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Mandate is for Undoing the Wrongs of UPA

Dr. Ashwani Mahajan



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President wrong in not voting

It is reported that the President of India Mr Pranab Mukherjee did not vote to ensure 'neutrality'. The news has brought the august office of the President in disrepute. In Democracy, it is not only the right of citizens to vote, but it is also the primary duty of citizens to vote. The EC has therefore provided for a NOTA button so that nobody has the excuse of abstaining from voting on the ground that no good candidate is available. If, really the President wishes to enforce neutrality, there are many correct and better avenues to do so, for example, by not allowing partisan persons in gubernatorial posts and not signing controversial bills etc. The President, as the Supreme Commander of our Armed Forces, should also not allow the government to appoint the next Army Chief when the present government's term in office is about to end in a few days and when the appointment is opposed by the BJP, the largest Opposition Party in Parliament.

- K.G. Acharya, Mumbai

FDI in defence sector

The Department of Industrial Policy & Promotion (DIPP) has prepared a draft Cabinet note that proposes to allow up to 100 per cent foreign direct investment in defence as part of its plan to boost domestic manufacturing. The move comes two days after Nirmala Sitharaman took charge as the new commerce & industry minister. Defence Minister Arun Jaitley had indicated after taking charge of the ministry that he would consider the issue of FDI in the sector. The draft note has been circulated for inter-ministerial comments and can be seen as the first and the most significant move by the government.

BJP government that has received unprecedent mandate must first have a look at National priority that identifies the key requirements the nation has towards defense production if that objective is set right we then need to find answers for the questions like: the export of defense products by the company having 100% FDI; IPR regime for these investments; export of technical know-how generated in these companies and the employment structure of these companies.

BJP must not repeat the hurried steps under the false imagination that people will tolerate whatever they do. People of this country are mature enough to differentiate between grain and husk.

- Sridhar Pillai, Tamil Nadu

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Quote-Unquote



The basic truth of ever changing world is eternal, which is not changeable. Change should be for betterment, we have to keep intact the unchangeable.

Dr. Mohan Bhagwat

Sarsanghchalak RSS.



Where local competce exists no FDI should be allowed in defence. Bharat Forge has developed a good gun I have gone and seen Field test it 1st.

S. Gurumurthy

National Co-convenor, SJM



It's not that mangoes are artificially ripened only in APMC mandis. Even the mangoes you buy from food retail chains is ripened by chemicals.

Devinder Sharma

Food & Agriculture Expert



With NaMo's coming in there is return to ethics and value systems too. There is humility, acceptance, communication, focus on service and duty.

Kiran Bedi

IPS Cretd, Social Activist

The Change that shall transform India

*"If we don't change, we don't grow.
If we don't grow, we aren't really living."*

— (Gail Sheehy)

A new regime has taken charge in New Delhi after a prolonged election process that was different from the previous ones in more than one ways. Prime Minister Narendra Modi and his cabinet colleagues have taken up their respective assignments and have begun to articulate & implement their version of policies envisioned to transform India. Even though the Change in governments at centre has taken place almost at regular intervals in India and in that sense democracy is deep rooted and well established in the country, thanks to the civilisational ethos of Bharat and constitution framers who in spite of surcharged environment kept cool and gave us a unique constitutional vision. But the change in New Delhi this time is different and in many ways exceptional. There are several distinctions both symbolic as well as substantial attached to 2014 election and its final outcome. It is for the first time since Independence that a Non Congress government headed by a person outside Nehru Gandhi clan has won an absolute majority in the Lok Sabha. It is also for the first time that a person born in Independent India in not so affluent class, has become the Prime Minister. Number of voter participants particularly the youth, candidates who lost their deposits and the number of seats the grand old party of India was able to win is also a record in itself. But more than these and similar other firsts this election has witnessed a tectonic shift in electioneering and its outcome as well as the tremendous faith reposed by the voters in non emotive aspiration issues. This is perhaps for the first time that a declared Prime Ministerial candidate sought mandate on non divisive developmental issues and in the process succeeded in articulating the aspirations of the vast majority of Indians cutting across the narrow barriers of caste, colour, region, religion and sex. The response of the people is remarkably decisive as is reflected in the number of seats won by both the BJP and NDA. It is clear pronouncement of the arrival of a new India, The India that is firmly rooted in its civilisational past, pragmatically performing in present and optimistically thinking of future. The Change that has taken place is therefore, not a mere change of government or the ruling party. The attitudes stand altered. The belief that elections in India are fought and won on emotive and divisive issues like caste and religion has been proven to be absolute rubbish. A new reality has dawned that a courageous, decisive and proficient leader ready to take risks can win the confidence of people.

Now the election is over. The People of the country have expressed their choice in abundantly clear manner. They have unhesitatingly identified with the promises and hopes articulated effectively by Narendra Modi led NDA. More important is the fact that this promise of transforming India was sounding convincing because the idiom used was Indian based on strengths of India as a nation and society. People across the country in every part and from every type of social background have shown their willingness to contribute to the transformation of the Nation. It is, hence the responsibility of the new government more so that of the Prime Minister Narendra Modi as the charismatic leader of the new government to deliver on the promises made to the people of India. It is also essential to ensure that the change is taken to its logical conclusion and the policies and the mindset of rulers is effectively changed once for all. Old policies borrowed from the failed developmental model of the west are not repackaged in new attractive wrappers needs to be ensured. Strengths of India like market, saving oriented society, entrepreneur skills, youth power, natural resources, total cultivable land available so forth and so on are optimally utilised to transform a developing India into a fully developed Nation. But the notion of developed stage again needs to be our own and not imitated or borrowed from abroad. People of India have waited too long. They deserve a much better treatment, be it education, health care or infrastructure. The living standard of entire population needs to improve. Inequality can no more be justified. Security of the nation and its people shall be guaranteed at all costs. We are confident not only because of the track record of Sh Narendra Modi as Chief Minister of Gujarat, but also because of the recognition of the consciousness of the people that the new government will live up to its potential.

Mandate is for Undoing the Wrongs of UPA



This is a fact that the new regime has inherited failures of previous UPA government. But BJP led NDA now has to provide solutions and deliver, says
Dr. Ashwani Mahajan

Whole election campaign of Narendra Modi was centered on economic doldrums and relief from the same. Apart from issues concerning economy and affecting the common man, such as downfall in manufacturing, huge unemployment, foreign payment crisis and resulting weakening of rupee, poverty and hunger; issue which connects most with the public is the issue of inflation, especially food inflation. Commoners are struggling hard to meet their daily needs. Challenge for the man on the street is, how to manage two meals.

Previous UPA government was finding itself helpless before inflation. Conveniently the blame was put on either monsoon or international forces. The only institution seen fighting against inflation was RBI and that too by a single instrument namely interest rates. Though high interest rates were impeding growth; RBI has been reluctant to take any risk of reducing interest rates in view of ongoing hyper inflation. In general the government seemed to have given up on inflation.

If we take note of the inflation data, we find that whereas food prices increased by 50 percent between 2010-11 and 2013-14; price of energy and factory made products have increased by much less proportionately. It was basically due to mismatch between demand and supply of food products. However inefficiencies in distribution and economic mismanagement were no less responsible for the same.

Inflation also Caused by Commodity Exchanges

In the name of reforms in agricultural marketing, agricultural products are also subject to online future trading in commodity exchanges just as shares & is a significant cause of increasing prices of food products. It is notable that under

pressure UPA imposed ban on future trading in wheat, rice and couple of pulses. In fact, future trading in commodities on the line of share market is an alarm bell for the people of this country. We have to put effective restrictions on speculative activities. We cannot put the majority population's life at stake for speculators who are not even 0.1 per cent of the total population.

Imperative to Increase Food Production

Growing demand on the one hand and declining production on the other naturally lead to high rate of food inflation. Indifference of the government has been contributing significantly to the agricultural crisis. Notable is the fact that share of agriculture from central government budget is down to nearly 1.4 percent now from get 20 to 25 percent previously. Per capita availability of food grains has actually declined from 510 grams per day in 1990-91 to hardly 427 grams in 2011-12. Continued neglect by the Government and declining availability of land due to diversion of cultivable land in the name urbanisation or industrialisation have been the major causes for ailing agriculture. Sometimes it is argued that we can take care of deficiency of food products by imports; however, this option is no longer practical these days because food grain production has hit globally. In the last few years USA, European countries and many other food surplus countries have started diverting their land for producing bio fuel plants. As a result food prices are rising fast globally. Even Food and Agriculture Organisation (FAO) has been warning regarding this food crisis.

Deficit Budgets

Whenever the government spends more than its revenue, resulting deficit in the budget causes borrowing from Reserve Bank of India (RBI) if the government is not able to borrow from the public to bridge the same. RBI lends to the government by printing more currency notes. According to the RBI data, currency held with the public increased by 63% from rupees 7,67,500 crore in 2009-10 to rupees 12,48,300 crore by 2013-14. This has affected inflation directly. According to FRBM Act government resolved to keep fiscal deficit limited to 2.5 percent of GDP. Belying its own resolve, government has been making budgets with fiscal deficit around 5 percent of GDP or even higher than that and has been trying to cover up its inability to curb unemployment and inflation by spending heavily on subsidies and other populist schemes such as MNREGA. This tendency has actually been fueling fiscal deficit, causing increase in money supply resulting in heavy inflation.

How to Combat Inflation?

Perhaps it is a general opinion that there is not going to be any big reprieve from inflation in near future. However, government will have to think that if in the long run, prices especially food prices have to be kept under check, it will have to end neglect of agriculture and make concrete efforts for agricultural development. Welfare of the masses should guide the public policy and not the populism.

After the most hectic and historic elections BJP has won absolute majority along with NDA. This is also a fact that the new government has inherited failures of previous UPA government. NDA

We cannot put the majority population's life at stake for speculators

now has to give solutions to the present day problems and deliver. In the last three years of UPA rule, GDP growth has come down to nearly 5 percent and inflation has gone up to 2 digits. Huge Current Account Deficit (CAD) had weakened rupee down to near Rs. 69 per dollar at one point before improving to Rs. 60 per dollar later. Credibility of Indian economy in general and rupee in particular is at its lowest point. Growth rate of manufacturing which was 15 percent in 2007-08, had entered into negative zone in 2013-14 with (-) 0.2 percent. Mismanagement of the economy had sent the economy to drains with hardly any vibrancy and employment generation had practically stalled.

UPA, model for the economy had merely been a model of promoting interests of foreign capital and paving way for foreign companies to expand their wings. There was hardly any scope for employment generation. Previous Planning Commission's Deputy Chairman Montek Singh and the Prime Minister himself had conceded number of times that this model of growth was a jobless growth model. Workers, who have been tilling their own land, have actually been deprived of their land and have become landless labourers. Worst sufferers have been scheduled castes, scheduled tribes, women and other deprived sections of the society.

Poor Losing Land

Statistics published by Census of India reveal in Scheduled Tribe category 44.7 percent people were farmers working on their own land in 2001; however this number came down to 34.5 percent. In case of Scheduled Castes this number declined from 20 percent to 14.8 percent during the same period. This data is corroborated by another data from census, according to which number of people who were working not on their own land but on others' land (landless labourers), increased from 36.9 percent in 2001 to 44.4 percent in 2011 for SC category and during the same period from 45.6 percent to 45.9 percent in case of ST category.

In just ten years, such a big chunk getting deprived from their land is a matter of grave concern, Erosion in the economic conditions of scheduled castes and scheduled tribes exposes the reality of the claims of improving the standard of living of the poor. Only one data, which may compose a little bit, is increase in the literacy rates in these sections, especially among SC/ST females. It is notable that literacy amongst SCs increased from 54.7 percent to 66.1 percent, whereas in case of STs this increased from 47.1 percent to 59 percent. However these literacy rates are much lower than the national average of 73 percent.

Declining Quality of Employment

Census data clearly reveals that it is not only erosion in economic condition by losing land titles by these sections, even quality of their employment has also come down. Stability of employment has also been getting eroded all these years. Number of people categor-

Stability of employment has also been getting eroded all these years.

ised as main workers (those with continuous employment of 6 months or more), have come down from 73 percent and 69 percent to 70.7 percent and 64.8 percent in SCs and STs Category respectively. This shows that casualisation of labour has increased in these sections of the society. Statistics of casual labour in SC/STs also corroborates the same.

Ousted from Household Industries Too

Not only these Dalits are deprived of their traditional land forced to work on others' land, these Dalits are leaving their household industries too. According to the data published by Census of India, number of SC workers in household industries declined from 3.9 percent to 3.2 percent in the last 10 years. In case of STs this number declined from 2.1 percent to 1.8 percent.

