National Council Meeting SJM passed a resolution to express its concerns. The resolution said, "For more than a decade multinational retail giants have been making attempts to make an entry into Indian retail market and capture a huge market. At the same time there has been strong opposition to the same in India from different quarters. It may be recalled that during the prime minister ship of Shri P. V. Narasimha Rao, the then Finance Minister and the present Prime Minister had virtually opened up the gates for FDI in retail. Thanks to the change in the government, the process could be stalled. Once again, when this government took charge, attempts are on to open up this sector fully for FDI. Already FDI in single brand retailing has been allowed since 2006 and Wal-Mart and other giants are forcing their entry from back door via joint venture route (Bharti – Wal-Mart); and now, statements from people in the government clearly reveal that they are hand in gloves with multinational retailers. As a statutory obligation to reveal information about expenditure on lobbying, the Wal-Mart has revealed that it had spent USD 11 Mio (about Rs 56 crores) on lobbying for issues related to India and they had spent USD 1.37 Mio (over Rs 6 crores) in the year 2009 itself."

It is clear that Foreign retailers want to sell directly to Indian customers as they develop new sales outlets in the face of saturated Western markets. India, with its 1.2-billion-strong population, looms large in their aspirations. They will go to any distance to have their way. But unfortunately the Government of India, which in normal course should work for the protection of poor, marginalized and deprived sections of the society, is actively pushing for FDI in retail. In this respect role of Congress president is crucial.

Will she live upto her projected image or will the opposition charge prove to be truthful?❑❑

Say No to FDI in Retail & Withdraw discussion paper right away: SJM

Views of SJM on FDI in Retail Trade, an extract of the paper submitted to Department of Industrial Policy and Promotion, Government of India.

Department of Industrial Policy and Promotion, Government of India has issued a discussion paper (DP) showing government's intention to open multi brand retailing for Foreign Direct Investment (FDI). Views and suggestions have been invited on Section 7 of the paper entitled 'Issues for Resolution' apart from any other issues of concern relating to FDI in multi-brand retailing. Although Para 1.2 of DP states, "The views expressed in this discussion paper should not be construed as the views of the government. The Department hopes to generate informed discussion on the subject, so as to enable the government to take an appropriate policy decision at the appropriate time", it appears from the DP, the government has tried to support its intention to open up multi brand retailing by the following-

1. Recommendations of 'FDI IN RETAIL– A POLICY PERSPECTIVE', PREPARED BY FICCI AND ICICI PROPERTY SERVICES IN FEBRUARY, 2005.

Above mentioned document apart from giving the same familiar argument of 'competition' and 'economies of scale', does not talk about the impact of FDI on employment. Though it talks of benefits to government by way of employment generation, it does not spell out the loss of employment due to displacement of small retailers. The study lacks empirical evidence to support its **arguments** in favour of FDI in retailing.

2. THE MID TERM APPRAISAL OF TENTH PLAN says that entry of modern foreign retailers through joint ventures in India would help develop backward linkages to sources of supply and thus develop a domestic supply chain capable of meeting international standards. The papers further says that "Allowing FDI in joint ventures is likely to provide access for domestic suppliers to international retailing which purely domestic modern retailers may not be able to offer." This paper **also lacks any empirical evidence**. It also fails to spell out the likely impact of opening of this sector for FDI on employment.

3. ICRIER STUDIES ON: (i) FOREIGN DIRECT INVESTMENT IN RETAIL SECTOR-INDIA (2005) and (ii) 'IMPACT OF ORGANIZED RETAILING ON THE UNORGANIZED SECTOR'·2008.

Though the discussion paper gives the conclusions of ICRIER study of 2005 and 2008, it has not spelled out the methodology of the above mentioned studies. The study of 2005 again lacks the required empirical evidence to support their recommendations, the study of 2008, is based on methodology of sample survey that has been a subject of major criticisms by the experts.

The discussion paper also gives details of the arguments against FDI in retail sector as given by various reports-

The Hon'ble Department Related Parliamentary Standing Committee on Commerce, in its 90th Report, on 'Foreign and Domestic Investment in Retail Sector', laid in the Lok Sabha and the Rajya Sabha on 8 June, 2009, had made an in-depth study on the subject and identified a number of issues related to FDI in the retail sector. These included: Labour displacing effects of FDI driven modem retailing; Job losses due to predatory pricing strategies of large retailers; Disintegration of established supply chains by establishment of monopolies of global retail chains, leading to their control of both ends of the supply chain; Inability of retail to boost GDP by itself, it being only an intermediate value added process and Disruption of current balance of the economy by rendering millions of small retailers jobless.

Given the observations and the recommendations of the hon'ble committee on the subject, it is clear that democratically elected representatives have not only argued against FDI in retail, but have recommended for protecting the interests of the small traders against the onslaught of domestic organized retail sector. It is unfortunate that the government instead of acting on the recommendations of the hon'ble committee of the parliament has chosen to give arguments for opening up of this sector for foreigners against the interests of the domestic small retailers, most of whom belong to vulnerable sections of the society, which includes rehri, patri, khomcha, small vegetable venders among others. The paper of the government clearly demonstrates insensitivity of the government towards this section of the society, which employs 33.1 million work force, which is 7.2 percent of total work force (as per latest 64th round of NSSO).

It seems that ICRIER is obsessed with the idea of proving in one way or the other that FDI in retail is good for everybody in the country and there is no need to worry about the possibility of danger to employment of the existing small retailers. For that purpose, even a reputed research organization like ICRIER is indulging in statistical jugglery to prove there point.

It may be noted that ICRIER was asked to make recommendation about opening up of FDI in retail sector for whole of India. Though the ICRIER claims the study to be the largest ever survey of all segment of the economy that could be affected by the entry of large corporate in the retail business, the sample chosen by ICRIER was too small to be representative sample. For instance ICRIER study took a sample of only 2020 number of small retailers, 1318 consumers, 197 farmers and 100 intermediaries. In addition to that ICRIER claims to have interviewed 6 establish corporate retailers, 12 large manufacturers and 20 small manufacturers.

On the basis of the said survey the report concludes

The rate of closure on account of competition from organized retail is at 1.7 per cent per annum. Unorganised retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers. But the report says that the adverse impact on sales and profit weakens over time.

Still the report concludes

There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers. There is some decline in employment in the North and West regions which, however, also weakens over time. The Report itself concedes that its scope is limited given the size of the sample of farmers. But even if we go by the conclusions of ICRIER 1.7 per cent small retailers will face closure annually, which means about 10 per cent shops will be closed in 5 years.

Misdirected Argument of Strengthening of Supply Chain, Warehousing and Storage

It is unfortunate that to legitimize the entry of the multinationals in Retail Sector, the department is taking the shield of lack of storage facilities for agriculture produce. Is this not the responsibility of the government to either create this storage capacity on its own or encourage private sector to create this by way of subsidies, fiscal concessions or other incentives. In the lat more than 60 years after independence, the government has failed miserably on this front. Government has no right to penalize the small retailers for no fault of theirs. The paper gives an argument that creation of this infrastructure requires an investment of rupees 7687 crores & therefore we need FDI in retail, so that multinational retail giants would create this infrastructure. This argument is not tenable. In a country where the size of annual budget is more than 11 lakh crores, for this small investment of merely 7687 crores we can not legitimize the death warrant for small retailers, especially when they are not at fault.

Demand

Given the flaws from which the arguments for opening up retail of FDI suffer, there is no point for even discussing this issue. As per the hon'ble committee of parliament, the government so far has failed to support small retailers. They still have to borrow at exorbitant rate of interest. They face harassment from the authorities, apart from other problems. A national commission should be setup to look into the problems of 40 million small retailers. Any attempt to open retail sector for FDI (multi brand retailing). The government should not forget that after the new economic policy has been adopting and multinational companies have been allowed to enter different sectors of the economy, rate of unemployment (current daily status) has risen from about 5 percent per annum to 8.28 percent per annum (61st round NSSO). This act of the government would send millions of people out of employment.

The argument given in the report that in the new format existing retailers could be rehabilitated is ridiculous, as everybody knows that the existing small retailers can not be employed in the malls in any respectable manner. The government will be considered insensitive to problems of poor retailers like rehri, patri, khomcha and small shopkeepers if it opens up retail sector for multi brand retailing by foreigners. Swadeshi Jagaran Manch demands that this discussion paper be withdrawn with immediate effect. ❏❏

(Complete Paper is available on our website - **www.swadeshionline.in**)

Animated testimony of the 'US Growth & revival

The growth celebrated as revival is just money multiplied through stock prices without creating jobs. Jobs seem impossible to generate while growth seems easy to manipulate. Jobless growth has become the paradigm today, explains **S. Gurumurthy**

Those who predicted a speedy recovery of the world economy some months ago were off the mark. The stimulus packages did not revive the real economy; they merely compensated banks for running up bad debts. Nine dollars spent thus resulted in GDP growth of one dollar.

"The Dow is back at near 11000"; "The US has posted a GDP growth of 3.5% in the third quarter of 2009"; "Europe is back to growth"; "Trusted entrepreneurs like Bill Gates and famed investors like Warren Buffet have come out and confidently declared that the US and global recession is over and that the world is again on an irreversible growth path" — this was how experts had declared and celebrated the global economic revival before the trouble in Greece, a tiny dot in the global economy, stopped them from extending their theory of recovery.

The chorus became stronger when the US GDP growth for the last quarter of 2009 touched 5.6 per cent. Now look back. Just three quarters before that, in March 2009, when the Dow had touched mid-6K positions, many pundits had feared that the very capitalist order might give way. Couple of months before Buffet and Gates announced that the world was back to irreversible growth, there were apprehensions that the dollar may cease to be world's reserve currency.

In October 2009, there were reports that the oil producing nations were planning to fix a common currency backed by a basket of currencies of the surplus nations to mediate oil trade and to dump the dollar. The dollar was down to over 1.5 per Euro in the last quarter of 2009 from less than 1.3 per Euro in April. Then began the efforts to confidently talk the dollar and the US economy out of trouble.

Claims of Revival

In November the US Treasury Secretary, Mr Timothy Geithner, confidently declared that there was no alternative to the dollar for at least a decade to come and that a strong dollar remained key to global recovery. China, which had huge dollar stakes, suddenly began to speak for the dollar. The Indian Prime Minister Dr Manmohan Singh on a visit to the US said, "As far I can see right now, there is no substitute for the dollar."

Endorsing the optimism of the US Treasury Secretary about America's economic resilience, Dr Singh said that questions about the US economic model and the setbacks it was suffering were just temporary. Yet, only a month before that, India had exchanged 200 tonnes of gold from the IMF for \$6.7 billion.

It was no expression of faith in the dollar, but the other way round, to hedge against its fall. By going for gold in exchange for the dollar, India is richer by almost 70 per cent. Yet Dr Manmohan Singh certified besides the strength of the dollar, also the US economic model, which is the backbone of global capitalism. Even the CPM leader Mr Sitaram Yechury said that in the absence of an alternative political model, capitalism was bound to reinvent itself!

The dollar began to rise in January 2010 and is now 1.25 to a Euro. Thus, as the year 2010 opened everyone had become part of the exuberant pack that declared the revival of the US, European and therefore, global economy—Asia already having weathered the crisis.