Declining Women Participation Too

Not only that Dalits are ousted from their land and are also leaving their traditional occupations, even participation of women of these sections has also declined significantly, which is also a matter of grave concern. It is notable that in 2001, 29.4 percent SC women were working, which declined to 28.3 percent in 2011. In case of STs women this number declined from 44.8 percent to 43.5. Declining participation of Dalit

women not only indicates at declining income of Dalits, it is also demonstrative of erosion in women empowerment.

All Poor are at Disadvantage

Issue is not of Dalits alone, as this problem of deprivation is not caste based. All deprived sections are at loss similarly. In fact all poor and small farmers are losing their land, their household industries, small occupations like small shops etc. and are losing their self employment and are joining the army of casual labour. According to Report of 66th Round of NSSO, between 2004-05 and 2009-10, nearly 250 lakh people lost their self employment and casual labour increased by 220 lakh in these five years. Latest Census data corroborate these statistics. It may be noted that NSSO statistics is based on sample survey, whereas Census data is based on whole population and therefore are more dependable. Census data therefore clearly indicates at worsening of condition of poor and down trodden.

What should the new government do?

Today it is imperative to have a state policy that ensures sustainable and productive employment opportunities for the poor and unemployed. For this we will have to transform the methods of production. We need to incentivize the farmer by giving remunerative price and end apathy towards agriculture; control imports especially consumer goods and capital goods, of which we have capability to produce ourselves; keep in check the prices and thereby reduce interest rates to encourage growth; and in general a human face to our economic policy. □□

What ails the Indian economy and how it can be revived?

Shri Swaminathan Gurumurthy, National Co-convenor of Swadeshi Jagran Manch in conversation with Shobha Warriar of Rediff.com expressed his opinion on Indian economy. This exclusive interview in an hour-long chat was posted in two parts by the Rediff.com on May 16, 2014 on their website. The views articulated are of immense value for Swadeshi activists in present scenario. we are publishing it for the benefit of all the readers of Swadeshi Patrika.

Swaminathan Gurumurthy in conversation with Shobha Warriar/Rediff.com on what ails the Indian economy and how it can be revived.

The Indian economy, currently growing at 4.5 percent, is said to be at a low phase. Do you think the UP (*United Progressive Alliance*) messed up the Indian economy?

The UPA not only messed up the economy into a low growth rate, even when the economy was at a high growth rate of 9.5 percent in the first 4, 5 years of its rule, you will be stunned to know that the total employment growth was only 2.7 million. This happened between 2005 and 2009.

On the contrary, in the five years of the NDA (*National Democratic Alliance*) rule, the employment growth was over 60 million, that is, 12 million a year.

So, what is the use of posting growth without employment growth? Even the so-called growth rate conceals a huge unemployment. What does it show? Just financial capitalism. Unfortunately, this is not widely known.

Is this due to, like many allege, the government selling land with natural resources to show growth?

This is what is known as asset inflation. There is a huge debate going on in the world about how just by inflating the asset values, you show higher incomes and higher Gross Domestic Product. Many studies have come out on this.

In India, the asset inflation in terms of real estate, gold and stocks has been due to foreign money flowing into India. **This created a huge statistical growth and not real growth.**

When there was huge liquidity at the global level, money was flowing to wherever there was some return. The Indian stock market was booming partly because the stock market was booming and partly because of the money flowing in. When foreign exchange reserves were booming, you didn't know what



to do with the money. Foreign exchange reserves means the government acquires it by paying with the Indian rupee.

When an exporter converts the rupee into the dollar, he reduces his bank liabilities on which he must have paid 12%, 13% interest. But when the government acquires the foreign exchange reserves, it gets only 1.4% in the international market. So what happens is, the government is saddled with foreign exchange which has no returns.

So the UPA government felt the best way is to freely allow capital goods import so that anyone who wants to invest should be given license to import capital goods.

The average capital goods import till 2004 was about \$10 billion a year. In 2005, it was \$25 billion which went up to \$37 billion, \$49 billion, \$67 billion and went up to \$99 billion in 2011-2012.

The total capital goods import was \$587 billion which completely destroyed the local capital goods manufacturing.

Is that why manufacturing has registered negative growth in India?

Yes. Capital goods manufacturing fell down by 11% and the general manufacturing which was about 11% in the first five years of the UPA rule came down to 5% in the next four years and then it fluctuated between positive and negative.

The government made 0 rated import duty to facilitate imports, and the total tax concessions that were given averaged 5.5 lakh crores a year for six years!

Who benefitted from this; those who came with foreign money?

Two people benefitted. The exporters there and the importers of capital goods here.

When the power sector, the steel sector, etc began importing goods, it did not add to the manufacturing of India. In fact, it dented the foreign exchange to the extent of \$587 billion which is more than the net oil import of \$515 billion.

People say it is the oil imports and gold imports that dented India. No, it is the capital goods imports. That is only because the government was getting money in the stock market.

It soon became a chaotic economics and nobody had any control. At some point, somebody should have stopped it.

And the tax cuts they gave – an average of 2.5 lakh crore every year! In February 2005, Dr Manmohan Singh & P Chidambaram made statements that our tax rates were very low and that they were going to withdraw all exemptions. It was a shocker! This was disclosed in the Budget document but nobody reads it.

You know how much companies that earn more than Rs 500 crores pay as tax? 23.5 percent. It is companies that earn less than a crore pay 27 to 28 percent, and that is because their capacity to claim exemption is limited.

The difference between the levied tax of 33 percent and the difference between the effective tax worked out to Rs 2.5 lakh crore in the first five years of the UPA rule, and in the next five years, it doubled.

That was because in 2008, they have this stimulus and brought down excise duty from 16 to 8 percent, and in some cases, 0 percent duty was allowed in power sector for projects above 1000 MW. This means it was a tsunami in India.

On one hand, you are losing foreign exchange and on the other, you are losing revenue. Rs 30 lakh crore was the tax give away in five years. This resulted in the fiscal deficit of Rs 23 lakh crore.

So the government finances were hit, foreign ex-

change was hit, local manufacturing was hit and there was no addition to employment; just 6 crore employment in the first five years and 27 lakh employment in the next five years. So the economy was completely smashed.

The UPA's claim of growth at 9.5 percent was absolute nonsense and a fraudulent claim because the country did not grow; it was only statistical growth.

We have an economist as the Prime Minister (now changed), but unemployment is the biggest problem India faces now...

Unfortunately, Manmohan Singh's economics is based on the American experience. He knows very little about India. I wouldn't fault him. It is the Indian media and the Indian intellectuals who celebrated him as an economist.

There is no economist for the whole world. It has to be specific to the society; what that particular society with its skill levels and resources and competence, can produce is what matters. In that, I don't think Harvard experts can do anything.

Manmohan Singh may not even know that there are 43.2 million non-farming enterprises which employ 100 million people for which the bank finances are only 5 percent. It is this sector that requires bank advances. Banks should finance them through the non-banking finance sector as they only reach these people.

In Karoor, you may have a bank official who may not even know the local language. It is the economics of disconnect. There is a disconnect between economic thinkers and economic players; there is a disconnect between the government and society, and also the media and the society. The media that is dealing with the economics of India is completely Anglo-Saxon which cannot understand India.

I think we require more focussed, geographically-relevant economic policies.

Look at employment. Even during the liberalisation period, the private sector employment went up from 7.4 million in 1991 to 11.4 million in 2011. It means just 4 million employment addition in the entire liberalisation period.

The public sector employment came down to 3 million in this period. Rise in private sector, decline in public sector and it is only the small scale sector, the medium scale sector, micro enterprises, the *Micro, Small and Medium Enterprises* sector that has sustained the employment of India.

You spoke of geographically-relevant eco-

conomic policies. The other day, Narendra Modi spoke of the need to change Centre-state relations as most of the funds for projects come from the Centre. Should it be more federal with more powers to the states?

Changes are required at three levels. I don't think we need more federalism. We need more federalism in the intellectual approach to India. We have an Anglo-Saxon approach to all and that is where we are wrong.

The Constitution is okay, even the systems are okay, but we think everybody should be moving in one particular way and that is the Western way.

If you look at how businesses progressed in Gujarat and Punjab, it is not because of just government policies but because of the alignment between the government and society. There are entrepreneurial communities everywhere.

Once you understand the social forces at work, you can work on how to replicate that in other areas. The government must appeal to communities to take to businesses, but they are making them to take to politics. The drive of India is social capital and families of India.

In the Western model economics, there is no word called family or community. Today, they are slowly recognising the need for social capital which is the capacity of the people to function together. That was what has produced Tirupur, Namakkal, Karoor, Ludhiana, Rajkot and Jamnagar.

Look at the GDP. 14 percent of India's GDP comes from the corporate sector. The government contributes 22 percent. Agriculture is about 17 percent. And the rest of the 40 odd percentage comes from the non-corporate sector. But there is no policy focus on that.

Many economists say the Indian economy is in such a low phase that it may take another 2, 3 years for the economy to show signs of growth. Do you agree?

I do believe that when there is a determined leader who wants to bring a desired change, the system will begin acting. Today, people think there is policy paralysis, but there is functional paralysis also.

The coal secretary had said, the prime minister's orders were over-ruled by junior ministers. How did this happen? That shows the system was chaotic.

You mean, it was lack of leadership that put the economy in such a pathetic situation?

We need more federalism in the intellectual approach to India.

It was not lack of leadership; there was no leadership. The known leader was not the leader, and there were people acting behind the scene. And people acting behind the screen had no accountability whether it was Sonia Gandhi or Ahmed Patel.

If what Dr Singh's former advisor Sanjay Baru says is believed today, it is because that was the impression everyone had earlier too. If he had said this in the case of Atal Bihari Vajpayee, people would have said, he was lying.

So I have a feeling it was not policy issue alone, but functional paralysis that affected the Indian economy so badly.

How hard will it be for the next government and next prime minister to set things right on the economic front?

This can be changed by one person having the political and constitutional authority. He can say, these three things can be done in the next six months. One change is the actual change, and the other change is the perception.

When things start moving, people will invest. Many companies are holding cash, many people are not investing. Nobody is making any move. Everybody is waiting for the elections to get over, for the last one year.

For all of them, if there is a clear direction, things will start moving.

It is very important to have a stable government and a strong leader at the Centre...

My feeling is any government that comes in cannot be like the UPA (*United Progressive Alliance*) government. Even though one party had a very large share in power, it became dysfunctional. You cannot say because of coalition partners, they had trouble.

We have a \$337 billion current accounts deficit in nine years while the previous NDA (*National Democratic Alliance*) left with \$20 billion surplus. After 1978, only in 2002-2003, 2003-2004, we had a current account surplus. Between 1950 and 2002, we had current account surplus only in four years; 1976-1977, 1977-1978, 2002-2003, 2003-2004.

Subsequently, the UPA government incurred a

current account deficit of \$337 billion! That shows a complete inability to oversee the economy. They should be seeing what is going to happen in the next six months or one year, as today's communication system has perfected it.

The political chaos became economic chaos functionally.

Where should the thrust be for the next government so that the economy starts growing?

The thrust should be on manufacturing. That means you have to have control over imports and India has to go for anti-dumping. India used to be one of the most active anti-dumping laws till 2003-2004, after America.

Without using anti-dumping, you can't face currency manipulation. They were for free trade and they didn't want bad relations with other countries. You have to have bad relations if you want to save your country; you can't be goody-goody.

What we had was geo-political failure, policy failure, and functional failure.

In fact, I would like a separate study to be made to know how mal-governance affected the Indian economy, for future governments to be alerted about this.

I am not talking about a commission of inquiry but a proper study by a political economic research institute so that this should not be repeated. It should be some kind of a white paper, but not with the government hand or politics in it.

After manufacturing, which sector needs immediate attention?

If you take care for manufacturing, a very large area of services sector associated with it also can be activated.

The first thing I would do is to prevent foreign investment into real estate. Foreign investment has completely frozen Indian real estate. If any government asks my advice, I will say, stop investment from outside India in real estate for another five years.

All political parties are talking about creating 100 million or 10 million jobs.

How are you going to do it is the most important thing. Unless you take care of the productive service sector like construction, hotel industry, automobile, etc jobs are not going to be there.

What about agriculture?

Agriculture requires a long term approach. By 2061, more than 60 crore (600 million) people are going to be in the villages. India is not going to be an urban lead econo-

my. So you need a short term, medium and long term strategy. Look at the way a government that is on its way out is allowing field trials of genetically modified crops.

How do you look at the social welfare schemes like the MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), subsidies, etc? How much are they really working in India?

What is supposed to work in times of depression, cannot work in times of boom. When the economy itself is working according to them, what is the need for such schemes? It is an admission that the boom has nothing to do with growth.

When you say you have 9.5 percent growth, why do you dole out money to people? That means your growth is not going to them.

Is it advisable or good for an economy to have such schemes?

It is not advisable. If it had been implemented in select 100 districts, it would have worked. Why do you implement this in states like Punjab, Haryana and Tamil Nadu — some of the most prosperous parts of India?

You mean it is not sustainable?

It is not only sustainable; it is eroding the work culture of the people. When you can go and sign a register and get Rs 120 and you can work and get Rs 200, what will people prefer? How many people have assessed what people did under MNREGA? Much of the work is statistical.

Do you think it was implemented to get votes?

It is purely to get votes. In some areas, it may have worked, like dry areas where there was no water. But it is not needed for the whole of India.

Do you feel this election degraded to a very low level?

Absolutely. The idea is to stop Modi at all cost. So, you do everything for that. It is okay if you attack Modi or Rahul Gandhi on principles. But once one person degrades the campaign, there will be competitive degrading.

Somebody is asking questions about some girlfriend of Rahul Gandhi. Look at how ridiculous this election campaign has become.

This way, main issues get sidetracked. Unfortunately, the public develop a taste for trivia. Once you administer the steroid of trivia into public discourse, there will be no takers for serious things. □□

Changing of Indian governance - BJP's choice

Indian lok sabha elections are over and BJP has formed the government at centre. This is the third time BJP is in Government if the first experiment of Janata party (1977) is taken in to account. The second time was BJP led coalition in 1999. BJP has of course its governments in some states. Therefore, it is not that BJP is new to government functioning and policy making. This time BJP got majority and that alone will not allow excuses for non performance. The first and most ambitious promise given by BJP is of 'good governance' and this is not simple 'e-governance' in the form of computerization in service delivery system as many theorists believe. As is known, Indian government system is following British legacy of colonial India and has not changed much over the years. In contrast, Indian policies and strategies have changed and even marched towards globalization. Innovations in communication and transport have also changed people's perception about governance. The tragedy, however, is that Indian government system is primarily serving the interest of governing party politicians and their allies and allowed positional advantage to politicians. Indian political class has thrived on this subservient governance system. Breaking this selfish collusion and making their partnership work for development so as to meet the expectations of Indians will be the priority condition of good governance. The success of BJP government will definitely be measured in terms of this change. BJP can do better if think differently.

Govern through 'Swadeshi' mindset

The first and most important hurdle in bringing change in governance is its dependency on western thought and western expertise. Because of British colonization and their continued education system as also their government legacy made India dependent on their thinking, their expertise and their language. However, even after actual British rule of 90 years or so and 60 years of Indian



Indian government system is primarily serving the interest of governing party politicians and their allies, allowing positional advantage to politicians. Political class has thrived on this subservient governance system, says Anil Javalekar



rule, western thinking and western lifestyle remained alien to Indian socio-economic system. Still, Indian westernized thinkers and experts and many westernized Indian politicians and bureaucrats simply think of solving Indian problems by western mindset. In fact, Indian NGOs and their endeavor helped India find answers to many of its long standing problems more than what western expertise advised. Many Indian institutions working in socio-economic field such as technology, education and research, law, banking and finance, development programs etc continued their reference to western world and are recommending for their experiments and their socio-economic models for Indian problems. Looking more towards western world, western thinkers and expertise of western thought for every Indian problem has killed more Indian initiatives and complicated most Indian problems. Therefore, for all good reasons, it may be necessary to make efforts to govern through 'swadeshi' mindset. This mindset is a national commitment defined in terms of doing things for Indians by Indians and with Indian thinking. This needs confidence in our own people and their capabilities and above all in our own thoughts. Looking towards local resources and finding local solutions with local thought is more important. Swadeshi is the spirit of enthuse and has the potentials to bring better changes in governance system.

Political governance needs a break

India has been failing not be-



India has been failing not because of its people & or lack of natural resources but because of weak political governance.

cause of its people and or lack of natural resources nor because of talents and ideas but because of weak political governance. The political governance can be defined in terms of the political class that is interested in winning elections to represent in governments-centre or state. The tragedy is that this political governance has been nursing vote banks for selfish interests. Indians expected political governance to care for welfare of all Indians and not divide and rule them as was ruled by the Moguls and British colonial government. BJP must end this style of governance and this vote bank politics. For this, it is necessary that BJP shows clear intents to represent Indian citizens and work for development. It doesn't mean that the downtrodden and weak or minority groups should not be favored. This favor however, should only be for develop-

ment purpose or to give them equal status and opportunities and not for protecting their religious or cast positions. The electoral reforms are due and need to be carried out along with judicial and police reforms to ensure justifiably equal treatment to all Indians.

Govern the government for people

It is important that government become transparent and follow simplified procedures while dealing with people. One way is to define citizen charter for each department with automation of service delivery through modern communication systems. Present weakness of the government system is that it waits for political consent even to implement government decisions and or development programmes. First, BJP must allow government system to follow laid down rules and procedures and minimize political interference. Second, change and simplify the rules and procedures by minimizing the discretion to authorities and politicians. There is also a need to change the attitude of bureaucracy and government staff who are habitually subservient to their political and business masters. If required, their service rule may be amended to include clauses of accountability and transparent use of discretion and stringent punishments for failure in duties with no legal protection. BJP thus need to govern government for people and not allow it to serve only political and business masters.

Govern economy with national commitments

The Finance Minister of last

UPA government has listed problems of Indian economy in their interim budget for 2014-15. The ten tasks listed were in regards to fiscal deficit, Current Account Deficit, Price Stability and Growth, Financial Sector Reforms, Infrastructure development, weak Manufacturing sector, high Subsidies, fast Urbanization, need for Skill Development and Sharing of responsibility between States and Centre. The problems are real and needs solutions. However, the root cause of these problems is the belief in outsourcing Indian development and sacrificing self reliance strategies as also wrong notions of inclusive growth. The half hearted strategies for financial inclusion and welfare measures in the form of manipulative subsidies rather than comprehensive development projects and plans are cause of concern and have aggravated some of these problems. Above all, Indian government seemed more interested in solving the financial crisis of western countries rather than fulfilling its own national commitments. It is to be remembered that Indian problems are basically Indians and only India has to solve these within its own capabilities. Looking towards world economic players for help beyond a limit will only deepen the crisis. Therefore, the priority should be to bring Indian economy back to self reliance strategies.

Govern with clear policy intents

Indian economy is suffering from policy paralysis and that is hampering Indian growth. BJP need to clear its policy intents in regards to all the aspect of socio-economic life. Major among these will be the dealing with foreign

capital, foreign technology, exposing of agriculture to world market, allowing access to Indian markets, export led growth model and freeing of imports etc. There is also a need to clear policy intents in regard to internal economic development issues. Governing of Public assets; defining the limits and responsibility of private sector in public utility services; ensuring clean environment and protection of forests; freedom of entrepreneurship; promoting rural development; eradication of poverty and unemployment; problems in government subsidies; protecting the interests of small farmers and helping them to gain from liberalized market reforms etc are some. The policies moreover need to be for long term. More clear the BJP government in policy intents clearer will be the policies and more cleanly will be the attitude of bureaucracy and all other participants.

Govern with balanced budgets

The problem of fiscal deficit has become important. India after independent aspired for economic prosperity through planned development. In the beginning, Indian leaders were of the view that the revenue surplus should finance the capital expenses. They even presented budgets with revenue surplus till the year 1979-80. But everything changed in 1980s and thereafter. Revenue deficit has been a consistent feature of all the budgets in 1980s and thereafter. This has led to heavy debt burden and large fiscal deficits ultimately leading to liberalization and even selling of public assets. The major components of Indian government expenses remained revenue and defense apart from

Indian economy is suffering from policy paralysis

interest payments and subsidies. Though defense needs have to be met without any cuts, the revenue expenses need to be within its income. The interests payments also need to come down. The expenses towards subsidies however need refinement with clear policy intents. Overall, BJP need to make efforts for balanced budget and should primarily avoid the revenue deficit.

Localize the governance

India has a problem of its governance due to its large 'states' and top down arrangements for governance and implementation of development programmes. Local government still waits for the political consent and finance from centre and state governments for every issue or every development programme. It is necessary that the bottom structures are allowed to prioritize their development needs and mobilize resources for the purpose. For this, it may be necessary to decentralize the entire system of budgeting for development. BJP may facilitate the discussion for localized budgeting for development and push for the same.

Govern through People's Participation

Indian democracy is important and important are the politicians or the political class and there is no point in denying their role in socio-economic development of Indian society. It is therefore necessary that local functionaries of

political parties are accommodated in the development activities along with other volunteers of socio-economic groups of people. They should be given greater role in planning and monitoring of the programs. The Implementation of programmes and projects should be through private parties or Public-Private partnership or government departments. This will help better planning for development and utilize resources in efficient manner. The transparency and use of modern methods of communication along with opening of programme details for public scrutiny are other aspects that may help programs to become successful.

Give Good governance

Frequent interventions of Indian courts in the matters relating to Government policies and its governance are issues of concern as it highlights the problem with policy or the legislation. Then there is a Selfish representation and subservient administration that allows politicization of every aspect of socio-economic life and harm even the best policies. The implementation of good strategies and policies without interferences and interruptions is very much important for development and for this; government system needs to function with greater clarity and efficiency. Clear policies and proper legislations in place apart from justifiably transparent discretion mechanism for quick decisions at government level are instrumental to 'Good Governance'. More important is to ensure righteous representation in government and its administration, including that of all other institutions and agencies for that alone will help give corruption free governance. □□



Protecting Future with Promotion of Organic Agriculture in India



Organic agriculture is an efficient production system that uses and recycles locally available resources. The need is to adopt integrated approach for promotion of organic farming by taking cooperation of all stakeholders, says Arun K. Sharma.

Old records are evidence that India was self sufficient in food and contributed up 25% in the world trade till 16th century but later on because of exploitive policies of invaders, gradual but sharp decline in agriculture productivity and farmers' condition had been observed that reached to worst level before independence and after independent India was imaged in world as a bagger even for food.

The panacea for hungry India was introduced after independence as programme of "grow more food campaign" and later on designated as "green revolution", given impression of grand success for 2-3 decades but gradually become a costly, unfriendly to environment

and society and unable to meet the input and output demand of future agriculture. This also affected not only the productivity of agriculture *per se* but also the regenerative capacity of natural resources like soil, sharp decrease in population of beneficial flora and fauna (particularly pollinators), deficiency of micronutrients e.g. Zink, Iron, Boron etc., resistance in pest to pesticides, secondary salinization, decline of ground water table, decrease in soil organic carbon content etc. are being observed and this is the actual cause of unsustainable trend. In this unsustainable trend even after using more and more external inputs the productivity will not follow to positive trend.

Now after soil health deteri-

oration the more serious thing is that the conventional chemical farming (CF) is starting disturbance in life of producer/farmer, by several diseases (cancer, birth of deformed children etc.). Since the end of the 1990s, increased incidence of farmer suicides in India has been the most dramatic outcome of the hopelessness faced by many farmers, due to a combination of factors like high input prices, crop failure, indebtedness, etc. An estimated 27% of Indian farmers did not like farming because it was not profitable. In all, 40% felt that, given a choice, they would take up some other career.



A skeptic environment has been created that if organic system is adopted the world will go under starvation.

Organic Agriculture (OA): inevitable option

In late 1970s farmers' world over realized the adverse effects of conventional farming and started their own efforts to develop a sustainable system. In 1990s consumers also, realizing ill effects use of pesticides due to which demand of safe and sustainable food production was increasing, forced to policy makers to promote such systems. OA is one such well recognized system that is considers agriculture as nature's system. Long term productivity can be maintained only by understanding and providing all possible support so allow nature to work at its best to meet the three goals of agricultural development. These are: (a) achieve sustainable growth in agriculture and raise incomes by increasing productivity (land, labor), diversification to high value agriculture and rural non-farm by maintaining food security; (b) sharing growth (equity) by focusing on small and marginal farmers, lagging regions, women etc.; (c) third

is to maintain sustainability of agriculture by focusing on environmental concerns.