See what a little reflection could have done to the claim of revival. The exuberant world today does not seem to understand that the cause of the crisis repeated ten times over, in a manner that is worse, has become the reason for the revival! Is that revival? How could the cause of the crisis be the cure for the crisis? Read on.

Stimulus gone awry

There is no dispute about the fact that subprime housing-consumer credit expansion, which averaged $800 billion a year between 2000 and 2008, had invited the crisis. In less than a year after the crisis had hit, the credit expansion that was made to stop the crisis was almost six times the annual average for the last ten years!

According to the report of the US Special Inspector General, TARP (Troubled Asset Relief Programme), dated July 2009, the stimulus amount "lent, spent or committed" till June 2009, that is, within a year of the advent of the crisis, was estimated to exceed $23.7 trillion, of which the amount actually utilised had topped $4.7 trillion. For this spend ($4.7 trillion) what is the rise in US GDP?

Nine dollars spent thus resulted in GDP growth of one dollar.

The US GDP rise in the third quarter of 2009 was 3.1 per cent; it improved to 5.6 per cent in the last quarter. This was held out as the final signal of the revival. But in the first quarter of 2010, the GDP rise slowed to 2.7 per cent. Translated to actual dollars (related to the US GDP of $14.6 trillion at current prices) the rise for nine months was $416 billion and annualised on the nine-month average it would translate to $525 billion, some 11 per cent of $4.7 trillion.

The $4.7 trillion spend is not investment that would take time to yield returns, at a certain percentage of the investment, like it does in China for instance where $10 investment adds $2 to its GDP year after year. As a well-known US investor, Mr Marc Faber says, the $4.7 trillion outgo is actually a pass through spend, which must, in theory, add one dollar to GDP for every dollar spent – that is yield returns at 100 per cent.

But this could have happened only if the entire spend had reached the real market for goods and services. But the $4.7 trillion has added only $525 billion to the GDP, that is 1/9 of the outgo, on an annualised basis. That is, the pass through spend did not actually pass through. The result is this: spend nine dollars to earn one.

The case of other countries is not very different. Take the case of UK. The UK government's debt will rise by £490 billion during 2009-2011 for an addition of just £57 billion to its GDP in that period. The £490 billion pass-through must add equal amount to GDP. But it would not. It is again a case of spending nine pounds to add one to the GDP. What happened to the balance eight? Why did that not reach the real market?

Nothing for real Economy

Most of the stimulus was just a cashless book adjustment with no cash passing to or from anyone. It was mere exchange of government promissory notes for the bad bank loans of the past. The crisis was the result of a spasm in the financial market caused by the bad loans.

The government assumed the bad loans on its books to ease the financial market from the spasm of 'troubled assets' — a respectable name for bad loans. That was why much of the stimulus consisted of troubled asset 'relief'. The stimulus was thus intended to fill the hole of bad loans in their balance sheets. Unlike the credit expansion during the run-up to the crisis, this amount did not get into the real economy through consumer credit and consumption.

The stimulus funds straightaway entered the banks' coffers but, as experts repeatedly complained, did not reach the consum-

Most of the stimulus was just a cashless book adjustment with no cash passing to or from anyone.

ers and the real economy. This, however, proved a blessing in disguise. Had it entered the real economy a tsunami of consumer inflation would have swept away the real market. But where did the credit go? And what was its consequence?

Between 2003 and 2008, global money supply grew at double the rate of global GDP growth. The excess liquidity went into creating an asset bubble, encouraging consumers to spend and spur the economy. But with rising US unemployment, a finance-driven model has become unsustainable.

Two lessons from the Great Depression later became part of the western economic theology to prevent recessions from degenerating into depressions. During the Great Depression, the tight money policies of US Fed starved illiquid banks to bankruptcy.

So, the first lesson was: when there is a credit spasm, make more credit available. With this in mind, when the crisis hit the US financial system in end-2008, the Fed flooded the banks with credit. The monetary base of the Fed — the money supply from the Fed to the banking system — jumped from $800 billion, where it stood for decades, to $2.2 trillion in just one quarter, the last of 2008.

The second lesson was: when private spending slows or stops, government should step in to spend, to keep the economy moving. The credit expansion and government spend combine took the stimulus amount to $4.7 trillion, of

The fall of Europe is making the US a hero again.

which the Troubled Assets Relief Programme (TARP) sum accounted for $3.7 trillion.

The non-TARP amount, mainly tax relief and deposit insurance payouts, went into the pockets of consumers. But the TARP amount mostly landed in the balance sheets of banks. From there, where did it go and what was its effect? Read on.

Global GDP, Market CAP

When the Dow recovered to 9,600 in September 2009 from a low of 6,600 six months earlier, Mr Marc Faber commented that 'it was "jobless" recovery', adding, profoundly, but 'it was not "profitless" recovery'.

Mr Faber said that the stimulus did not go into home building, or auto factories, or coal-fired plants. It had ended up in stock markets, creating profits but not jobs.

In March 2009 the Fed had announced purchase of toxic securities — up to $300 billion long-term bonds and $750 billion Mortgaged Backed Securities (MBS). This type of credit was fit to produce profits, not jobs. In fact, the complaint of the economy managers was that the banks were not lending to the consumers on easy terms like before and this was preventing the recovery. But this money, said Mr Faber, gets into the economy the fastest — flooding the stock markets in the US and elsewhere, with dollars, and driving up the indices. Result?

From 2003 and thereabouts, the financial economy began leading the real by the nose.

This shift of gear generated a fast, and false sense of, growth and wealth that mocked at the slow-growing real wealth. See how this shift in the relationship between the stock market and the real economy occurred from 1999 to 2007.

In 1996, the global GDP was $30.3 trillion & the global market cap was $19.6 trillion, with the former leading the latter by 100 to 65.

Between 1996 and 1999 global market cap rose by almost 80 per cent to $35.08 trillion; but the GDP, the index of the real economy, was almost unmoved, staying at $30.1 trillion.

Despite the global market cap leading the global GDP by 117.5 to 100 in 1999, the latter was uninfluenced by the dotcom bubble in the stock markets.

After the dotcom bluff was called, by 2002, the global market cap fell by 35 per cent from $35.08 trillion to $22.83 trillion, but the global GDP improved by 10 per cent, to $33.1 trillion, clearly indicating that the real economy stood on its own legs, insulated from the financial, and leading the latter by 100 to 69.

Finance-Driven Economy

Here comes the break. From 2003, the financial economy begins to overawe and lead the real economy. During the period from 2003 to 2007, the global stock market cap rose almost three-fold to $60.84 trillion. Between 2003 and 2008, the GDP rose by almost 85 per cent, to $61.1 trillion by 2008— a growth propelled by paper money.

But the following year, 2009, after the meltdown, the market cap crashed from $60.87 trillion in 2007 to $32.85 trillion in 2008, before moving up to touch $47.78 trillion in 2009, thanks to the financial stimulus artificially energising the markets again.

But even as the stocks moved up global GDP contracted from $61.1 trillion in 2008 to $58.1 trillion in 2009, thus terminating the unsustainable model of the financial economy leading the real. That is, even as the GDP fell by 5 per cent in 2009 as compared to 2008, the stocks, moving the other way round, rose by 45.5 per cent in 2009 as compared to 2008.

But how did the shift of the financial economy leading the real occur from 2003? This occurred because what had made the stock market crazy also made the GDP rise.

Mindless credit creation through banks and derivatives was the reason for this high growth of the financial economy and the growth of the financial economy was the reason for the growth of the real economy in this period.

From 1990 to 2002, the growth in global money supply was equal to the growth in global GDP, meaning that the financial system created only the credit needed for real growth. But during the period from 2003 to 2008, the growth in money supply was twice — yes twice — the growth in GDP.

This excess liquidity produced false growth and wealth. During this period the outstanding derivatives of banks, seen as "financial weapons of mass destruction" by Warren Buffet, vaulted from $142 trillion to $684 trillion.

This credit-derivative combine was the open secret of the growth during 2003-2007; it is now conceded as the reason for the fall in 2008-2009. But how did the excessive credit-derivative combine translate into growth numbers?

It led to asset-inflation — that is credit-driven appreciation in stock and home values — and created a false sense of wealth among consumers, making them confident to borrow and spend.

See how it led to borrowing against appreciation in home values, known as home equity in modern economics.

Jobless Growth

According to Fed paper (No 2007-20) authored by Mr Alan Greenspan and Mr James Kennedy, the home equity cashed out — that is borrowed against — by American households during the period from 2000 to 2005 was $700 billion a year — almost four times the annual amount of home equity encashed during 1991 to 2000. More than two-thirds of the cash-out went into consumption. It was not unintended.

Ironically, the author of the paper, Mr Greenspan, as Fed chief, commended the US households to borrow beyond its means, buy things and live happily.

This was the cause of the 'growth' during 2003-07 and also the cause of the fall later. And now, "Bernanke's printing press", as Mr Faber would call it, is working overtime to produce credit-led growth again.

The excess liquidity released by the stimulus budget is what has caused the global stock market cap to move up from $32.85 trillion in December 2008 to $52.44 trillion in April 2010, even though, after the EU crisis, it is now down to $49.98 trillion as of May 2010.

The growth celebrated as revival is just money multiplied through stock prices without creating jobs. Jobless growth has become the paradigm today.

Jobs seem impossible to generate while growth seems easy to manipulate. The latest US jobs data shows a shocking reduction of 652,000 in work force in May 2010 as compared to April.

The additional job creation of 241,000 in April had shrunk to 83,000 in May. Growth without jobs means generating profits without jobs.

It is money by book entries creating more money by book entries, just a statistical growth. While this is the exuberant story of the 'US revival', no one disputes that Europe is in ICU. Consequently, the dollar, which was on ventilator, is now on escalator, because the euro is on ventilator.

The fall of Europe is making the US a hero again. Yet, all — Mr Geithner and Mr Manmohan Singh included — exult over stories of US and global growth and revival. If this were not irrational exuberance, what is? ❑❑

Why shall the nation believe you, Mr. Prime Minister?

Aam Aadmi

Do you and your government know how to control rising prices? Does the government or the Congress party, its allies included really have any clue about how to go about checking prices? Your spokes persons continue to argue and ask people to believe you when you say that prices will come down in December. ButMr. Prime minister why shall we believe you? A quick survey of statements made by everybody from you downwards shows a picture of groping in the dark, while handing out empty assurances from time to time. What is worse, it's all smoke and mirrors for the public. Coming as it does from a government that is loaded with top-notch economists; isn't bad news for the country's people.

Last November, Montek Singh Ahluwalia, deputy chairman of the Planning Commission and your pointman for economic policy, predicted that rising prices would be controlled by the end of the financial year, that is, March 2010. When he was saying this, inflation as calculated on wholesale prices was a mere 1.5%, although consumer prices were rising at a blazing 13.5% year on year. By January, inflation rate based on the consumer price index touched a 42- month high of 16% and then settled at 15% in February. Maybe this prompted you to say that the worst was over. But wholesale prices increased by a whopping 10% in February, entering double-digit territory for the first time.