A feasible system suitable to socio-ecology

Most of the literature that promote chemical farming present OA as an old, orthodox, conservative and unscientific approach that have low productivity. It is also being presented as non feasible because of non availability of sufficient inputs and discarded the utility of OA as plants can't differentiate the source of nutrient i.e. organic or chemical. A skeptic environment has been created by the supporters of CF that if organic system is adopted the world will go under starvation.

On the contrary organic farming is not only based on scientific principals but also able to meet the challenges of future agriculture, whereas chemicals fails in these criteria. This all is described below.

1. Low cost with comparable yield to CF: In organic pro-

duction system, no external synthetic chemical is used. Emphasis is on recycling of locally available resource. With this approach cost of production can be reduced up to 10-30% as compared to conventional chemical farming (CF) in irrigated areas. However, yield was comparable or slightly low to CF and that is presently easily compensated by premium price. But in future, research and development will certainly improve productive of OF with sustainability. In a comprehensive study the unit cost of production was found lower in OF, compared to CF and there is ample scope of improving efficiency under OA. Interestingly in rain fed areas OA yields 7-15 % more due to better nutrient and rainwater management.

2. Substitute of low & reducing supply of fertilizers and burden of subsidy:

To some extent nitrogenous fertilizers and most part of other fertilizers are imported from various countries. Supply of Phosphate and Potash fertilizers is going to be reduced in future as their natural reserves are shrinking. Nitrogen fertilizers are produced with the use of petroleum products and its reserves are also decreasing. Therefore a system least dependent on these fertilizers is to be found. Moreover, most of the fertilizers companies give priority to irrigated areas (like Punjab, U.P., Haryana, and Maharashtra states in India) and rain fed areas remain short supplied. Therefore, to reduce dependency on imported fertilizers and recurring problem of short supply in rain fed areas, opting OA is the only solution. In India, subsidy (Rs.1200 billion) on fertilizers which goes mainly to

irrigated areas not only encouraged over use but also improper use of fertilizers. Therefore, this subsidy needs to be rationalized and part of need to be diverted to the rain fed/dry land areas for promoting organic agriculture. This will solve several problems arising due to CF.

3. Maintaining soil health: Organic system improves soil physical, chemical and biological properties in long term that helps to maintain productivity. A comprehensive analysis strongly supports this development with OF. In Rice-wheat system, soil microbial population (Actinomycetes, Bacteria, Fungi and BGA) enhance due to the application of organic amendments in comparison to recommended fertilizer application. Soil organic carbon and available phosphorus contents significantly increase due to organic farming practice over chemical fertilizer application. Increasing trend of soil organic carbon content has been observed with OF in low rainfall areas.

4. Growing demand of organic food: Indian is a growing economy and the demand of organic produce within the country is also increasing at a very fast rate, and at the same time being open economy consumers are free to buy a quality food with low price produced from international market. Therefore, if India wants to discourage import, indigenous organic produce has to be made available in market. In a survey potential market of Rs.23000 million for organic produce has been found within India presently that will increase as the consumer awareness increases.

5. Mitigating effect of climate change: Worldwide 90 mil-



To discourage import, indigenous organic produce has to be made available in market.

lion tons of mineral oil or natural gas is processed to get Nitrogenous fertilizers every year. This generates 250 million tons of CO₂ emission. On the contrary, organic farms return 575 to 700 kg CO₂ to the soil. Organic farming thus reduces CO₂ emission by eliminating synthetic fertilizers, and at the same time reduces atmospheric concentration of this gas by storing in the soil, a win-win system. Further, soils with higher humus content can adapt to the adverse effect of climate change. It has been found that organic system provided better yield during climatic extremes (that happens due to climate change) as compared to conventional system.

Therefore organic farming is a need of present time and more relevant to meet the challenges of future agriculture.

Integrated promotional policy

Considerable development has been done in India for enhancing production to market organic produce. The most interesting aspect of leaving CF by farmers despite of high financial and technical support and shift to OA with little support is showing viability of

OA system. In 1999 only 40000 ha agriculture area in India was recorded as certified organic that increased upto 240000 ha in 2011 (six times) within a decade, if the non-certified organic areas (mainly dry lands) is also added this will be much higher. Therefore, the need of the hour is that a multi-direction action plan be prepared for wider adoption and marketing of organic produce. Active participation of all stakeholders in policy making, research, marketing and production will be desirable.

Policy in terms of supporting rules & regulations, subsidies, facilities, allocation of budget & personnel etc. alone is sufficient if executed properly. The best example is Cuba (Latin America), where organic farming was made a national policy and now whole of the country is organic. Similarly South Korea developed good system for organic production that includes direct subsidy to farmers. Although in India, organic movement started in early 80s but it got momentum only after 2001 when Govt. of India lunched National Programme for Organic Production (NPOP). Later on many of Govt. agencies gave priority to organic farming. Similarly some of the states like Uttrakhand, Sikkim and other NEH states in India have been declared as organic states and they are taking lead. Some other states e.g. Madhya Pradesh, Karnataka, Maharashtra, Bihar, Himachal Pradesh etc. declared policy for promotion of organic farming. For better development of OA in India, additional measures need to be taken. They are:

• **Priority to OA in ongoing programmes:** OA need not to

be promoted as a new program that may cause overburden as additional program. It would be better if OA is given priority in all rural development programs e.g. watershed, SGSY, MNREGA. Food security mission, Sustainability mission etc. Government of India is now focusing eastern India as place for second green revolution and OA need to be given priority in that mission.

- **Development of organic clusters of villages:** Available clusters of villages of watershed programs (mainly in dry lands) may be converted into organic cluster of villages by providing technical support. This will help a lot for technical feasibility of OA, making cost effective and also make easier the group certification process. The cluster may also be promoted for ecotourism.
- **Incentives to OF:** Farmers may be given incentive for carbon sequestration and environmental improvement services under OF.
- **Integrated efforts of supporting agencies:** Individual agency may not work efficiently for promotion of organic farming; for example KVIC have a scheme of margin money to establish vermi-compost unit but they are unable to ensure the use of produce of such units. Similarly ICAR/SAUs have wealth of information but unable to provide financial support. Thus there is need of integrated programs by all related agencies. Even several ministries like agriculture, commerce, water resource, human resource, consumer affairs, sci-

ence & technology, tourism and culture (for eco-tourism) etc. need to join hands for OF. Further, agriculture is a state subject funded receives mainly from Central government, therefore all the states need to be involved while making policies for OF at national level.

- **Promoting organic in dry lands for sustainability and food security:** Dry lands with nearly 58% of the cultivated area contribute 40% of the country's food production. Much of the acreage under coarse cereals (85%), pulses (83%) and oilseeds (70%), substantial area under rice (42%) and nearly 65% of cotton area is rain fed. Improving the efficiency of rainfed/drylands agricultural systems through organic practices is the most appropriate, cost effective, environmentally sustainable and practical solution to ensure reliable food production in the increasing productivity. organic agriculture is an opportunity In light soils of dry lands where shortage of rainfall are constrain for intensive chemical input based CF. Hence organic agriculture is not only suitable due to climatic uncertainties but also feasible due to availability of support system of the following favorable conditions. This system includes (i) Low fertilizer use therefore early conversion into OF is possible (ii) Natural Availability of inputs: Plants like neem, pongamia, calotropis etc. the best sources of bio-pesticides, are abundantly available in these areas. Minerals like rock phosphate, gypsum and lime are available in large

quantity. These minerals are good soil ameliorator as well as good nutrients supplier. Further the agriculture systems are dominated by animals. Waste and product of huge animal population can be a best source of balanced nutrient supply. (iii) Employment opportunities: High density as well as high growth of human resource remains underutilized throughout the year due to erratic rainfall and limited irrigation facilities. Migration of human resources during drought imbalances the development of these areas. Since the OF is an integrated system provides round the year work, input preparation is made at local level, there is ample opportunity for round the year employment and proper utilization of human resource. Now under MNREGA scheme this work of water harvesting structure, input preparation may get good support. On the basis of carrying capacity potential of rainfed/drylands has been explored for food security and climate change mitigation through integrated adoption of eco-technologies.

Organic agriculture is an efficient production system that uses and recycles locally available resources. The need is to adopt integrated approach for promotion of organic farming by taking cooperation of all stakeholders. Additionally, research on development of easy & economic technologies, development of processing and marketing infrastructure and financial well as technical support for quality organic production will make a catalyzing effect on adoption and production. □□

Reforming the IMF and G20 Ultimatum



The ultimatum given by the finance ministers of the G-20 nations in April 2014 to the US to approve the reforms for reforming the International Monetary Fund (IMF), as recommended by its Board of Governance in 2010, by the end of 2014, or face the risk of being left out of the new changes is very bold step to challenge the singular US hold on the IMF. The proposed reforms in the IMF are going to double its quota i.e. the equity capital of the IMF to \$720 billion and also going to move 2 of its 24 directorships from European to the developing countries. Besides, as per the 14th



Restructuring of the IMF and World Bank as well as the Economic stability board, As part of redesigning the global financial architecture is most imminent to make them more democratic and representative, as well as to make them truly independent from the captivity of the erstwhile G7 nations, asserts Prof. Bhagwati Prakash Sharma

quota review made in 2010 and slated to be implemented by 2014, India, Brazil, China and Russia would be among the ten largest stockholders of the IMF. It would not be out of place to mention that India had been among the five largest quota (share) holders of the IMF and the World Bank (WB), ever since their inception and also had one permanent director on board of each, among the five permanent directors of the two. It was due to the myopic decision of the Jawahar Lal Nehru Government in 1949 to seek World Bank loan, for which the country had to devalue the Indian Rupee. At the time of independence one US dollar was equal to 3.50 Indian Rupees. This devaluation of Rupee since 1949, had depreciated the value to quota partly held in Indian Rupee by India. So, India lost its position and permanent directorship in 1960s. Now, India can partly gain some re-enhancement in its position, but, China would be the biggest gainer to capture third place among the top stakeholders. Had India negotiated firmly more in the 14th general review of quotas, it could regain better place among top five as it ranks third in the world economy in terms of its GDP, based on purchasing power parity.

The year 2014 has special significance for the IMF as, it also marks the completion of 70 years since the Bretton-Woods Conference was held in 1944, when the main parameters of the post-war world-currency and financial systems were defined and the decision to create the International Monetary Fund and World Bank was made. At that time, it was decided to have fixed exchange rates for the currencies of participant countries, along with the pegging of all currencies to gold (gold parity). Free convertibility of dollars to gold was also assured by the US Treasury to the monetary authorities of other countries. All of these are no more in practice now. The Fund's main function was then defined as extending credit to member countries at the time of a deficit balance of payments where it could endanger the deviation of exchange rate of that currency from the estab-

lished fixed rate and from gold parity. India was among the 5 top stockholders of the IMF as well as World Bank, with one permanent director till 60s in each of them.

The IMF is now an international organization of 188 member countries, which also constitute the major component of the global economy, with its explicit objectives to foster global monetary cooperation, secure financial stability, facilitate international trade & payments, promote high employment with sustainable economic growth, and reduce poverty around the world. Of late, its resources are proving too inadequate to take care of the emerging crises worldwide; especially those erupted recently in the developed countries. Therefore, the proposed rise in its quota i.e. financial resources and voting strength of emerging market economies is in tune with the need of the hour.

The IMF had already faced a more serious crisis to its existence in the 1970s, when the original structure of the Bretton-Woods system collapsed, especially because on August 15, 1971, the U.S. President R. Nixon announced a retrograde decision that, the U.S. Treasury was terminating the convertibility of dollars to gold. The final dismantling of that erstwhile system was effected at the Jamaica Conference in 1976, when amendments were made to the IMF Charter. Thereafter, floating exchange rates were enacted and the pegging of the dollar and other currencies to gold was terminated. Now also, out of the stalemate to execute the reforms the G20 has to give an ultimatum to the US to pass the reforms, awaiting its consent for



The United States has had controlling stake in the IMF ever since its inception with more than 15 percent votes.

the reform of the International Monetary Fund or risk being left out of the new changes. The finance ministers of G-20 who met in Washington for the spring meetings of the IMF and World Bank had expressed their “deep disappointment” at the failure to implement changes agreed as early as in 2010, for want of the requisite US consent and gave the US the final time limit until the end of the year 2014, to do so or face ignored. However, despite this ultimatum, it is not clear what next step the G20 can take, since the US has a blocking minority of votes at the fund. Indeed the United States has had controlling stake in the IMF ever since its inception with more than 15 percent votes. Moreover, the U.S. never had problem in mobilizing support of the UK and France as well, to push through its agenda. But in every case this stalemate now, has to be resolved.

As of January 15, 2013 almost 130 members having 70.2 per cent of the total voting power has already accepted these reforms. But, more than the 85 percent of the IMF’s total voting strength is required for these amendments to enter into force. In addition, to this 145 members with 77.1 per cent of total quota, have also consented to the quota increases under the

aforesaid 14th General Review of Quotas (GRQ).

Though the IMF, which had the role of the world’s financial fire-fighter for last 7 decades should have been taken out of the clutches of the G-7 in the 1970s itself, when the President R. Nixon announced the termination of convertibility of dollars to gold. But, now as well, it is not too late. It needs to be made a truly International organization capable to reflect a balanced approach. The US may still delay the approval of reforms. Therefore, Indian economy is the 3rd largest economy of the world on the basis of purchasing power parity, as per the largest ranking announced by the World Bank, besides being the second most populous country. This necessitates India to have one permanent directorship. Therefore, India should now endeavor to get the IMF fully revamped at the next i.e. 15th general review of quotas along with endeavoring to completely redesign the global financial architecture. Indeed, restructuring of the IMF and World Bank as well as the Economic stability board. As part of redesigning the global financial architecture is most imminent to make them more democratic and representative, as well as to make them truly independent from the captivity of the erstwhile G7 nations. □□

Stronger Rupee to make India buoyant; revive growth



The rupee has gained a bit. It touched a high of Rs 59.77 to a dollar in April and remained around Rs 60 during the elections. The 'favourable' political climate, a supposed stability after the polls, is said to be the cause for its rise. Does it predict a trend of rupee regaining its strength? Not necessarily. Since 1996, almost at every election the rupee gained during polls but lost soon after. During the past few years, Finance Minister P. Chidambaram, predicted its rise a number of times. It went to touch Rs 68.80 in August 2013, an 18-year low.

In 1996, the rupee lost 4 per cent soon after the elections. The reason was no party had gained

majority and political situation was fluid. During polls it had touched Rs 34 and by December 1996, it had touched Rs 35.80. During the 1999, 13th Lok Sabha polls it fell by 0.7 per cent after the polls; in 2004, after 14th LS polls it lost 3.8 per cent and in 2009, after 15th LS elections it recorded 4 per cent loss.

It went up by 5.8 per cent during this, 16th LS, voting to hover around Rs 60. The rupee was at 63 to a dollar in January.

It is difficult to predict whether the rupee would remain at this level after the polls or not. It would be a challenge and a ticklish problem for the new government. A stronger rupee would add to its political sheen. It may add to hopes of the people. It would be considered the beginning of economic strength. A repeat of history, the fall after polls, would do the opposite.

Most people in the country view the currency as a mark of prestige. It is a dream of many Indians that when they go abroad instead of dollar, people demand rupee. It has not happened since 1966, when under the US, IMF and World Bank pressures; it was first devalued by 36.5 per cent. At that time a dollar was available for Rs 4.76. The downslide has become a regular phenomenon. The decision did not help the country. Inflation continued to peak.

India links rupee with basket of currencies of major trading partners in 1975. The link is maintained until 1991 devaluation by 18 per cent. The rupee is made freely convertible for trading but not for investment purposes in 1994.

With each devaluation, the country was assured its exports would rise. There had been nominal increases. It did not help the country much. A weaker rupee added to the cost of imports, which remain around 30 per cent of GDP. Even as rupee touched



The feeble rupee over the years has caused many problems. Uncontrolled inflation attributed to weak economy and falling purchasing power of the rupee has led to cycle of weakening of the currency and economy. Stronger rupee can create a syndrome of happiness, feels Shivaji Sarkar

A stronger rupee would add to political sheen of the new government.

the historic low of almost Rs 69 despite dollar itself losing against euro, the cry of a group of economists, BPOs and some other exporters was the same. Exports once again did not do the trick to the Indian economy.

In fact, even in 1966 it was considered bad economics. For minor export gains or not, the country added much more to its import costs. Certain imports like petroleum are a necessity to keep the home fire literally burning. It also burnt much of the strength of Indian economy.

The new government, if it wants to give the economy a new direction, would have to shift the focus from exports. Some of the recent reports of UN organizations like UNDP and ESCAP have called upon all developing economies to shift focus from export-oriented economy. The UN agencies aver that the focus on exports has not helped these economies. It has made their imports expensive and led to inflationary trends.

Buying imported stuff will become a very costly affair, if rupee is allowed to fall. The country would have to shell out extra on imported goods. For instance if one bought a product valued \$ 1, one paid around Rs 54 in March 2013 but one would now have to shell out over Rs 60 for the same product. If it is allowed to slide after the polls the outgo would be more.

On the contrary, stronger rupee would reduce burden of oil marketing companies (OMCs), nuclear and alternative power agencies, and this would reduce fuel and transportation cost. It might usher in a lower price regime. The fuel prices have been the major reason for high inflation



Stronger rupee could revive the industry and manufacturing.

during the last few years.

The automobile and other industries dependent on imports would get a relief as their cost of operation would substantially come down. If rupee appreciates, the cost of investments too would come down. In such a situation RBI will have option to cut policy rates. Lending would become less expensive. But RBI would also have to hedge the depositors against losses. It has to work out a policy for banks to work on low margins – difficult job for banks suffering high losses (NPA).

The RBI policy should give weightage to savings so that the government has to depend less on borrowings of foreign investments. This would help cut in fiscal deficit and would make more money available for investment by banks. It could give a fillip to the economy.

Indian students too would be a happier lot as the cost of studying abroad and stay would come down. Apart their debt burden too would be reduced.

A stronger rupee would also protect the country against current account deficit (CAD) as import bill would be reduced. The present woes are due to widening of CAD and kept under check by showing foreign institutional investor (FII) short-term inflows as earnings, certainly bad economics.

There could be some prob-

lems. The overseas Indians might prefer a depreciating rupee as it adds to their rupee earnings. Those working abroad might have worries of gaining less through their remittances. Those coming for medical and yoga tourism may also detest the idea of a stronger rupee. But it would make Indian tourists going abroad happy as it would become less expensive.

It would also create a barrier against the Chinese dumping of goods. The only other way is to seek amendment to WTO rules. A weak US economy would resist it.

The feeble rupee over the years has caused many problems. Uncontrolled inflation is attributed to weak economy and falling purchasing power of the rupee. It has led to cycle of weakening of the currency and economy.

Stronger rupee has many advantages. It could change that cycle, revive the industry and manufacturing. It would be able to buy more and create a syndrome of happiness. A major gain for the industry and the government would be a check on continuous wage increases. It would reduce expenses on hiring people and would encourage new employment.

The government with a new vision of breaking away from the past would be able to create a new India. It might be the beginning of a new stronger India. □□

How Modi's Gujarat soars like a kite



One of the criticisms often levelled against the BJP Prime Ministerial candidate Narendra Modi is that he is for “big businesses” and interested only in promoting “corporate capitalism.” It is not just the Opposition parties and the NGOs with vested interests, but also some of the high-profile intellectuals and the “secular” academics like the Principal of the St Xavier’s College, Mumbai who are questioning the Gujarat Model of Development. But these criticisms do not appear to be based on facts. In this connection, I would like to place on record our experiences with the Gujarat Chief Minister during 2003-2004 on his

initiatives to develop the kite industry in his State.

We are involved in studying the local industries and businesses in Tamil Nadu since the mid-1990s. Our activities got expanded to other States with the formation of the Swadeshi Academic Council (SAC) during 2001. S Gurumurthy, the eminent thinker and economist was the chairman of its Advisory Committee with reputed academicians such as Dr K Kualandaivelu, the then Chancellor of Avanashilingam Women University, Coimbatore guiding the activities. Our main objective was to recognise and assist the local industries and businesses that contribute a lot to the economy, but remain neglected by the system.

During the fourth quarter of 2003, the Gujarat Chief Minister invited the SAC for consultations to promote the kite industry. It was a rare invitation as the smaller businesses in the unorganised sector normally do not get the attention of the higher officials, leave alone the head of the Government. A four member team led by S Gurumurthy visited the State to understand the issues and formulate strategies. Discussions were held with the higher officials and concerned authorities of the Government. As a part of the overall agenda for the development of the industry, the SAC suggested the Government to carry out a survey of the industry covering various aspects to understand its background in detail.

The survey was carried out by three leading consultancy agencies, namely, Gujarat Industrial and Technical Consultancy Organisation (GITCO), ORG Centre for Social Research and the Institute of Environment and Social Development in nine different areas in the State where the kite activities were concentrated. Later, the SAC prepared a concept note on the kite industry and the International Kite Festival 2004, which was circulated to all concerned. The SAC advised the Government to work out the agenda for the kite festival and the kite industry in two stages. For this, it was suggested to organise a workshop involving various stakeholders of the industry to facilitate interactions among them and generate



The turnover of kite industry in Gujarat has grown to Rs 500 crores from Rs 35 crores during 2001-2002. It reveals as to how a determined leadership can change the fortunes of a small business in the unorganised sector, explains

Prof. P Kanagasabapathi

ideas for development.

Soon, a day-long workshop was organised by the Gujarat Government in association with the SAC during December 2003. The Chief Minister inaugurated the workshop in which the entire spectrum of the kite industry representing multiple interests participated. Those present on the occasion included the Ministers, the chief secretary to the Government and the chairman of the National Minorities Commission and Development Corporation. During his address, Narendra Modi announced that the Government would undertake all the necessary initiatives to transform the industry and take the business to the higher levels. He mentioned that a comprehensive policy with a specific time frame would be allocated for the economic development of the craftsmen.

Then there were three technical sessions covering different aspects of the kite industry. Experts and administrators with necessary experience in the relevant fields were invited as resource persons. The first session discussed the issues connected with the up-gradation of the industry, designing of kites, problems related to the raw materials and improvement of the skills of craftsmen. Dr Sky Marri-son, the noted kite expert from Canada, spoke on design innovations to make the kites exportable with eco-friendly approach. The economics of paper used in kite industry and thread manufacturing along with the feasibility for producing papers and bamboos required for kite making were covered later.

Issues relating to advertising and marketing of kites were taken

up in the second session. Professionals representing relevant fields from organisations such as Mudra Institute of Communication and Institute of Environment and Social Development, besides the representatives of the manufacturers and Citizens Council presented their views. The third session dealt with issues connected to the financing aspects of kite industry. SAC presented the integrated action plan for development of the industry. The Managing Director of the Gujarat Women Economic Development Corporation discussed the financing aspects of kite manufacturing through the women self-help groups. A representative from SEWA bank shared her experiences relating to banking for women belonging to cottage industry.

Later, the Managing Director of Gujarat Minorities Finance Development Corporation presented his ideas. Each session was presided over by a Minister who was present throughout the day. Representatives of the manufacturers, craftsmen, wholesalers, retailers, designers, financial institutions, NGOs and independent experts, besides the concerned officials of the related departments participated in the sessions. The workshop provided an opportunity to all those who are associated with the kite industry to exchange views and share their experiences to take the industry forward. More importantly, the ordinary people involved in the kite industry got a platform to voice their problems to the authorities concerned in front of all others in a transparent manner. Besides, it was an occasion for the decision makers and the financial institutions to get a first-hand understanding of the industry.

The Ministers and the higher officials responded to the issues raised by stakeholders swiftly. The smaller issues were either sorted out or agreed in principle by the authorities concerned immediately. The major issues that required formal approval at the highest level were reserved for further processing with a positive assurance. The workshop proved to be very useful in many ways. The ordinary sections of the society involved in the industry – many of them with lesser educational backgrounds- were given an opportunity to learn various lessons required for improving the business from the experts and professionals.

It is only the big corporates that get expert opinions and professional guidance for their businesses. But in this case, the Government made all arrangements to provide the facility free of cost.

After about two weeks we received an invitation for the international kite festival during Jan 2004 in Ahmedabad. We were also informed that the book on the Gujarat Kite industry prepared by the SAC would also be released during the inaugural function. The honourable Governor and the Chief Minister of Gujarat graced the occasion. A two member team representing SAC attended the programme and received the first copy. Gujaratis from many parts of the world, kite fliers from different countries and people from across the State flew kites of different varieties with enthusiasm in the open grounds.