In the run-up to the Union Budget, there was a flurry of activity on the price front. Finance minister Pranab Mukherjee said prices would moderate in two months. Agriculture minister Sharad Pawar constrained to take time out of his first love, the cricket and IPL added his bit by saying that food prices had started falling. You set up a core group of ministers and chief ministers from 10 states to come up with a strategy for bringing prices down. Come March 2010, the sarkari inflation rate had jumped to 11% while consumer prices were rocketing to nearly 15%. Remember, this was when prices were supposed to moderate.

What did the core group do? It set up three working groups to look into various aspects of price rise, like how to increase production of food, how to tackle storage and distribution problems and so on. And see the progress on storage front. Food grains are rotting

Sonia back as NAC chief, to push 'aam admi' agenda

The National Advisory Council is back with Congress chief Sonia Gandhi at its head, promising to give a strong fillip to the UPA government's social sector agenda that is at the heart of the party's political strategy to consolidate its 'aam admi' base.

The revival of the NAC that had folded up following Sonia's resignation after the office-of-profit controversy has been on the cards since the Supreme Court gave its assent to the Centre's new law on the offices that MPs can hold. As head of the NAC, Sonia, with the status of a cabinet minister, will be leading a team of domain experts and civil society activists who as members of the elite body will be a separate think tank outside of ministries and the Planning Commission.

The NAC's sharp focus has ensured that key programmes are not only not diluted but, as in the case of NREGA, expanded through the country. It can be expected to deal with development issues in areas like Bundelkhand which also coincide with the Congress's political priorities. There has been a sense in the Congress that the pace of governance could be speedened up, and better aligned with party's priorities.

Apart from the food security act, another bill that the NAC may like to see piloted by the government soon is the communal violence bill and possibly the whistleblowers bill as well. To that extent, the NAC, which will draw its powers from Sonia's leadership, can influence the legislative and political agenda of the government.

The tenure of the NAC members will be for one year, showing that the chairperson wants to keep elbow room for changes in view of her previous experience. The chairperson's term is expectedly co-terminus with the panel itself. ❑

Sonia's NAC clears pruned Food Security Act

Inadequate supply of food grain has forced the Sonia Gandhi-led National Advisory Council (NAC) to settle for a pruned National Food Security Act, at least for the time being. Hamstrung by the problem of low procurement of paddy and wheat, NAC has decided to limit implementation of the universal PDS in its first phase to one-fourth of the total administrative blocks of the country.

The decisions taken NAC comes as a compromise between the competing demands of the Right to Food campaign and the Planning Commission and the food ministry. While the former had asked for complete universalisation, the Plan panel and the food ministry, it seems with tacit approval of top government leaders, had demanded a modest programme to keep the subsidy burden in check and because of uncertainties about procurement. ❑

in open. Meanwhile, the Opposition sponsored a countrywide bandh on April 27, protesting against price rise. Since May this year, you have been stoically maintaining that inflation will go down by December this year, while the finance minister is saying it will get under control after the monsoon, that is somewhere around September.

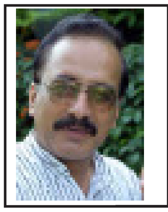
Economic bureaucrats, not to be left behind, are also busy churning out deadlines for inflation. Chief statistician TCA Anant predicts November, your economic advisory council goes with November too while chief economic adviser Kaushik Basu says August.

Meanwhile, Reserve Bank of India, sticking to its theory that inflation can be controlled by regulating the supply of money in the economy, has upped the central banks' lending & borrowing rates four times in the space of five months, including twice in July itself.

But the raging price rise continues. The WPI-based inflation rate is 11% in July, the sixth month running in double digits while the CPI-based rate has been in double-digit territory for 11 months till May this year, which is the last month for which data has been released.

Will there be some relief for ruined family budgets in the coming days? By the government's reckoning, it can happen anytime in the next six months, as it could have in the past six. But sir we donot still locate single reason to believe you. Can you identify one? ❑❑

The challenge is to feed the hungry



Need is to lay out a blueprint for feeding the country for all times to come by incorporating measures like extending sustainable farming practices which do not acerbate the environmental crisis, and also making agriculture economically viable; by redesigning trade & development policies that do not open the floodgates to highly subsidised agricultural commodities, and also shifting the focus from corporate agriculture back to making small farms profitable & environmentally sustainable, emphises **Dr. Devinder Sharma**

There can be nothing more disappointing. After 63 years of Independence, the Sonia Gandhi-led National Advisory Council (NAC) has also expressed its helplessness in feeding the country's hungry.

The hungry must live in hunger. That's the clear verdict.

For a country which has the largest population of hungry in the world, and given that half of all children in India is under-nourished according to the National Family Health Survey III (2005-06), I was expecting Sonia Gandhi to spell out a time-bound programme to make hunger history. But from what we read in newspapers, the NAC recommendations will not make any significant difference to the life of millions of hungry and malnourished.

From what I gather, Sonia Gandhi did probably make the effort. But it is her NAC team which failed to match her enthusiasm. If the NAC members had made meaningful suggestions, there is no reason why the NAC wouldn't have made the right recommendations.

Promising to provide 35 kg of foodgrains at Rs 3/kg to below the poverty line population, and ensuring 25 kg of grains to the APL households in 2000-poorest blocks in the country, is actually a clever move to move away from universalisation of food entitlements.

I have never been in favour of a universal food entitlement approach. The middle class is capable of feeding itself. If they can buy swanky cars and consumer durables at the drop of a hat, they can also meet their food requirements.

By providing 35 kg only, we are ensuring that the hungry remain perpetually hungry.

Prices soar, while food grains rot

The government admitted to the empowered group of ministers (EGoM) on food and prices that 61,000 tonnes of foodgrain had rotted in its granaries as it was kept with poor protection for too long. The EGoM headed by finance minister Pranab Mukherjee was ascertaining the status of overflowing stocks in Food Corporation of India godowns. While Punjab, which is seeing emergence of Adani as a private player in the grain storage business, admitted that 49,000 tonnnes of wheat had gone waste, the Union government warned that 1.36 lakh tonnes of wheat that it procured in 2008-09 and 27.38 lakh tonnes of wheat procured in 2009-10 had exceeded the one-year period grains can ideally be stored without rotting. Around 2000 quintals of rice of the Food Corporation of India (FCI) was found rotten at Gondia godown. In view of the reports that there has been a huge loss of wheat kept at FCI godowns in the district, a team of officers had reached to inspect the 2000 quintals of rice damaged in the rains.

In the recent past thousands of tonnes of wheat was ruined in the rains as it was kept in open instead of being stored in a safe and dry place. Food and Agriculture Minister Sharad Pawar has now said that criminal action would be taken against Food Corporation of India (FCI) officials who were responsible for causing food grain wastage by storing it in the open during the rainy season. The reports of the food grains going in waste due to negligence of few officials had shocked the country few months ago as a major part of the country was still reeling under the hunger and poverty. However, wastage of food grains is not an uncommon eventuality because India has deficient storage capacity and does not have a solid public distribution system so that the food grains reach the poor. ❑

The challenge is to feed the hungry. According to ICMR norms, each able-body adult needs a minimum of 14 kg a month. Given that an average family comprise five members, each household would need 70 kg of grains. By providing 35 kg only, we are ensuring that the hungry remain perpetually hungry.

They continue to sleep with an empty stomach. In any case, this much quantity was being made available to them earlier too. The purpose of bringing in a National Food Security Act (NFSA) is not to simply legitimise what was being delivered through the public distribution system (PDS) all these years.

The argument against increasing the food allocations is that the annual procurement on an average is around 50 million tonnes and by promising more than 35 kg per household, the government will fail to provide the entitlement. Well, in my understanding this is merely an apology.

Although food production in India remains stagnant over the years, and even then much of the procured foodgrains rot for want of proper storage, the fact remains that given an attractive price, Indian farmers are capable of doubling production.

Concern

Let us look at China. Its population is approximately 200 million more than that of India. Against India's foodgrain produc-

Agriculture and food security is the first line of defence against insurgency.

One-third of world's poor in India: Survey

India is home to roughly one-third of all poor people in the world. It also has a higher proportion of its population living on less than $2 per day than even sub-Saharan Africa. That is the sobering news coming out of the World Bank's latest estimates on global poverty. The fine print of the estimates also shows that the rate of decline of poverty in India was faster between 1981 and 1990 than between 1990 and 2005. This is yet another evidence to show that economic reforms, which started in 1991, have failed to reduce poverty at a faster rate.

India, according to the new estimates, had 456 million people or about 42% of the population living below the new international poverty line of $1.25 per day. The number of Indian poor also constitutes 33% of the global poor, which is pegged at 1.4 billion people. India also had 828 million people, or 75.6% of the population living below $2 a day. Sub-Saharan Africa, considered the world's poorest region, is better — it has 72.2% of its population (551m) people below the $2 a day level. The estimates are based on recently recalculated purchasing power parity (PPP) exchange rates, which makes comparisons across countries possible. The dollar exchange rates being referred to here, therefore, are not the ones used in normal exchange rates. While the full report has not yet been released, a briefing note sent by the Bank had some of the data and showed that the poverty rate — those below $1.25 per day — for India had come down from 59.8% in 1981 to 51.3% by 1990 or 8.5 percentage points over nine years. Between 1990 and 2005, it declined to 41.6%, a drop of 9.7 percentage points over 15 years, clearly a much slower rate of decline. An FAQ on the new estimates, also provided by the Bank, however states, "India has maintained even progress against poverty since the 1980s, with the poverty rate declining at a little under one percentage point per year."❑

8 Indian states have more poor than 26 poorest African nations

Acute poverty prevails in eight Indian states, including Bihar, Uttar Pradesh and West Bengal, together accounting for more poor people than in the 26 poorest African nations combined, a new 'multidimensional' measure of global poverty has said. The new measure, called the Multidimensional Poverty Index (MPI), was developed and applied by the Oxford Poverty and Human Development Initiative with UNDP support. It will be featured in the forthcoming 20 th anniversary edition of the UNDP Human Development Report.

An analysis by MPI creators reveals that there are more 'MPI poor' people in eight Indian states (421 million in Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, and West Bengal) than in the 26 poorest African countries combined (410 million). The new poverty measure that gives a multidimensional picture of people living in poverty, and is expected to help target development resources more effectively, its creators said.

The MPI supplants the Human Poverty Index, which had been included in the annual Human Development Reports since 1997. The MPI assesses a range of critical factors or 'deprivations' at the household level: from education tohealth outcomes to assets and services. Taken together, these factors provide a fuller portrait of acute poverty than simple income measures, according to OPHI and UNDP. The measure reveals the nature and extent of poverty at different levels: from household up to regional, national and international level.

This new multidimensional approach to assessing poverty has been adapted for national use in Mexico, and is now being considered by Chile and Colombia. "The MPI is like a high resolution lens which reveals a vivid spectrum of challenges facing the poorest households," said OPHI Director Dr Sabina Alkire, who created the MPI with Professor James Foster of George Washington University and Maria Emma Santos of OPHI. The UNDP Human Development Report Office is also joining forces with OPHI to promote international discussions on the practical applicability of this multidimensional approach to measuring poverty. ❑

tion of 230 million tonnes, China produces 500 million tonnes of foodgrains. Even with more than double food production, it imports huge quantities every year to meet the domestic needs. Unlike India, which exports foodgrains and other agricultural commodities by keeping its own people hungry, China has emerged as a major importer of food and agricultural products primarily to feed its teeming millions.

In India, the average per capita availability of food grains is less than 500 gm a day. On the other hand, China provides six times more at 3 kg per day. No wonder, while India is trying to ride the high-growth trajectory with empty stomachs and emancipated bodies, China is building a healthy nation knowing well that a well-fed population is not only a political necessity but makes strong social and economic sense.

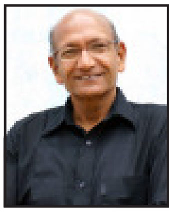
Also, agriculture and food security is the first line of defence against insurgency. Resurrecting agriculture therefore should have been the first step to ensure long-term food security.

I expected Sonia Gandhi to have over-ruled the mandarins of the Planning Commission, as well as from the food and agriculture ministry to lay out a blueprint for feeding the country for all times to come by incorporating measures like extending sustainable farming practices which do not acerbate the environmental crisis, and also making agriculture economically viable; by redesigning trade and development policies that do not open the floodgates to highly subsidised agricultural commodities, and also shifting the focus from corporate agriculture back to making small farms profitable and environmentally sustainable.

Local production and local procurement is the key to any successful food security initiative. The proposed NFSA therefore should be overarching enough to incorporate suitable policies and plans that not only cuts into the domain of the ministry of food and agriculture, but also extends to ministry of environment and forests as well as the ministry of science and technology.

Knowing that enhancing production remains outside the ambit of the NFSA, merely making a mention of it will not help. If the objective is to simply create a new position of food commissioner (with the rank of a supreme court judge) at the national level, and a series of state commissioners (with the rank of a high court judge), then the basic objective of feeding the hungry is lost. ❑❑

Foreign aid is destroying our society



Our Government continues to beg for more aid from western countries despite these negative consequences because it is easier to siphon monies out of aided projects. It is more difficult to siphon money from projects supported by domestic tax revenues because more taxes have to be imposed to make up for the leaked amount. This leads to resentment among the taxpayers. Leaking out money from aided projects does not cause such resentment. Only more aid is to be sought from the donor. Thus, the Government has embarked upon the strategy of seeking aid & leaking it away, explains **Dr Bharat Jhunjhunwala**

The British Government has ordered an inquiry into leakages from Sarva Siksha Abhiyan which financially is supported by it. This has been triggered by a report of our Comptroller and Auditor General that Rs 10 lacs were spent under the project for the purchase of four luxury beds. Rs 90 lacs were transferred into an unknown bank account. 7,500 colour TV sets were purchased for schools that did not even have electricity connections. Similar corruption is being reported from the Employment Guarantee Scheme. Worse, this type of foreign aid also changes the direction of our own government expenditures.

In an earlier World Development Report, the World Bank has elaborated many ways in which aid is having a negative impact on the recipient countries.

Aid influences the nature of domestic spending. The donor may give aid for only capital expenses and expect the recipient to incur running expenditures from its own budget. A donor may make a huge hospital for AIDS, which is high its own agenda, and that may lead to the poor country spending towards the recurring expenditures in AIDS prevention. The recipient country then spends less money on the prevention of tuberculosis or malnutrition which is more important and spends more on AIDS prevention.

Aid may be given for projects in which the recipient is not interested in. Some villages in Rajasthan dug up their well-functioning tanks and spoiled them under government-led famine relief works because they would get famine relief only if they undertook earth works like digging tanks. I once suggested to a foreign donor to finance research for locating tree species which the farmers would find profitable to plant. But the donor wanted immediate publicity and quick results. Thus it persisted with the programme of providing subsidy to the farmers for planting trees which were not useful for them.

Donors may insist that the recipient government spend their own money in specified sectors as conditionality for receiving aid. The IMF, for example, has insisted that the poor countries seeking debt relief have to open up their economies and follows an 'open borders' policy. That opens up those countries for the Western exports and Multinational Corporations. Aid then becomes a tool of arm-twisting reluctant nationalist or swadeshi governments to fall in line.

The donor can bypass the existing slow-moving sustainable works and supplant them with fast-track works that are unsustainable. A NGO was encouraging people to make their village tanks with their own efforts. Foreign donors stepped in to support its good work. The result was that the tanks began to be made with foreign money. These tanks were often not repaired when they broke. The result was that sustainable tanks were killed and unsustainable tanks were built instead.

Foreign donors often provide big salaries to their domestic employees. A salary of Rs 50,000 per month or consultancy charges of Rs 5,000 per day is 'normal' for such appointments. The result is that those who may have joined 'good' politics are distracted. One friend of mine was the State-level Secretary of a Left party. He got disillusioned by the internal politics of the Party. Instead of fighting within the Party, he became a highly-paid representative of a foreign donor. He was distracted from fighting against the bad politics in the Party. Consultants spend energies studying issues that are important for the donors rather than those that are important for our people!

Donors often provide the needed services directly. If a donor builds schools in the villages it takes the pressure off the government system to perform. The result is that the government system becomes worse. This undermines the line departments of the recipient country in the long run. In Bangladesh many health and education services are being provided by the donor-NGO network. This reduces the accountability of the political system for its responsibility in these matters.

Our Government continues to beg for more aid from western countries despite these negative consequences because it is easier to siphon monies out of aided projects. It is more difficult to siphon money from projects supported by domestic tax revenues because more taxes have to be imposed to make up for the leaked amount. This leads to resentment among the taxpayers. Leaking out money from aided projects does not cause such resentment. Only more aid is to be sought from the donor. Thus, the Government has embarked upon the strategy of seeking aid and leaking it away.

It is fruitless to ask the Government to put its house in order because everyone from the minister to the lowest contract worker is enjoying the fruits of this evil game. We have to hit at the philosophical idea on which this misconduct thrives. The underlying misconception is that people's welfare can be secured through the government machinery. People have been led to believe that it is the government's responsibility to provide them with education, health cure, water, food and housing. The government is using this expectation of the people as a smokescreen behind which it is merrily engaging in massive corruption. We will have to break this mindset of the people.

Ministers say that corruption can be checked only if the people demand transparency. True. But if the society has to organize itself to control corruption by the government employees, then, pray, why not organize to provide these services directly? Instead of the village organizing itself for seeking transparency in running of the village government school, why not organize to run a school themselves?

The underlying misconception is that people's welfare can be secured through the government machinery.

Gurudev Rabindranath Tagore had said: "Today the thoughts of the Bengali people have been separated from the villages. Today the responsibility of providing water is that of the government. The burden of health provision is upon the government. For learning also one has to knock at the door of the government. The tree that flowered itself today begs the sky for a rain of flowers with its naked branches... there is a great difference between the Western state and our kingship. The West has handed over all responsibilities to the state. India has done that only partially. The respectable people in the society provided education of knowledge and morality without wage payment. The king was expected to assist and honour them but only partially.

Generally this was the work of every householder. If the king stopped assistance, or if there was social upheaval in the society, even then the provision of education was not interrupted." We have to go back to this teaching. We shall be spared of this corruption only when the mythic of welfare state will be broken. ❑❑

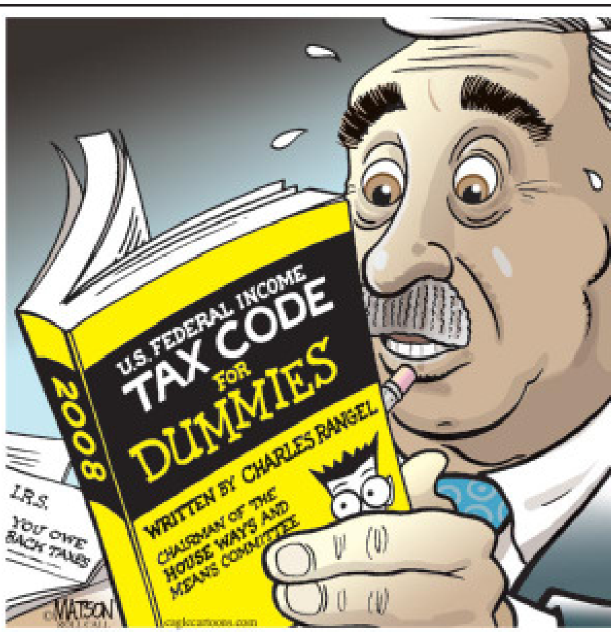
Author's address: bharatj@sancharnet.in

Foreigners to gain at the cost of Citizens

Proposed DTC eliminates exemptions of various types for domestic investors, individual tax payers ,but is benevolent to Foreign Institutional investors that will be given exemption from deducting TDS from the capital gains, a facility not available to domestic players, writes **Dr. Ashwani Mahajan**.

In this era of liberalization fundamental changes have been made in methods, rates etc at all levels of taxation. In the name of socialism, massive income tax used to be imposed till 1980s. There was a time when for every extra 100 rupees of income that high income earners used to earn, 97 rupees were recovered as income tax. In addition to that, heavy wealth tax and estate duty was also levied. The irony was that even with such high rates in the year 1980-81,the Central Government revenue from direct taxes was only 1820 crore. In fact those high rates of income and other direct taxes used to prompt people to hide their income. Tendency to conceal incomes led to generation of black money and that made the task of channelizing national resources for the development of the country difficult.

In these circumstances the policy of lowering income tax rates in 1990s was widely welcomed and economic growth in the country started benefiting the government substantially. Revenue from personal income tax improved from Rs.1510 crore in 1980-81 to 32 thousand crores in 2001-02 further to more than Rs 1 lakh 20 thousand crores as per the budget estimates for the year 2010-11. Similarly reduction in corporate tax rate, i.e. tax on companies' income also helped to increase the revenue and whereas only 1310 crore were collected from corporation tax in the year 1980-81, as per Central Government's budget estimates for the year 2010-11, more than 3 lakh crore would be collected from Corporate tax . These reforms in direct taxes not only helped in improving revenues from direct taxes, share of direct taxes in overall taxation also underwent a significant change, that whereas less than 20 percent of total revenue was derived from direct taxes till 1980s, it reached 56.5 percent by the year 2010-11(Budget Estimates). This is a good sign in terms of economic policy.



There was scope for some more reforms and direct tax code was thought to be a step forward in that direction. Then finance minister talked of bringing direct tax code in his Budget 2009-10. A draft Code of direct taxes was released for discussion in August 2009. It was proposed to raise exemption limit for personal tax and reduce the rate of income tax to 10 percent for incomes up to 10

Proposed DTC would treat Capital Gain at par with incomes.

lakhs and also to change the slabs to reduce overall incidence of tax on personal incomes. A trailer of reduced taxes was found in Budget 2010-11. But at the same time most of the exemptions available were proposed to be withdrawn. DTC proposed in August 2009 suggested withdrawing exemptions on premium paid on insurance, retirement benefits such as Provident Fund, and Gratuity and leave encashment among others. These proposals were subject to serious criticism from salaried tax payers and thus in the newly placed proposals Finance Minister has decided to continue with those exemptions with some conditions, but Finance Minister has not been generous enough about exemption available so far to house rent paid. Tax exemptions available so far for nonprofit organizations have been limited to only those organizations directly engaged in social welfare activities like provision of education, health etc.

Proposed Direct Tax Code has tried to deal with various issues including treatment of capital gains, exemptions of various kinds including retirement benefits for employees and nonprofit organizations, Minimum Alternate Tax for companies among others.