Now after ten years, it is heartening to see news reports mentioning that the turnover of kite industry had grown to Rs 500 crores. (The Economic Times, January 13,

Study

2014). Narendra Modi has also been mentioning the success of the industry in his speeches recently. It is a remarkable achievement by any standards, for an industry with a turnover of Rs 35 crores during 2001-2002. It reveals as to how a determined leadership can change the fortunes of a small business in the unorganised sector. A great majority of the people involved in kite making and accessories belong to the Muslim community. There is close coordination between the Hindus and Muslims in this business, with a higher proportion of Hindus in the retail business segment. Women play a dominant role in kite industry, as it is home-based activity. Most of them belong to the less privileged segments of the society. It is significant to note that the Gujarat Government has been taking several measures to develop the industry over the last ten

years. We understand that the crucial issues raised by the stakeholders during our study and later at the workshop have been addressed.

Manufacturing of kites is now covered under the cluster development scheme for cottage and rural industries announced during 2003-2004. The Government have taken up training to those engaged in trade, besides helping the industry to make innovations. One of the concerns raised during the study was the declining popularity of the kites among the younger generation. Hence it was suggested to organise kite festivals in different parts of the State. Kite festivals are now being held in different parts of the state. Besides, festivals were also organised in Delhi and Mumbai on the theme, 'Chalo Gujarat'.

Kites form part and parcel of the lives of Gujaratis. The kite in-

dustry signifies the close social and economic relationship between Hindus and Muslims. Uttarayan is synonymous with kite flying. Modi has now succeeded in making kites a symbol of Gujarat. Kites have also emerged as a symbol of the growth of the unorganised and cottage industries. Hence the success of this industry provides important lessons on inclusive development. It is perhaps the most significant success story in the unorganised sector ever initiated by a Government. All round improvement involves the economic development of all the segments of the society. The essence of the Gujarat model lies in this approach. The credit for this achievement goes to the visionary leadership of Narendra Modi. □□

(Disclaimer: The writer is a Professor and former Director, Tamil Nadu, Institute of Urban Studies, Coimbatore. He was part of the team that undertook the study of kite industry for the Gujarat Government during 2003.)

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India- China Economic Relation: Problems and Prospects

The relationship between India and China is one of the most interesting areas to study in the field of international relations more particularly in context of Asia. It is not so because of any kind of realistic assertions in their bilateral relations but because of several other key factors that make this relation complex. It is interesting because there is a kind of selective cooperation in bilateral relations and both move in 'preventive engagement' on behalf of both the states. Why it is selective because on some crucial issues there is cooperation while on some issue of national interests, both sides seems to be reluctant to move ahead, for example border dispute and China's strategic military cooperation with Pakistan. On the issue of global warming both side are of view that 'common but differentiated principle' must be the guiding force in climate change negotiations and the responsibility lies with the industrialized state of west to make significant progress on the front of environment protection. However, on the issue of expansion of United Nations (UN) Security Council China seems to be reluctant when most of the key western states have supported Indian candidature. The realist theory of international relation seems applicable to Chinese behavior and making the bilateral relation interesting area of analysis.

In the age of global economic integration, with both India and China being emerging economies, the nature of economic cooperation between is not enough. This is in consideration of the fact of economic cooperation they both enjoy with other states. Some economic issues are reason for Indian unease and make the suspicions high, as if the economic cooperation may eventually become a point of confrontation instead of mutual cooperation. With the emerging geo-strategic shift in East Asian power politics and greater concern for regional security, weakening of economic cooperation between India and China may turn into a loss of biggest strategic asset for both.



Even though the trade imbalance and the growing deficit has increasingly strained economic relations between both India and China, the effort must be directed towards the economic framework of mutual win-win situation for both with key safeguards to address domestic concerns, advocates
Abhishek Pratap Singh



Economic Relation with China

The nature of economic relation between both is very important in understanding bilateral relations. China has been on a high growth trajectory for more than three decades, even maintaining a sustainable rate of growth at more than 9 per cent per annum during the period 2002-10. The rate of domestic expansion has been robust since its accession to the WTO in 2001.

The main drivers of China's economic growth have been its export and a subsequent expansion of the domestic sector, accompanied by its import surge. This economic growth of China is crucial for bilateral economic ties but it has implications for Indian economy. This has been largely led by China's strengthening manufacturing sector that has severe implications for Indian domestic economic concerns. The large scale manufacturing of low quality cheap products has created problem for Indian domestic manufactures. In addition, due to our large consumer base it has critical ramifications for the replacement of native manufactures and native products by cheap Chinese goods. The problem is complex because on one the hand it absorbs low quality cheap goods in Indian markets making it highly vulnerable to global product quality standards. On the other hand, it creates less scope and space for domestic economic activities to usher. Thus the large Indian unorganized low cost manufacturing sector stands at substantial loss to this trend. China has emerged as India's largest trading partner and has replaced the United States (US) in March 2008. When India initiated its comprehensive reforms in 1991,



Depression for Indian exports to China broadened the trade deficit against Indian interests.

the level of bilateral trade between the two countries was insignificant as the trade basket was restricted to a limited number of products. However within a short period, China has become India's single most important trading partner even though India itself has reached an unsustainable bilateral trade deficit of US\$ 26.3 billion in 2010.

On the issue of economic competitiveness and ability of economy system India falls short of some key benchmarks. Global situation continued to remain fragile in 2012, and its adverse impact was felt in most of the emerging countries that included China and India. Though India was caught in between policy paralysis of ruling Congress led UPA government China has been successful in prioritizing to take advantage from the expected recovery of the global economy. This can be credited to the leadership change in China that happened in March 2012. India at that time was busy with anti-politics movement and government was reluctant to take necessary decisions. This led to a depression for Indian exports to China and broadened the trade deficit against Indian interests.

Policy Options for India

The economic relation also suffers from composition of trade basket. India's exports to China are

highly concentrated in four sectors which take the lion's share of 86 per cent of the total exports from India. Besides, mineral and metal products, India has a major export interest in selected sectors such as chemical products, textiles and clothing, base metals, among others. In the process, base metal sector became the second largest export sector of India to China in 2010. However, Indian attempts to export technology-intensive products have been much below its potential. India needs to improve its export efforts to meet the specific import requirements of China if it has to have wider market access without a bilateral Free Trade Agreement (FTA). With India looking to improve the nature of trade and restrict exports of ores and raw materials, it needs to identify competitive products as new drivers of the trade relationship. So far, India has made little headway in pushing exports of pharmaceuticals and in information technology, where officials have so far focused their efforts to improve market access. While India has complained of complicated registration procedures for drugs and of Chinese reluctance to accept Indian software products, Chinese officials say Indian companies have done far less than their international competitors to estab-

lish a significant presence in either sector. They say Indian pharmaceutical companies have not been active enough to push their products and engage with hospitals, while Western technology companies had established a presence in China decades earlier.

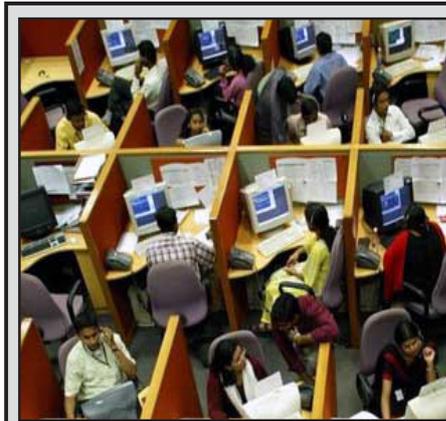
In the non-agricultural segment of imports, mineral is an important sector for China, but its imports of machinery products from the rest of the world is almost double the size of its mineral imports. As China's import focus is shifting towards knowledge-intensive products, India needs to change its bilateral export basket

shows that India can replace many suppliers to China from ASEAN countries for several parts and components products. Realization of such trade potential could support India's endeavor to reduce its bilateral trade imbalances with China.

The other problem is of depreciation of Chinese currency that has its effect on the nature of bilateral trade. It severely affects interests of Indian exporters and makes a shift of profit much higher for Chinese side. Being a major production hub in the Asian production network, effects of yuan appreciation may spill over to the domestic economy of other neigh-

that has increasingly strained economic ties.

There is no doubt that trade imbalance with growing deficit has increasingly strained bilateral economic relations. In recent years, India has filed more anti-dumping investigations against China than any other country. However, the effort must be directed towards the economic framework of win-win situation for both. A large potential exists for trade in services and investment. Barriers to trade in services need to be addressed systematically to exploit the potential of trade in services for mutual benefit. Such potential appears to exist in areas such as IT and IT enabled services, biotechnology, education, financial sector, education, health care, tourism, among other sectors. Investments can be undertaken by Indian enterprises in China, not only for supplying the Chinese domestic market but also for exports in the third countries. Bilateral investment flows could be facilitated by bilateral investment protection and promotion agreement, among other policies with safeguard for Indian low cost manufactures. In addition, an organized institutional promotion by business chambers and governmental agencies may be fruitful along with civil society awareness of economic imperatives. Economic relations could be further strengthened with improved transport linkages and connectivity. The trend has concerned officials, scholars and analyst on both sides of the border, particularly because trade has emerged as the biggest bright spot in a relationship that is still grappling with many key challenges, which are more alarming for Indian side. □□



India needs to change its bilateral export basket to accommodate more technology-intensive products.

to accommodate more technology-intensive products for wider market access in China to secure our domestic interest and garner comparative advantage. India's closer engagement with China in the global production network could be a possible way to improve its technology-intensive exports. India has to evolve a strategic approach to deal with the frequent use of Non Tariff barriers (NTB) by the Chinese authorities and to address product standard issues for achieving uninterrupted access to the Chinese market, which is expanding fast as seen by trends in Chinese economy. Experience

boring countries in East Asia, causing damage to India's deep economic engagement with East Asia countries as argued under Look East policy initiative. As India and China gain prominence in the changed global trade scenario, it is imperative to assess the possible effects of yuan appreciation on the rupee as well as on the exports of India to rest of the world in the presence of competition from China. The effect was realized with Indian exports to China fell by 8 per cent in July 2012-the biggest decline in Chinese imports from any major country-further widening an already record trade deficit

Need to remain vigilant Concludes SJM National Council

The two-day meeting of National Council (NC) of Swadeshi Jagran Manch concluded in Panipat Haryana. The two day meet was held on 31st May and 1st June 2014. Besides discussing the organisational issues, Sustained campaign by SJM against Chinese market invasion was also reviewed. NC members from 22 states including National Convener, National Co-Convener, National Sanghathak and almost all other prominent office bearers attended the two day meet.

Under the watchful guidance of central leadership NC members had an in-depth discussion on current economic scenario and anti-people economic policies of UPA government that ruined economy of India. NC passed resolutions on several important issues like FDI, Economic challenges confronting the nation and their solution and anticipated threats from open field trials of GM crops.

Resolution on Foreign Investment highlighted the shallowness of economic model of US and Europe and explained how during 2012-13 just \$ 26 bn worth FDI was received in the country while in the same period 31.7 \$ bn out flowed in the form of royalty, interest, dividend and salary. Constantly high domestic rate of savings in country is the compelling reason to ensure that India must mobilize its domestic resources and avoid it's over dependence on FDI.

Resolution demanded that government must study the adverse impact of FDI on employment, industry and poverty alleviation activity and issue a white paper on the subject. Resolution stressed that employment generation must be the prime objective of planning.

Second Resolution passed by the NC highlighted the anti people economic policies of UPA government resulting in unemployment, starvation, sliding rupee, inflation, corruption and increased influence of MNCs in the economy. It stressed the need to revive agriculture and exclusion of farm products



from commodity exchange to control rising prices. Strengthening of rupee was also urged and several steps were suggested for the same. In the 10 years rule of UPA just 10 million jobs were created SJM urged upon the government to implement recommendations of Arjun Sen Gupta committee constituted during previous NDA rule. Resolution underlined the need to restrict imports particularly from China to revive manufacturing sector.

Other suggestions made in the resolution include lowering of interest rates, making loans to agriculture sector available at 0 percent rate of interest.

Possible adverse impact of open filed trails of GM crops was the subject of yet another resolution passed in NC. It demanded a complete ban on open field trials of all GM crops illegally permitted by erst-while Environment Minister Verrapa Moily. It asked the government not to allow any open field trail outside green house conditions. Resolution also demands strict implementation of compulsory labels on imported GM food products.

A huge public meeting was also organic on 31st May in SD Senior Secondary school. The public meeting was addressed by National Sangathak Kashmiri Lal ji and National Co-convener Dr. Dhanpatram Agarwal. Well known industrialist of Panipat Sh. Sukhmal Jain presided over & newly elected MP and editor of Punjab Kessari Sh. Ashwani Chopra was the Chief Guest.