Proposed DTC would treat Capital Gain at par with incomes. When an asset is resold and a gain is made in the process the gain made is called capital gain. Earlier short term capital gains used to be taxed and long term capital gains were exempted. Proposed DTC would make short term capital gains to be taxed at par with other incomes but if an asset is resold after one year of its purchase capital gain made in this process would be taxed at a lower rate.

There should also be a provision for at least three years of 'lock in period' for investments made by FIIs.

Foreign Investors Favoured

On the one hand, proposed DTC eliminates exemptions of various types for domestic investors, individual tax payers and firms to simplify the tax structure and make it more elastic and buoyant, Finance Minister has been unnecessarily appreciative about the role of Foreign Institutional investors in national economy and has been so benevolent to Foreign Institutional investors that they will be given exemption from deducting TDS from the capital gains and are allowed to file advance tax , whereas same facility would not be available to domestic investors. It is well known that FIIs keep on moving their funds in and out of the country, engineering upheavals in stock markets causing huge losses to small investors. Thus FIIs have been favoured against their domestic counterparts. The need of the hour is that the foreign institutional investors are taxed on the purchase of additional stocks as has been done by Brazilian Government so that they come for long term investments and not to earn profits and fly back on next flight. There should also be a provision for at least three years of 'lock in period' for investments made by FIIs.

Similarly, though for name sake tax is proposed on incomes on FDIs but FDI coming through Mauritius route would continue to remain exempted. The reason given is that India has made Double Taxation Avoidance treaty with Mauritius. Finance Minister knows it very well that most of the investment coming from rest of the world is coming through Mauritius to evade/ avoid tax. There was a hope that new Direct Tax Code would try to plug this hole in the tax rules by finding ways and means to tax foreigners and also to revise the treaty. But it seems that FM has failed to make use of this opportunity in new DTC. As thousand of crores of rupees of revenue has already been lost due to this continued exemption on income earned by investors via Mauritius, this treaty has been a matter of severe criticism. ❑❑

Email: ashwanimahajan@rediffmail.com

Rise of Prices of Petroleum Products is deceitful

The step to dismantle the supposed administrative price mechanism (APM) is apparently not aimed at benefiting nine public sector companies but the private oil companies, who find it difficult to compete with the tight-budgeting PSUs. It is time the Government rationalizes the system and allows oil PSUS to grow without allowing them and private companies the right to fleece, advocates **Shivaji Sarkar**

The public sector petroleum companies are not in any loss as the Government tries to make the people believe. Even the companies have never stated that they are in losses. They have merely stated that there were under recoveries. But they have never come forth to explain the under recovery and on what count. The world-over petroleum companies have been making staggering profits more so as the international crude prices rise. Shell, Exxon and BP have earned billions.

The step to dismantle the supposed administrative price mechanism (APM) is apparently not aimed at benefiting nine public sector companies but the private oil companies, who find it difficult to compete with the tight-budgeting PSUs. This is apparently a sequel to the agreement between two feuding brothers of one of the largest oil companies. Their retail outlets were in jeopardy as the PSUs were told to maintain just prices.

Out of 179.9 million metric tonnes (MMTPA) domestic refining capacity private sector refines 72.5 MMTPA most which finds its way to external markets ensuring huge gains for them.

The dismantling of APM has had deleterious effects as the nation had witnessed after it was dismantled for a few years after the United Front Government had taken such a decision way back in 1997. It had led to price spiral of commodities. So quietly the Government reintroduced the mechanism so that there was less exploitation of the consumer.

The Government's statements in Parliament during the Budget session only confirm that the country is not benefiting from the activities of private companies. The domestic refining capacity is 179.9 million metric tonnes (MMTPA). Of this, private sector refines 72.5 MMTPA. The Government claims that the country is "not only self-sufficient in refining capacity but also exports substantially". It is silent on details. But it is well known that most of that refined in the private sector, even the oil spud offshore in Krishna-Godavari, Mahanadi, Cambay and other basins in the country find their way to external markets. The private sector gains enormously but the public sector's gains get restricted.

The latest move is to project before the people that it was creating a "level-playing field". It is a different story that it would not only benefit the private sector more but it would also expose the PSU oil companies to unfair and unethical competition, which definitely would tell on their health. The move would open up the people to become fodder for not so responsible private sector companies.

The Government is trying to justify that it had to take steps to offset Rs 22306 crore subsidies - special securities in official terminology -"towards under recoveries on account of sale of sensitive products in 2009-10". In reality, the Government notionally paid only Rs 12,000 crore to the oil companies. The companies had actual deposits worth Rs 10,306 crore with the Government, which was adjusted against the "special securities".

Actual subsidies were to the tune of Rs 3125 crore on account of part subsidy on LPG, PDS kerosene and freight subsidy to the companies for supply to North-East and far-flung areas.

Nothing had been paid to the companies of their claims under APM since 2007-08. The Ministry of Petroleum categorically states that it does not provide any budgetary support to finance annual plan outlay of Rs 69457 crore. It says: "the projects are implemented by oil PSUs from out of their internal resources". In the current year, only Rs 36 crore has been allocated as Plan support for setting up the Rajiv Gandhi Institute of Petroleum Technology at Rae Bareli.

This also substantiates that despite the APM oil PSUs are generating enough revenue to sustain their activities and even pay hefty amount as taxes to the Government. (The Indian Oil alone paid over Rs 58,000 crore as taxes). It should be an eye opener.

The Indian Oil Company earned a profit of Rs 2228.28 crore after paying tax of Rs 805 crore; substantiating that the prices prevailing even before the rise announced on June 25 were remunerative.

This merely means that even private sector oil companies do not have justification for stopping sale in the domestic market and exporting it. The new exploration policy (NELP) gives them the unfettered freedom. It is time the nation amends NELP for companies registered in the country. This would bolster profits of the oil PSUs.

The oil PSUs despite increase in petroleum prices in the international market have ended up making profits even after paying tax (PAT). This only substantiates that the prices prevailing even before the rise announced on June 25 were remunerative.

The Indian Oil Company earned a profit of Rs 2228.28 crore after paying tax of Rs 805 crore; ONGC Rss 13096 crore; Bharat Petro 834.44 crore:, Chennai Petro Rs 664.28 crore; ONGC Videsh Rs 916 crore; Oil India Ltd Rs 2612, GAIL India Rs 2229 crore, Numaligarh Refinery 140 crore; Balmer Lawrie (IBP) Rs 99 crore; Mangalore Refinery Rs 210.04 crore and HPCL profit was Rs 8.21 crore. The Government has earned over Rs 20,000 crore in income tax from these companies.

The companies have paid staggering taxes as the tax component on petroleum products comes to over 50 per cent of the sale prices. Indian Oil alone paid Rs 25196 crore as Central government taxes last year and Rs 32773 crore to the State Governments. All other companies pay similar tax apart from income tax. The tax components of all companies together would surpass Rs 100,000 crore.

So even if it is accepted that the companies are suffering "losses" as the Government claims, it would appear that it is being mounted on them by the Government. It appears that the officials in the Government are not presenting to the minister the correct picture and creating a bogey to justify the unjustifiable. Statistics are being twisted to present a case that is not.

Whatever the Government is trying to project as its largesse is misplaced. If the taxes are rationalized, none of the oil PSUs would even have the so-called "under recovery" shown in the books. It is time the Government rationalizes the system and allows oil PSUS to grow without allowing them and private companies the right to fleece. It also exemplifies that the rise in the latest prices is misplaced and the Government is misleading the nation. ❑❑

Organic Farming is guarantee for Food Security

Dr. Ramkrishna Kusmaria, Hon'ble Agriculture Minister of Madhya Pradesh state was in New Delhi. He paid a visit to central office of SJM in Ramakrishna Puram. Swadeshi Patrika utilized this opportunity to have a chat with the Hon'bl. Minister on issues related to Agriculture in general and GM crops and MNC's in particular. Following is the summary of the conversation.

Swadeshi Patrika: You were very active in fight against Bt. Brinjal. What is the present status of this conflict?

Dr. Kusmaria: In this regard We, the people of India have won first round. Permission to cultivate Bt. Brinjal for commercial purposes has been denied. Government was forced to put an embargo on commercial cultivation of the crop. But it does not end there. People need to be made aware that apologists of GM Crops, including some Ministers who feel insulted, are trying diverse ways to impose their views on the countrymen. They have made this entire issue a prestige point and are working to give the matter a legal sanction through Regulatory Bill proposed to be introduced in the LokSabha. They desire to strengthen their hold over people of the nation under new draconian laws. We need to inform people in advance and a massive public awareness campaign needs to be launched to create a movement to resist the same.

We don't oppose Knowledge. Research in the filed of Agriculture can be very helpful. New varieties of seed are developed with improvement in their quality. But when Scientists & Businessman come together and science becomes a tool in the hands of Traders it becomes fatal for common people. Profit becomes the sole motive. This hurts common people immensely. Then these people consistently work to craft monopoly ending self reliance of people and making them dependent on businessman opening new avenues for earning more profit. Misusing science for such narrow selfish ends is against our way of life. You know 14 gems were thrown out of ocean after its churning. One of the gems was a pot of poison, (Halahal) which Lord Shiva swallowed and held it in his throat out of compassion for living beings as it

Misusing science for selfish ends is against our way of life. Lord Shiva swallowed a pot of poison, (Halahal) and held it in his throat out of compassion for living beings.

would have wiped out human race. If Science develops anything that is harmful for masses and the universe as a whole it should not be allowed to become public.

Swadeshi Patrika: What sort of opposition did you face in your efforts to stop Bt. Brinjal?

Dr. Kusmaria: No. 1 did not face much opposition. In fact people encouraged me at every step. They told me that credible information on this subject was lacking hence people were not able to understand and register their protest. In that sense my effort was appreciated.

Swadeshi Patrika: What sort of threats did you perceive when you first started your protest?

Dr. Kusmaria: I am a farmer and have formally received education in Agricultural Sciences. Thus I had a fair idea of how research is being carried out. I also was aware of the strength MNC's had gained after WTO came into existence. We had opposed Dunked Draft in Parliament & outside. In Madhya Pradesh we had staged protest demonstrations and warned people about how this entire process was aimed to make MNC's all-pervasive, influencing every aspect of human life. Now is the time when these companies have attacked Agriculture. Seed was used as first tool since it is supposed to be weakest link in farming. They were clear in understanding that capturing seed will help them capture agriculture as a whole.

India is a country of small & marginal land holdings. Controlling them is comparatively very easy. They began with such clearly malafide intentions. Commercial production of seeds and experiments were aimed at misleading people with a favorable scientific result. Intention was to use scientific certificates for influencing public opinion and forcing these seeds on farmers and ultimately enslave them.

Swadeshi Patrika: Can you very briefly explain two or three prominent drawbacks of BT. Brinjal?

Dr. Kusmaria: First, there is poison in this seed that is very dangerous for human life. It damages kidney, lever and other vital organs in body. Secondly it will destroy our precious bio diversely. Natural and harmless varieties will be lost for ever. Thirdly the poison of plants will transmit to farm lands and affect it badly. Environment will also be damaged. In short the health of humans, land and environment will be compromised.

Swadeshi Patrika: You were in Kerala also. People from several states had gathered there to discuss the subject. What was your assessment at that time? How many people were ready to fight such a serious subject and face Bt brinjal?

Dr. Kusmaria: People from around 7-8 provinces had come to Kerala. Representatives of these companies had also come. Normally forceful voices from all the provinces came to speak against them. A strong statement against it did not come from Gujarat. An impressive representation from Karnatka was present. They shared their rich experience with all participants. How they developed organic farming in the state and preserved their ancient crop varieties. They also spoke about the productivity of these organic varieties. They were convinced that they don't require these Bt crops.

Swadeshi Patrika: In this respect what is your future planning? Have you some line of action in your mind?

Dr. Kusmaria: You know that I have published a small booklet and distributed it for the benefit of public awareness on a large scale. Framework of future action will include preparation of a documentary and mobilize public opinion in our favour. That is a must. We also need to have our own experiments. Like Madhya Pradesh wherever there are our governments they also must conduct experiments and challenge the claims of MNc's scientifically about protecting crops from insects and pests and also about increase in the crop yield. We will have to demonstrate practically that organic farming and organic compost as well as biological insecticides can not only protect crops better but will also increase yield substantially. We will have to make credible alternatives available. This is a challenge and we will have to accept it. If we are successful in providing better al-

We will have to demonstrate practically that organic farming and organic compost as well as biological insecticides can not only protect crops better but will also increase yield substantially.

ternative they will automatically go down.

Swadeshi Patrika: Is it true that the fruits of Bt. Crops that fell down on ground give rise to such weeds as can not be controlled by even the herbicides?

Dr. Kusmaria: This also is an issue. To stop dependence on herbicides also answer is biological components. Biological insecticides, herbicides and pesticides that we have are more strong and effective and they are not harmful also. They do not cause any damage to human life. So we have an effective alternative.

Swadeshi Patrika: When we talk about organic forming we seem to forget about feeding our growing population. How can we feed Billions? Do we have some alternative?

Dr. Kusmaria: For 40 years we have been focusing on chemical farming. Before that we were following organic model of farming. Had we invested on modernization and scientific developing of organic farming things would have been different. The unifocal thrust of Agricultural research was on chemical fertilizers and people have been used to think in that direction only. It has become a habbit.

But organic farming is based on the concept to activate micro & macro organisms present in farmland. For helping the activation of these organisms' organic inputs like cow-urine, cow dung, green crops, nuts, etc are used. They help both multiplication and strengthening of organisms. Micro organisms absorb all the nutritious elements from atmosphere and make them available to plant in ready to be used form. Chemical fertilizers on the contrary kill these organisms. Another aspect of these chemical fertilizers is that they first give you an impression that yield is increasing manifold but subsequently the yield first stabilizes and you are forced to increase of the quantity of fertilisers. Then reaches a stage when field shows no increase in production even if the quantity of fertilizers is increased substantially.

On the other side when we look at organic farming. The yield here increases gradually with the use of organic inputs. This gradual increase becomes irreversible. It is a myth that yields of organic farming is less. I stress with authority that organic inputs increase farm field. I am speaking it out of my own experience. We have shifted to organic farming in our own farmlands and have achieved increased yields. Cost of organic farming is much less as compared to organic one.

I therefore believe that the problems of farmers, forcing him to end his life troubles arising out of increased input costs of farming and lack of enumerative prices that he is not able to receive in time is compelling him to either leave the farming or commit suicides. He is being rendered jobless and is migrating to Delhi & Punjab in search of some employment. If this is to be stopped then we need to change our direction. Village will have to become centre of our planning. Farming will have to be village centric and farmer centric. Farmer will have to be freed from the burden of Chemical fertilizers He will have to be encouraged to shift to organic farming and also mix it with animal husbandry and mixed cropping.

> ***The unifocal thrust of Agricultural research was on chemical fertilizers and people have been used to think in that direction only. It has become a habbit.***

Swadeshi Patrika: Research Institutions have not developed any technique to improve preparation process of organic compost etc. Have you any plan in place in your state which can be cited as an example to tell the whole nation as well as the world at large and to demonstrate the potential of organic farming? Can we assure people of India that Food security is better ensured by organic farming?

Dr. Kusmaria: Yes we have made a beginning. We have directed all our Agri-Farms to divide their cultivable land into 50-50. Half of this land will be used developed to organic farming. & remaining half will continue to be used for inorganic farming. After comparing the results we will train people. We have also selected Blocks and Villages and farmers and persuaded them to opt for organic farming. Some villages are about to become fully organic. For example there is a village Khamtara in Katni. You will find that every family is preparing compost, ovens & gobar gas plant and has light from gobar gas. We have ensured all this. We have declared this village as an organic pilgrim centre. People from different areas are coming

to see this village, to get trained and learn organic farming. We declared officially that Madhya Pradesh will soon have an organic policy. It will soon get cabinet approval and will be passed in State Assembly. We will ensure its strict implementation.

Swadeshi Patrika: You were talking about Khamtara village. Can you tell us about how this all began? What was the inspiration?

Dr. Kusmaria: Inspiration was Dr. Murali Manohar Joshi who did a splendid job in this regard. And if Deputy Directors at districts level take a little more interest in any scheme he will see to it that schemes are implemented properly. The officer in charge of this area took interest in it and gradually the results become motivating for further work. In two years we promoted it with vigor. Now we are providing grant in aid to people for gobar gas plants. We are also providing them scientific know how to go organic. A new process has been recommended that speeds up the process of decomposition and the compost that would take more than a year to prepare will be ready in just a month's time. This resolves the time factor, a major concern of farmers. Similarly there are other agents also that augment activation of organisms. These are Amrit Pann, Amrit Mitti, Etc. Now if we prepare these and use them to activate micro organics it will lead to multiperiods and that can be sprayed over farms to generate further micro organisms. This multiplies organic activity in field and compared to organic fertilizers means more profit for the farmer.

The best answer to that is mobilization of public opinion after public awareness. People's power will be the most effective counter. People will appose it at every place. Aware people and conscious farmer will defect all these nefarious designs.

Swadeshi Patrika: Our experience as a nation has been that MNC's lobby hard to influence out come of research and also the decisions of recomendary bodies for earning profits. They spend money, use legal/illegal means to achieve their objective.. Are you conscious of this tacties and is there any way to stop such efforts?

Dr. Kusmaria: We will have to experiment in our own way. Organic farming will have to be used and promoted on large scale. We have made a beginning from Jawahar Lal Nehru Agri University and Raj Mata Vijay Raje Scindia University Gwalior. We have asked them to initiate experiments on organic farming in a systematic way. We will work according to results of these experiments conducted by us, our Universities and government. We can not relay on the result of companies and their research. We will remain vigilant to these activities and ensure no illegal influence is applied. Similarly is the case of legislative offensive. The best answer to that is mobilization of public opinion after public awareness. People's power will be the most effective counter. People will oppose it at every place. Aware people and conscious farmer will defeat all these nefarious designs.

Swadeshi Patrika: Have you any plans to involve mass organization like SJM to take the movement to people?

Dr. Kusmaria: Oh sure. Yes this responsibility will have to be taken jointly by all of us. ❑❑

Draft Kunming Declaration on Poverty Alleviation Kunming, China, July 18,2010

Sh. Muralidhar Rao, All India Secretary, Bharatiya Janata Party and former Convener of Swadeshi Jagaran Manch, participated International Conference of Asian Political Parties (ICAPP) Conference on Poverty Alleviation held at Kunming, China on July 13-20, 2010. Sh. Muralidhar Rao addressed this conference, which was attainted by large number of national leaders of political parties from different Asian countries. The conference was aimed at discussion about poverty alleviation in Asia. The conference discussed Asian approaches to Poverty Alleviation and Significance of Poverty Alleviation in Asia to Implementation of MDGs. The excerpts of the paper presented by Shri Muralidhar Rao will be published in the next issue of Swadeshi Patrika. However, full text of the paper can be viewed on www.swadeshionline.in.

We, the leaders and representatives of 55 governing and opposition political parties from 28 countries in Asia and the Pacific, together with African political parties and international organizations such as the United Nations Development Program (UNDP) and the Asian Parliamentary Assembly (APA), gathered at the ICAPP (International Conference of Asian Political Parties) Conference on Poverty Alleviation held in Kunrning, Capital City of Yunnan Province, China, under the auspices of the Communist Party of China from 13 to 18 July, 2010.

We emphasize that poverty alleviation and common development signify a lofty dream of humankind, shared responsibility of the international community, high priority for Asian and other developing countries in the world, as well as an historical mission for the political parties across Asia and the developing world. We express our strong support for the efforts led by the United Nations to accelerate progress towards the Millennium Development Goals(MDGs).

We appeal to all governments, parliaments, NGOs, the civil society organizations and the international community to pursue MDGs with a view to alleviating poverty with a single-minded determination. Reflecting the diversity of Asia as its strength, delegates exchanged ideas, experiences and discussed innovative undertakings in pursuit of the goal of poverty alleviation. These ideas include initiatives as an *Asian Anti-Poverty Fund,* an *Asian Micro-Finance Fund,* and final implementation of such UN-approved proposals as Debt-Swaps for financing MDGs. The meeting also lauded the Overseas Development Assistance and debt write-offs undertaken by several nations.

We express our admiration for China's success in lifting hundreds of millions of people out of poverty within the span of a generation. This is a unique economic and social transformation in human history, for which the Communist Party of China and its wise leadership deserve due credit.

Finally, we express our appreciation to H.E. Hu Jintao, President of the People's Republic of China and H.E. Ban Ki-moon, Secretary General of the United Nations for their gracious messages of congratulations to the Conference. We express our most sincere gratitude to the leaders of the Communist Party of China and the Government of People's Republic of China for hosting this historic Conference. We also thank the government and the people of Yunnan Province for their support and warm hospitality. ❑

Adopted on 18 July, 2010 in Kunming, China

Delhi Govt. refuses to give relief to consumers
despite recommendations of the regulator

Swadeshi Samvad

Privatization of electricity distribution in Delhi seems to have gone the expected way. It is profits and more profits for the private distribution companies and no satisfaction, no relief and only increased tariffs for the consumer. Politicians, bureaucrats and middle man as usual are suspected to have received cuts. Delhi was being projected to be a role model for privatization of electricity sector in order to avoid AT & C losses and ensure a hassle free supply of power to the customers at reasonable prices.

The Govt. of India had enacted the Electricity Regulatory Commissions Act, 1998 (No.14 of 1998) on 2nd July, 1998 with the objective of providing for the establishment of a Central Electricity Regulatory Commission and State Electricity Regulatory CommissionsIt was to ensure fair practices by the all the players involved. Subsequently Govt. of NCT of Delhi constituted The Delhi Electricity Regulatory Commission (DERC) vide Notification No.F.11(28)/98-EB/341 dt. 3-3-99. Next the Govt. of NCT of Delhi notified the Delhi Electricity Reform Act 2000 deemed to be in force from 3rd day of November 2000. The Delhi Electricity Reform Act provides that the Commission established and constituted under section 17 of the Electricity Regulatory Commissions Act 1998 shall be the first Commission for the purposes of this Act also.