Sh. Kashmiri Lal ji explained the relevance of Swadeshi Jagran Manch in prevalent circumstances. He said that though a new government has taken charge at centre and expectations are very high but we need to remain vigilant. He said that in spite of change in regime in South Africa common man found no change in his conditions because there was not real change in the policies of the government. He stressed the need to change policy with the change in government. Referring to the industry in Panipat, he said that

Resolution

Foreign Investment in India

Amidst intense campaigns and agitational programmes against Foreign Direct Investment, it has been a subject of intense discussion in the country. It is notable that the country has opened various sectors to FDI and the momentum gathered speed in the last decade. Now FDI is permitted in various sectors barring a few with sectoral caps, some under the automatic route and some others under the approval route. We have sufficient experience with us which enables us to assess the impact of FDI on the people of India and Indian Economy as a whole.

Various studies have revealed that the share of FDI in Indian Economy is less than 5% and the country achieved consistently high growth through domestic investments. The Global Economic Meltdown during the 2007-08 thoroughly exposed the shallowness of the so called Economic Powers like the United States and the European Union. Creation of currencies by their countries has saved the day for them. After deep introspection the International community now looks up to the Asian Countries and their model to initiate sustainable development and their hope on India is immense.

Swadeshi Jagran Manch is of the firm belief that FDI and FII have done more bad than good to the country. We find that in 1992-93, total outflow of foreign exchange in the name of interest, profits, royalties, salaries etc. was \$ 3.8 billion which increased to \$31.7 billion in 2012-13. It is notable that inflow of FDI has been only \$26 billion in 2012-13. Another source of foreign investment namely Foreign Institutional Investment (FII) is highly volatile. After meltdown in USA and Europe, these FIIs withdrew and stock markets crashed suddenly leaving domestic investor in lurch, who lost lakh of crores of rupees. Further large scale outflow of foreign exchange, led to the dampening of rupee too.

Our country is savings oriented, with 30 plus percentage. This factor with a high GDP growth in the last two decades, increased the capital available for investment. Now the focus should be on improving the capital output ratio which will help in increasing manufacturing efficiency. Efforts should be on import substitution through increased investment in R & D leading to savings in Foreign Exchange. This will be significant step to reduce the current account deficit. Various studies both by the local and International Financial bodies confirm that India is capable of meeting all its investment needs of trillions of rupees on its own without outside support. The time has come to play leadership role and the days of succumbing to International pressure from bodies like IMF, World Bank are over.

A new government under strong leadership with the complete mandate of the nation has assumed power. The SJM joins the nation in congratulating the government and wishing it all round success. The SJM welcomes the stand the government expressed by the Hon'ble Commerce Minister that the government is not in favour of FDI in Multi Brand Retail.

However, we would like to reiterate that, after global meltdown, the world has understood that the developed nations are the largest debtors and the Asian countries are their creditors. They themselves are facing shortage of capital. Hard Foreign Exchange Reserves are available only with countries like China, Korea etc. The new hope generated due to political change has enthused the domestic investors and they are waiting in the wings go ahead with the new investment and expansion plans. This coupled with Public Sector investment can stimulate the economy. The SJM suggests that at this crucial juncture a thorough review of the FDI policy needs to be initiated based on our experience during the last two decades and also the International experience. In view of the fact that FDI and FIIs have far reaching consequences for the economy, this National Council of Swadeshi Jagran Manch urges upon the government to institute a study on the impact of FDI on Indian economy with respect to employment, technology up gradation and upliftment of poor and issue a 'white paper' on the subject encompassing all the above aspects.. In this attempt for technological improvement, green field investments and employment generation should be the guiding factors. The outgo of foreign exchange in form of Royalty, repatriation of profits must be carefully evaluated in considering FDI proposals. The SJM appeals to the government to fully utilize the domestic potential before turning outwards. □□

not only does this industry earn valuable foreign exchange but also generates a lot of employment. He cautioned against fake NGOs funded by foreigners to defame the industry in Panipat.

Dr. Dhanpatram Aggarwal stressed the need for special efforts to bring country out of woods. Chief guest Ashwani Chopra while expressing his thought said industry must be promoted as it is the backbone of economy.

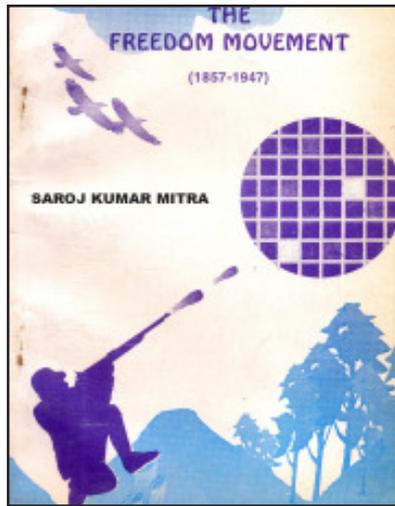
“The country has come under strong foreign influence in the last decade. The affect can be seen in all sectors, whether it is agriculture, trade, economy or society. The government needs to free the country from this foreign influence,” SJM chief Arun Ojha told media after the meet.

Arun Ojha hoped that the government would be careful in going ahead with FDI in areas other

[Continued on page no. 31]

The Freedom Movement

(Untold stories)



(1757-1857)

From 1757 to 1857 not a single month passed in India without fighting with Firranghis meaning The British. The Sanyasi revolt in Bihar and West Bengal in 1763 was the theme of Ananda Math written by Bankim Chatterjee in 1882. Unfortunately these fights by Indians against a foreign aggressor like East India Company were called as revolts by the English historians from whom their Indian counterparts learned history of their own people including the war of 1857.

Though Harishchandra Mukherjee Editor of Hindu Patriot faulted Sepoys of 1857 for having chosen descendant of Mughal (Bahadurshah Zafar) as their leader which ended in a failure, he wrote in the Hindu Patriot on May 21, 1857, “during last several weeks it is revealed what feelings people have towards British Govt. and how weak its influence over the people of India is ... it is no more a mutiny.... it is revolution”.

The Sepoys and the people together fought against the British Rule extending over an area of one lakh square miles burning their caste differences.

What shape this mega-revolt would have taken if Tanya Tope had won the battle? The first national upsurge against British domination was not a mutiny as lakhs of Indians laid down their lives fighting with British Army. Savarkar called the war of 1857 as the Indian war of Independence. Savarkar consulted more than fifty authors and report prepared by officials of East India Company before writing this book titled “War of Indian Independence 1857 (Swadharma and Swaraj)”. When someone commented “Dumdumaymen Dam Nahi Khair Mange Janki — Ai Jafar thandihui shamsher hindusthanki”

(Now that every moment you are being weaker pray for your life oh emperor the sword of India is now broken)

Emperor Bahadur shah replied,

“Ghazionmein bu rahegi jab talak imaniki — Tab talak London tak chalegi tej hindusthan ki.”

(As long as there remains the last trace of love of faith in the heart of our heroes, so long the sword of Hindusthan shall be sharp and one day shall flash at the gates of London.)

Causes of failure

Though it was decided to

launch it in months of June-July during rainy season when communication was disrupted, it started in March due to Mangal Pandey firing an English army officer.

Another cause of failure was logistics. Tanya Tope the great Maratha guerrilla warrior descending upon vast plain land spread over banks of Ganga-Jamuna must have searched for hideouts a precondition to launch Guerrilla war which was nowhere to be found.

(1857-1900)

From 1857 to 1862, Surendra Sai went on fighting with the Britishers in and around Sambalpur in Orissa. From 1858 in the Panch Mahal region of Maharastra uprisings by Naikads under Roopsingh, the farmer’s agitation in Madras Presidency, the Indigo cultivator’s agitation in Bengal, Kuka agitation in Punjab under Ram Singh, Santhal agitations under Bhagirath in 1871 etc. were enough to indicate that British rule over India never went unchallenged.

Vasudeo Blawant Phadke (born 1845) imparted military training to people belonging to Ramosi, Naikand Bhil communities at Guletkadi Hills and Ferguson Hills. From 1876 onwards Phadke conducted political dacoities issuing receipts with promise to pay the amount with interest to the owner when India would be freed. Phadke’s dictates were followed in seven districts of Maharastra including Satara till his arrest in a temple in Nizam’s state and

death in 1883 at Aden. Rajnarayan Basu was running one secret society since 1867 where Rabindranath Tagore with his elder brother took the oath. Wrote Bipin Chandra Pal that members of such secret societies were to take oath and sign their names in their blood in a paper.

In 1880 Anna Saheb Patwardhan the spiritual Guru of Tilak attempted to purchase North Vidarbha from Nizam of Hyderabad to make it a launching ground for military offensives against Britishers. The deal could not be finalised due to death of Saalar Jang, the Dewan of Hyderabad.

Growth of Nationalism

In 1821, Ram Mohan Roy wrote that one of the causes of our enslavement was due to our belief that religion meant forsaking violence. And Caste differences were the root cause of our disunity. Raj Narayan Bose issued a prospectus in 1866 for the establishment of a "Society for the promotion of national feeling among the educated natives of Bengal." Prior to this "Land Holders Society" exclusively for zamindars was formed in Calcutta under Dwarakanath Tagore in 1938. This society spread its branches in all districts of Bengal and appointed one Thompson as its agent in London to propagate its cause. In 1843, the students of Hindu college in Calcutta demanded for participating in Indian Civil Service Examination. In 1865 at the London residence of Janendra Mohan Tagore the first convention of "London Indian society" was held under Woomesh Chandra Banarjee and Dadabhai Naoroji of Bombay. But it was Raj Narayan Basu who declared in his prospectus as its object, "Resist the ten-

dency to imitating west. Indigenous gymnastic exercises, Indian Music, Hindu Medicine, Bengali food, dress and etiquette.... to learn mother tongue before learning English, learning Sanskrit, research in Indian antiquities etc."

From 1867 to 1880, Raj Narayan with Nabagopal Mitra conducted Hindu Mela to encourage sale of indigenous articles. Rabindranath Tagore sang a patriotic song composed by him in the 9th. Hindu Mela in 1875 while Bankim Chatterjee a Deputy Magistrate was composing the great reviving mantra "Vande Mataram" without hue and cry. Gopal Hari Deshmukh advocated for Swadeshi Products.

In 1867 Pune association was formed which assumed the name of "Pune Sarvajanik Sabha" under Kaka Joshi in 1870 and gradually became mass based. It was under Mahadev Ranade from 1891 to 1893 and under Gopal Krishna Gokhale from 1893 whom Tilak replaced in 1896 and it was banned by Government in 1897.

Vishnu Bawa Brahmachari (1870) during this time was defending Hindu way of living and preaching for a welfare state inter-

preting Vedic doctrines having similarities with Marxian thoughts. His thesis was translated into English and copies were sent to members of Parliament in London. Krishna Das Pal demanded "Home rule" in 1874 through an article in the "Hindu Patriot."

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2. Lord Macaulay's Address to the British Parliament 2 February, 1835.
"I have travelled across the length and breadth of India and I have not seen one person who is a beggar, who is a thief such wealth I have seen in this country, such high moral values, people of such caliber, that I do not think we would ever conquer this country, unless we break the very backbone of this nation, which is her spiritual and cultural heritage, and, therefore, I propose that we replace her old and ancient education system, her culture, for if the Indians think that all that is foreign and English is good and greater than their own, they will lose their self-esteem, their native culture and they will become what we want them, a truly dominated nation."

Sb. Saroj Mitra known to his friends and colleagues as Saroj Da is senior most leader of Swadeshi Jagran Manch. The Veteran Trade Union activist has written the booklet 'The Freedom Movement (Untold Stories)' years back. The same is being re-produced here by Swadeshi Patrika for the benefit of younger generation. □□

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Need to remain vigilant: Concludes SJM...

than multibrand retail, too, and not act in haste.

The SJM has a novel suggestion on reducing prices and inflation. "It is not enough to have MRP written on goods. Even the cost of manufacturing should be written so that the consumer knows how much profit is being made by the manufacturer. The government has to step in and fix the amount of profit a retailer and manufacturer

can make. This will not only bring down the prices for consumers but also tone down the lavish lifestyle of some people because of excessive profits," Ojha said.

Ojha ji also favoured protecting the agriculture sector from falling prey to "economic imperialism" by immediately revoking permission given by the previous UPA government in February for field trials on GM. □□

India is new world No. 2 in textile exports

India has overtaken Germany and Italy to emerge as the world's second largest textile exporter. But it lags China, whose exports are nearly seven times higher. Data released by the Apparel Export Promotion Council, the industry body for garment exporters, showed that India's textiles exports were estimated at \$40 billion in 2013, compared with China's \$274 billion. Textiles includes everything from fibre and yarn to fabric, made-ups and readymade garments made of cotton, silk, wool..