Under this Act the functions assigned to the Commission include: regulation of the operation of the power system within the National Capital Territory of Delhi; set standards for the electricity industry in the National Capital Territory of Delhi including standards related to quality, continuity and reliability of service; and regulate the assets, properties and interest in properties concerned or related to the electricity industry in the National Capital Territory of Delhi including the conditions governing entry into and exit from the electricity industry in such manner as to safeguard the public interest;

Delhi government has now taken a confrontationist approach with its own regulator to benefit power distribution companies at the cost of common people. Govt. has categorically turned down statutory advice sent to it by DERC suggesting the regulator be allowed to declare tariff. The government has cited technical reason for its decision saying the advice was only of DERC chairman Berjinder Singh and not the entire commissions as signatures of two members were missing.

Media has reported indications that the entire process of tariff determination will be postponed till September when Chairman Berjinder Singh retires. The new commission will be formed with its own people is anybody's guess. DERC has in fact been active and consumer friendly.

In case of power tariff DERC opposed a hike asked by discoms. In its statuary advise told the government that consumers in Delhi are being overcharged by Rs 300 crore per month due to the order– which would bring in a lower power tariff scheme– not being released. The DERC has also revealed that in the original order, it had earmarked Rs 2,775 crore to be released to the power distribution companies (discoms) to "make bilateral purchases and to meet other uncertainties".

DERC said, "Despite the provision of Rs 2,775 crore in the original order, the discoms appealed to the government on false grounds to bring in a tariff hike." The DERC's advice also quotes the legal opinion it sought from the Solicitor General of India. "As regards the direction for not issuing an order, the Solicitor General of India has advised that such a direction is ultra vires (an act beyond the purposes or powers) and void," the DERC said. The DERC has also provided justification for bringing in a tariff reduction. Instead of acting on behalf of consumers and reign in unreasonable profit motives of companies government has questioned its regulator, the only reliable supporter of helpless consumers. ❑❑

Handloom Movement in A.P. Gaining Strength

The 28 kilometer march from Dubbak to Siddipet in the state of Andhra Pradesh on July 3 was a rare event in the history of the State. It was a March with difference conveying the message of life, the message to fight. Discouraging the weaving fraternity from taking up suicides as a way out from their woes. Positive vibes were in the air when nearly thousand starving weavers took up the march in the morning at 10 AM and continued till evening 5 PM highlighting the problems they are forced to face.

The All India Convenor of SJM Sri Arun Ojha was the Chief Guest leading the March. The Kshetra organizing Secretary Sri Appala Prasad was in there from beginning to the end filling hope in the hearts of weaver fraternity. Member of Parliament of Rajya Sabha Smt. Gundu Sudha Rani (TDP), and Ex-Convenor of SJMSri P.Muralidhar Rao inaugurated the March.

SJM, in the recent past, has made extraordinary and strenuous efforts in bringing to light the woes, poverty and hardships being faced by the handloom weavers in Andhra Pradesh. In particular, thousands of villagers in the Dubbak, Ramakkapet, Lachchapet, Dharmajipet of Medak district have taken up the path of movement under the guidance of SJM during the past four months. At least, 124 handloom weavers have committed suicide in these areas in the recent past. As there was no help from the Government their families are in a helpless state. Nearly 500 families are starving for food as unemployment in the field of handloom glares at them. They are struggling hard to continue their lives in rented houses with huge debts on their shoulders. After the SJM took up the issue on a war footing the frustrated weaver fraternity has gained confidence and are taking up the movement forward. While the social analysts are dismayed at the change the SJM is bringing in to their lives, the movement has taken a big leap forward with all the political parties coming to Dubbak last month.A Detailed Report on the plight of handloom weavers was released on the occasion.

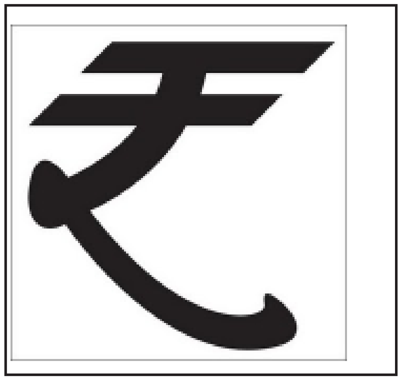
Smt Gundu Sudha Rani, speaking on the occasion, promised to extend all possible help. Sri P.Muralidhar Rao called to continue the fight till all the rights of weavers are achieved. Sri Ojha opined that the pathetic state of weavers in Dubbak reflects the Government attitude towards handloom and warned that March should be an eye opener to the Central Government and SJM shall leave no stone unturned to make the Government realize the importance of the issue. He also called for the weaver fraternity not to engage themselves in taking extreme steps like suicides but to take up the battle of movement to realize their rights. He also reminded the Mahatma Gandhi's call for a struggle for economic independence after the political independence was achieved. He criticized the successive Governments in the water downing the dreams of the father of the nation.

Immediately after the march, the State Government distributed Antyodaya Cards to the families of those 120 weavers, who have committed suicide. The March ended with a public meeting in Siddipet. The district convenor Vennela malla reddy, Co-convenor Methuku Raju, Zonal Organizer Somaram Srinivas, Media incharge Komma Sathish attending the march and meeting along with several students of management and commerce faculties. Research scholars Lingamurthy, Handloom activitist Kalva Laxminarayna, nagesh, A. Balaraj, Gajula Bhaskar, Rajesh, Dubbarajam also participated in the march.

- This is the first time in the history of Independent India to conduct a march on the problems of handloom industry.
- The movement is being considered as the largest in the handloom history in the past 30-40 years.
- The movement of 4 months has united all the weavers of handloom industry.
- The SJM has succeeded in bringing all the political parties on to a single platform in this issue. ❑❑

Indian rupee gets a symbol

The Indian rupee has got new and unique symbol. The new symbol is a blend of the Devanagri 'Ra' and Roman 'R'. It is considered to be a big statement on Indian currency.



India has joined an elite club of currencies like the US dollar, euro, British pound and Japanese yen in having a distinct identity.

Though the symbol will not be printed or embossed on currency notes or coins, it would be included in the 'Unicode Standard' and major scripts of the world to ensure that it is easily displayed and printed in the electronic and print media. Unicode is an international standard that allows text data to be interchanged globally without conflict. After incorporation in the global and Indian codes, the symbol would be used by all individuals and entities within and outside the country. The symbol will be adopted in a span of six months in the country, and within 18 to 24 months globally. It will also feature on computer keyboards and softwares for worldwide use. ❑

Inflation to drop by December

Under attack for surging prices particularly of food items, the government said it expects good rains to help halve inflation to six per cent by December.

"We expect to see the rate of inflation in wholesale prices to come down to around 6 per cent by December," Prime Minister Manmohan Singh said in his opening remarks at the meeting of the National Development Council, attended by several central ministers and most of the chief ministers.

His remarks came ahead of the monsoon session of Parliament. He said the government has taken a number of steps to curb price rise. "With normal monsoon, which is the expectation at present, the rate of inflation in food prices will abate in the second half of the year," Singh said.

Monsoon accounts for around 80 per cent of rains India receives and nearly 60 per cent of the cultivated land is rain-fed. Food inflation is above 12 per cent and overall rate of price rise is above 10 per cent.

Pranab proposes three-tier GST

In a bid to evolve a consensus with States on a unified single rate structure for the Goods and Services Tax (GST) over a three-year phase, the Union government proposed a three-tier tax structure, to start with, from April 1, 2011.

At a meeting with the Empowered Committee of State Finance Ministers here, Finance Minister Pranab Mukherjee proposed the adoption of a dual rate structure for the GST, both at the Central level (CGST) and at the State level (SGST), with the revenue so garnered to be shared equally. Accordingly, with its introduction from the next fiscal, goods will attract a combined GST at the standard rate of 20 per cent, essential items at a concessional 12 per cent and services at 16 per cent.

Suggesting a phased approach for the rollout of the new indirect tax regime — in lieu of the Central and State levies such as Excise, VAT and service tax — so that "the transition is smooth and painless both for the taxpayer and the administration," Mr. Mukherjee said: "We are agreeable to the adoption of a dual rate structure for goods at the inception of the GST…Our request to the States will be to consider keeping the same rates i.e. the lower rate for the SGST at 6 per cent, standard rate at 10 per cent and services at 8 per cent." The States, however, are yet to take a final view on the proposal.

No to distance norm for business correspondents

The Reserve Bank of India has declined to accept a proposal from an Inter-Ministerial Group (IMG) to relax the stipulation that business correspondents (BC) should be within 30 km distance of a branch. The RBI will also bring out a paper to discuss whether or not to allow profit-making organisations, including mobile service providers, to become business correspondents.

This was revealed at the first meeting of the monitoring group chaired by the Cabinet Secretary to consider the recommendations made by the IMG on usage of mobile phones to deliver financial services. The IMG had suggested simplified know-your-cus-

DoT amends telecom licence pacts

Further tightening its grip over telecom equipment vendors and service providers in view of national security concerns, the Department of Telecommunications amended telecom licence agreements asking equipment suppliers to share all codes and design details, besides making provision of hefty penalties against defaulters. In a communication to all telecom licence holders, including state-owned BSNL and MTNL, DoT said equipment suppliers would have to share all codes and design details.

"The licensor (DoT) shall have the power to allow inspection, analysis and use by the competent experts designated by the government, the hardware and software designs/codes deposited in the escrow accounts to prevent/detect any security hazards, malware and traps at any time or for any criminal investigation purpose," it said.

Stating that all changes and amendments in the licence agreement will become applicable with immediate affect, DoT further said in case of any security breach after deployment of equipment, licensee would have to pay Rs.50 crore penalty, while another penalty of 100 per cent of the contract value would be levied by telecom equipment suppliers. ❑

tomer (KYC) requirements and permitting "for profit" corporate entities to function as BCs. The IMG report was accepted by the Committee of Secretaries in April after which the Prime Minister had directed the constitution of a monitoring group to oversee implementation of the project.

In the first meeting of this monitoring group, the RBI said the proposal to allow BCs beyond 30 km distance could not be accepted due to supervisory reasons.

The banking regulator, however, added that it was not suggesting that banks open a full-fledged branch but only insisting minimal administrative presence within 30 km range to monitor BCs. On allowing for-profit entities to functions as BCs, the RBI informed that it was preparing a concept paper for public comment and a final decision will be taken by August.

Bill to replace Ulip ordinance tabled

The finance ministry will bring a bill during the monsoon session of Parliament to regularise the ordinance allowing the insurance regulator to administer unit-linked insurance products (Ulips). The Bill is being seen as a snub to RBI, the UPA government introduced the Securities and Insurance Laws (Amendment and Validation) Bill 2010 that would replace the ordinance promulgated last month.

The bill provides for a 'joint committee' to be headed by the finance minister and consisting of all regulators as members. The decision of the committee shall be binding on RBI, Securities and Exchange Board of India (Sebi), Insurance Regulatory and Development Authority (IRDA) and Pension Fund Regulatory and Development Authority (PFRDA).

The central bank was opposed to the bill. In this regard, RBI governor D Subbarao had met finance minister Pranab Mukherjee on July 12 to register the bank's opposition to the constitution of such a committee saying this would obstruct the autonomy of regulators.

However, a major change that has appeared in the bill from the ordinance is that of upgrading the status of RBI governor in the committee. He has now been made vice-chairman from member as it was mentioned in the ordinance. Now, instead of the finance secretary, the secretary in the department of economic affairs has been made the member in the joint panel, besides the banking secretary as the other member from North Block.

Inflation index revised

The government from August will introduce a new system of inflation index measurement that would cover price changes of about 250 extra items, industry secretary R P Singh confirmed .The present monthly inflation index measurement system, based on the wholesale price index, reflects the price variations of 435 items.

NTC may garner Rs 5,000 cr from Mumbai land sale'

State-owned National Textiles Corporation (NTC) is expected to raise over Rs 5,000 crore from the sale of about 55 acres of surplus land in Mumbai in the current fiscal, the Textile Minister, Mr Dayanidhi Maran, has said.

On the basis of Rs 100 crore per acre as reserve price fixed by NTC for various properties, he said, it would be possible for the company to generate over Rs 5,000 crore in 2010-11. ❑❑

Europe tightens norm for seafood imports

With seafood exports to India's biggest export destination, the EU, facing turbulent days ahead, the trade is beginning to look to the East for succour and safety. "Exports to the EU are beginning to get tougher and costlier as new conditions such as inspection of 20 per cent of aquaculture export consignments have become mandatory," Mr Anwar Hashim, President of the Seafood Exporters Association of India (SEAI), said.

The new LCs will also have to incorporate conditions stipulating that the exporter will have to bear the additional demurrage duties as well as the cost involved in shipping the consignment out of EU if it is rejected, Mr Thomas said. However, he pointed out that most of the established exporters from India would have built up long standing relationships with their EU importers and the threat of the buyer sourcing his import requirement to another exporter in another country is slim. But for the new and inexperienced exporters the chances of increased loss of business can be high. ❑

EU starts probe against IBM

European Union competition regulators launched two anti-trust investigations against IBM, suspecting it of abusing its dominant position in the mainframe computer market. One investigation followed complaints by emulator software vendors T3 and TurboHercules against IBM's practices, and focuses on the US computer group's alleged tying of mainframe hardware to its mainframe operating system. The second probe, opened on the European Commission's own initiative, concerns alleged discriminatory behaviour towards competing suppliers of mainframe maintenance services.

"The Commission has concerns that IBM may have engaged in anti-competitive practices with a view to foreclosing the market for maintenance services ... in particular by restricting or delaying access to spare parts for which IBM is the only source," said the Commission . The Commission enforces EU competition rules and can fine companies that break them. IBM rejected the allegations but promised to cooperate fully with the investigation.

103 US banks collapse within months

The count of bank failures in the US has crossed the century-mark in 2010 and as many as 17 entities have folded up so far this month. Mostly small and medium banks are bearing the brunt of the collapse, as they continue to wobble under the prolonged sluggishness in financial conditions. On an average, nearly 15 banks have bit the dust every month so far this year. According to the Federal Deposit Insurance Corporation (FDIC), which insures deposits at over 8,000 banks, as many as 103 entities have gone out of business so far this year. In 2009, a staggering 140 banks were shut down. On July 23 alone, authorities seized seven banks which would result in an expense of about USD 431 million for the FDIC. Seventeen banks have collapsed so far this month while the count stood at just eight in June. The highest number of bank failures for any month in 2010 happened in April, when a whopping 23 entities had collapsed.

Yuan exchange rate debate

The International Monetary Fund has chosen not to call the yuan "substantially" undervalued, a move that recognises China's efforts to free up its exchange rate & avoids friction with an increasingly influential shareholder. The summary of an annual review of China's policies omitted the contentious word, used by IMF Managing Director Dominique Strauss-Kahn as recently as June, which has long riled Beijing. Several members of the IMF's 24-member executive board believed the Chinese currency was too cheap, the fund said. But others said a structural reduction in the balance of payments surplus was already unfolding thanks to past steps to boost consumption, while others took issue with an assessment by IMF staffers that the yuan was substantially undervalued.

Beijing dropped the yuan's 23-month-old peg to the dollar & reverted to a managed float on June 19. China's trade surplus has also shrunk considerably as government efforts to pump up the economy have sucked in imports of commodities & capital goods. "On both counts this conciliatory tone is a little premature, because despite the announcement there hasn't been that much movement of the Chinese currency. Any notion that they have in fact successfully started rebalancing their economy is also quite premature," Prasad said.

Chicago business school names Indian-American as dean

Indian-origin Stanford University Professor Sunil Kumar has been named dean of the prestigious Booth School of Business at the University of Chicago. Kumar's five-year term as dean at Chicago Booth will begin on 1st January, 2011. The Indian Institute of Science, Bangalore alumnus is currently Stanford Business School's senior associate dean for academic affairs. Kumar's appointment comes within a month of IIT alumnus Nitin Nohria taking over as dean of the prestigious Harvard Business School. Kumar, 42, succeeds Edward A Snyder, who completed nine years as Chicago Booth's dean on 30th June. He joined the Stanford faculty in 1996 after receiving his PhD in electrical engineering from the University of Illinois at Urbana-ChampaignHis research interests include performance evaluation and control of manufacturing systems, service operations, and communications networks.He co-developed a widely used factory simulator for teaching operations management. The simulator, "Littlefield Technologies," has been used in classes at more than 50 business and engineering schools.

He has published dozens of scholarly research articles & has served as the editor of the Stochastic Models area of the journal Operations Research.❑

Kabul urges to review Pak policy

Afghanistan's national security adviser called on to review policy towards Pakistan after leaked Pentagon documents pointed to Pakistani double-dealing in the Afghan war. Kabul has consistently accused Pakistan's intelligence agency of supporting Taliban insurgents – including masterminding attacks against Afghan and US-led targets in the country. Islamabad denies the claims.

Kabul said information contained in documents released on whistleblowing website WikiLeaks backed its long-held position. Rangeen Dadfar Spanta, President Hamid Karzai's national security advisor, took issue with US aid to Pakistan, which last year secured a USD 7.5 billion non-military package from Congress spread over the next five years.

"It's not justifiable for Afghans to see a country given 11 billion dollars in reconstruction aid and to support its security forces, and then see those same forces training terrorists," said Spanta.

Europeans, Americans find dream jobs in Asia

An increased number of European and American job seekers are hoping that Asia is a place where opportunities match their ambitions. Growth in China, India, South Korea and many other countries in the region is outpacing that of Europe and the US. Many local companies are enjoying rapid expansion, while international employers are shifting positions to Asia and are hiring again.

In Hong Kong, the recruiting firm Ambition estimates that the number of resumes arriving from the US and Europe has risen 20-30% since 2008. "These now make up about two-thirds of the more than 600 resumes its Hong Kong office gets every month," said Matthew Hill, Ambitions managing director for the city. Similarly, at e-Financial Careers, an online job site, applications for positions based in Singapore and Hong Kong have jumped nearly 50% in the last year, its Asia-Pacific chief, George McFerran, said.

Landing a position in Asia, though, is not just a matter of being willing to make a new life halfway around the world. Many employers prefer candidates who have track records in the region and who bring language skills and local contacts to the job. Mike Game, CEO in Asia for Hudson, an international recruitment agency, said the number of Westerners actually making the move was still fairly small. "Many employers are more demanding than they were during the economic peak of 2007 and are setting the bar very high in terms of what they want," he said. Nevertheless, many Westerners seem to be looking to make the move.

Google cuts ties with two Chinese advertisers: Report

Google Inc has ended partnerships with two major Chinese advertisers, Universal Internet Media & Xi'an Weihua Network, China Daily quoted the firm's China spokeswoman as saying. The paper said the two firms were two of Google's 25 authorised advertising agents in China, where the Internet search market leader is Baidu Inc. "The partnerships ended a couple of weeks ago because both sides felt there were no longer any mutual benefits," Google spokeswoman Marsha Wang told the paper. Last week, Google announced it was in the process of ending its partnership with Chinese community site Tianya, in which it had a stake. ❑❑

India Hints sectoral" liberalisation

A top Indian trade official has suggested that New Delhi might agree to make steep cuts on some industrial sectors - a key demand of Washington as the price for breaking the deadlock in the Doha Round talks. India long pointed to the negotiating mandate's explicit statement that participation in such "sectoral" liberalisation initiatives would be voluntary.

"The sectorals will not go away. They will stay there. If all that I can say is no, it won't be intelligent," said Rahul Khullar, commerce secretary, at a meeting organised by an Indian industry lobby group in New Delhi. According to reports Khullar noted that there were several products which could be allowed entry to the Indian free of import duties, since there was no significant competing domestic industry.

Even for some sectors where imports would compete with local products, he said, it was far from clear that Indian manufacturers would be unable to compete. He called for input from Indian industry about which products required protection, and which could withstand unfettered competition.

Sectorals were not addressed at a recent meeting of the WTO's negotiating group on non-agricultural market access, known as NAMA The topic has been so divisive that the chair of the group has set it aside for the time being to allow negotiators to devote their efforts to those areas in which movement is more feasible.

WTO panel on US clove cigarette ban

WTO has agreed to establish a panel to rule on Indonesia's complaint that a US ban on clove cigarettes aimed at preventing teenagers from starting to smoke was discriminatory, a government official says. Trade Ministry Director General of International Trade Gusmardi Bustami said the WTO's Dispute Settlement Body (DSB) agreed during their second court session on July 20 to establish a panel to rule on the issue.

He said the panel of three judges would be assisted by third parties consisting of representatives from Guatemala, Brazil, the EU, Turkey and Norway. The US raised its objections on the establishment of a panel in the first DSB court session in June.

"In the second court session, the US did not have the right to raise objections, something it was aware of," Gusmardi said, adding that during the second meeting, the US delegation continued to object to the establishment of the panel. After the panel had been formed, he said, the Indonesian government would decide whether it would accept the established panel.

He said the judges would be formally appointed in the next two weeks. The Indonesian government sees the establishment of a panel as the best final effort to settle its disputes on tobacco trade restrictions with the US at the WTO due to the lack of a successful resolution from bilateral negotiations.

EU Airbus subsidies illegal

The WTO dealt the European Union a painful blow in a transatlantic trade row over multibillion dollar subsidies for US and European aircraft, ruling some state support for Airbus illegal. Rival US airplane manufacturer Boeing claimed a "sweeping legal victory" and said it would require Airbus to repay four billion dollars in illegal subsidies, a claim disputed by the European aerospace giant.

Bringing to a head one of the most bitter trade disputes between the two trading powers, the World Trade Organization disputes panel upheld parts of a US complaint in the marathon legal battle.

When it first launched the complaint in 2004, the United States charged that the European Union had provided unfair subsidies worth up to 200 billion dollars (139 billion euros) to Airbus.

The battle between the trading powers at the Geneva-based trade watchdog broke out six years ago after a 1992 'no feud' agreement over the world's two biggest aircraft makers unravelled.

WTO backs China

A World Trade Organization panel has ruled in favor of China in its dispute with the United States over an effective U.S. ban on imports of Chinese chicken, a Chinese source was reported to have said. The WTO issued a ruling in the poultry dispute to the two parties, but it remains confidential until it is published in a couple of months time. There was no official comment from Chinese or U.S. authorities. Asked whether China had won the case, the source, who is familiar with the ruling, told media: "You could say that ... It went well." WTO DG Pascal Lamy in a separate statement has said thatChina is abiding by its commitments to the World Trade Organisation and its latest offer to join its government procurement agreement is better than past ones. Pascal Lamy was attending the Shanghai World Expo. ❑❑