Over 55 per cent of the global trade relates to readymade garments, where India ranked sixth in 2013 with exports of \$16 billion, which is around 40 per cent of the country's textiles exports. India beat Turkey to move up a notch. For China the share of garments is estimated at close to 60 per cent, indicating that the government needs to provide a bigger fillip to the readymade industry. part from China, Italy and Germany, smaller countries such as Bangladesh and Vietnam have overtaken India in recent years as major suppliers to retail chains in Europe and the US on the back of cheap labour and lower-duty access.

The industry had expected part of the business from Bangladesh to shift to India after accidents in factories raised safety concerns. But it managed to log 18 per cent growth in the garments segment in 2013, compared to global growth of 6 per cent. □

Strict law on anvil for wilful defaulters

Amid a pile of bad debt, the government is working on a new legislation for 'wilful defaulters' that seeks to link the jail term with the value of default in a bid to help recover dues from promoters who do refuse to cooperate. Reports suggest the contours of the new law are been drawn up by the finance ministry as banks, especially those in the public sector, are dealing with high level of defaults, especially in the infrastructure sector. In its master circular last July, the RBI had said that a borrower will be considered a wilful defaulter if it defaults despite having a capacity to pay, has siphoned-off or diverted funds or disposes of property or assets pledged as security with a bank.

Banks are grappling with non-performing assets of over Rs 2 lakh crore, while loans to several large projects have been restructured, which prevented them from turning bad debt. Reports claim the government intends to focus on high-value defaulters and the new law may be applicable to cases of default of, say, over Rs 100 crore, with nil or negligible security. In case banks declare a borrower a wilful defaulter, they will have the option to initiate criminal proceedings and can also seek dissolution of the company's board and appoint a new set of directors. These cases are proposed to be tried in special courts, which also have powers to punish for contempt of court. At the same time, to ensure that the loan defaulters do not seek a stay from other courts, the proposed legislation will have a provision that will not allow other courts to take cognizance and grant stay.

Trim welfare plans: Hindu Eco Forum

The World Hindu Economic Forum (WHEF), a group of economists, which released its reform, manifesto for the Narendra Modi government recently, has called for trimming the previous government's massive social welfare schemes. Addressing a press conference, WHEF suggested that the government should undertake disinvestment in public sector companies with renewed vigour, disband the Agriculture Produce Market Committee Act, curtail programmes such as the Mahatma Gandhi National Rural Employment Guarantee Act and expedite the overall decision-making process to step up infrastructure investment.

The manifesto has been put together by economists such as Bibek Debroy, former director of Rajiv Gandhi Institute for Contemporary Studies, ex-London School of Economics professor Gautam Sen and R Vaidyanathan of IIM, Bangalore.

Wheat: Problem of plenty in MP, Rajasthan

Rajasthan and Madhya Pradesh seem to be facing a problem of plenty this year. As both the states have announced bonus of Rs 150 per quintal over minimum support price (MSP) of wheat, farmers from the neighbouring districts of Punjab and Haryana are selling their produce in these two states. Wheat procurement in Rajasthan in the current marketing season has crossed 1.8 million tonne while on an average the procurement is around a million tonnes. In Madhya Pradesh, over seven million tonnes of wheat has been purchased against 6.3 million tonnes in the

Government initiates exercise to raise FDI in defence sector to 100%

In a major policy initiative, the government is proposing to raise FDI in defence sector to 100 per cent through the approval route. "The Commerce and Industry ministry has circulated a Cabinet note for inter-ministerial consultation," PTI reported claims by sources. The proposal to raise FDI cap in defence from 26 per cent to 100 per cent is aimed at giving a boost to the manufacturing activities.

As per the 15-page Cabinet note, which was circulated, portfolio investors, including FII, would be permitted to invest only up to 49 per cent. Further, the note said that a foreign company can even take over a domestic entity provided it brings in state-of-the art technology.

This is the first major initiative of the ministry after new Commerce and Industry minister Nirmala Sitharaman took charge this week. Opponents of FDI are wary of the move and assert that no country has agreed to FDI in defence, or any other strategic industry for that matter. FDI does not bring technology unless we place conditions, and that leverage will only be there if the Indian partner is in control. A better route would be to insist on 100% Offsets as other countries are doing, they say. Fortunately many people within the establishment, except those who swallow globalistaion prescriptions uncritically, agree with this position. □

previous financial year. The bonus announced is over the MSP of Rs 1,400 per quintal.

Government officials said in Rajasthan some of the recently procured grains are being kept in temporary storage since the warehousing capacity is inadequate.

FM stations may get to air news from any source

There is a growing buzz in the information & broadcasting ministry about allowing private FM radio stations to air news bulletins and current affairs programmes that are sourced not just from AIR but from any bonafide news source. With I&B minister Prakash Javadekar keen on greater flexibility for private radio stations, officials in the ministry said that there are discussions on allowing FM stations the freedom to air news from other news organizations. However, to allow this the FM phase III policy, approved by the Union Cabinet earlier this year, would have to be changed.

Javadekar had said recently in Mumbai, "Why should FM channels be banned from broadcasting news? The Centre is considering allowing privately-owned FM radio channels to start their own news broadcast." He added, "The auction of FM radios has already entered its third phase. We will issue the guidelines in this connection shortly."

Currently, there is lack of an established method of monitoring radio stations. Sources said that work to expand the Electronic Media Monitoring Centre (EMMC) was underway to include both private ra-

dio and community radio stations. The EMMC currently monitors about 600 TV channels. An amount of Rs 90 crore was sanctioned earlier to augment its infrastructure over the next five years. If it comes through, the move will end the discrimination that private radio stations have felt for several years against government's AIR.

I&B Minister calls for indigenization of set-top boxes to create jobs

In a step that could boost employment generation and small industry, I&B minister Prakash Javadekar has said that efforts will be made to encourage indigenization of set-top boxes.

About 12 crore set-top boxes will be required in the next six months for analog TV sets across the country to shift to digital ones. Javadekar said that he was planning to take up the issue with the ministries of finance, commerce and micro, small and medium enterprises ministry.

Currently, India imports STBs from Korea, China and Hong Kong. The government has already implemented the first two phases of the digitization drive covering most of the major cities in the country but most of the STBs had to be imported. Giving details of the roadmap, Javadekar said that his ministry would work with the ministry of micro, small and medium enterprises (MSME). "We will work with MSME and there needs to be some concession from finance ministry, so we will talk to the finance ministry. And we need certain decisions from commerce ministry," he said. □□

Modi will be flexible, problematic: Chinese daily

Prime Minister Narendra Modi may show flexibility in economic ties with China but also “create new problems”, a Chinese daily speculates. “Modi is expected to present a tougher stance on political disputes but take a ‘more flexible’ economic policy towards China,” the Global Times quoted analysts as saying. The article, by Global Times writer Yang Jingjie, was on “India’s restrictive policies barrier to trade with China”. The article said Modi, “is famed for his pro-business approach and has made four trips to China to woo Chinese investment”. “In a 2011 issue of The Economist, Gujarat was described as ‘India’s Guangdong’, as the state accounted for 5 percent of India’s population, 16 percent of its industrial output and 22 percent of its exports.”

The article cited Fu Xiaoqiang, a research fellow with the China Institutes of Contemporary International Relations, as saying that “judging from Modi’s governance in Gujarat, he places emphasis on infrastructure development, attracting investment and the establishment of special economic zones”. According to the Chinese government data, India’s trade deficit reached \$31.4 billion against China in 2013. Hu Zhiyong, a research fellow with the Institute of International Relations at the Shanghai Academy of Social Sciences, said this imbalance could not be reversed in the short term. □

Mango import ban

The European Union is sending a high powered audit team to India in September to inspect pest containment measures being undertaken for Alphonso mangoes. Based on the report of this team, EU will take the final call on whether to lift its ban on the import of these mangoes to EU. This was confirmed to Indian-origin Labour MP Keith Vaz who visited Brussels and met Dacian Ciolos, EU commissioner for agriculture, over lifting the ban. The team will ensure that the mangoes can be exported to the EU if they fulfill the EU phytosanitary import requirements.

India will then have to send the EU guarantees on the correct implementation of the Indian measures. The EU’s Food and Veterinary Office will then verify the good implementation of these guarantees on-the-spot at the end of 2014. EU officials told media: “A decision on the lifting of the ban would depend on the outcome of the audit.”

Keith Vaz says the ban “on Indian mangoes is not justified”. According to Vaz, “the ban needs to be overturned as soon as possible”.

Promotion of Hindi in Israel

In a major boost to promotion of Hindi in Israel, Indian businessmen in that country have announced a grant of about USD 33,000 for students learning the language, during World Hindi Day Celebration at Tel Aviv University.

The grant by the businessmen engaged at the diamond exchange will support travel expenses of students, who excel in Hindi at the varsity, to enable them to visit India to sharpen Hindi language skills

during the next five years. The candidates will be selected through “Kaun Bharat Jayega” contest similar on the lines of famous television show “Kaun Banega Crorepati.” They will be accompanied by a Hindi alumni of the University.

“It is a matter of pride for us to see so many people learning our national language in Israel and to see such enthusiasm for Indian culture. It is an effort from our side to promote a resurgent India in Israel,” Ranjit Barmeja, a leader of the Indian diamond community at the exchange.

BRICS close to launching bank

The five BRICS nations will likely agree to fund their \$100 billion development effort equally, giving them the same rights in a new multilateral bank that could start lending in two years, a senior Brazilian government official said.

Capitalization of the bank was one of the main sticking points in the sometimes tortuous negotiations among the emerging powers to create a joint lender to finance infrastructure projects in developing nations.

The new bank would symbolize the growing influence of emerging economies in the global financial architecture long dominated by the United States and Europe through the International Monetary Fund and World Bank.

Negotiations to create the lender have dragged on for two years, with some members growing weary of China’s desire to have a bigger stake in the bank by putting in more capital. But this hurdle is being overcome.

Leaders of Brazil, Russia, India, China and South

Vietnam for global arbitration over South China sea

Vietnam has warned that it has no option but to seek international arbitration over the South China Sea standoff with China if Beijing continued to push it to do so by their activities in the disputed islands. Vietnam's Deputy Defence Minister Nguyen Chi Vinh said at the Shangri-La Dialogue in Singapore that Vietnam was yet to decide when to seek international arbitration but the decision hinged on China's actions in the South China Sea.

"They (China) have asked us several times not to bring the case to international court," Vinh was quoted as saying by the Hong Kong based South China Morning Post. "Our response was that it's up to China's activities and behaviour, if they continue to push us, we have no choice. This [legal] option is also in accordance with international law," he added. □

Africa are expected to sign a treaty to launch the bank officially when they meet at a BRICS summit in the northern Brazilian city of Fortaleza on July 15.

Row over US-Taliban swap deal

The controversy over the Obama administration's swap of five prominent Taliban detainees to secure the release of one American soldier has deepened with some fellow soldiers branding Sergeant Bowe Bergdahl a deserter, not a hero. "Bowe Bergdahl deserted during a time of war and his fellow Americans lost their lives searching for him," says former Sgt. Matt Vierkant, telling CNN that Bergdahl should in fact be facing military trial for desertion.

At least six US soldiers serving in Afghanistan are reported to have died while searching for Bergdahl, who went missing from his platoon on June 30, 2009.

Bergdahl himself, following his release under the swap deal, has been flown off to an American military hospital in Germany for treatment before his return to the US. Some other veterans and soldiers echoing the view that Bergdahl's "selfish act" ended up costing the lives of colleagues. The latest twist in the Bergdahl saga comes amid a scathing Republican attack on Obama. Top Republicans say the US action of negotiating with the Taliban and yielding so much to secure the release of one soldier has set a dangerous precedent, putting at risk other American soldiers serving in Afghanistan.

Wal-Mart fights back at proxy firm

Wal-Mart, the world's largest retailer, fired back at a prominent proxy advisory firm that critiqued the company's executive pay plan and how it's handled an overseas bribery probe. Institutional Shareholder Services urged shareholders to vote against Wal-Mart's executive compensation package and asked them to back a resolution for the appointment of an inde-

pendent chairman.

It also recommended shareholders vote against the re-election of board members Robson Walton, the company's chairman, and Mike Duke, recently Wal-Mart's CEO. The ISS cited the failure of the board to provide more information to shareholders about specific findings of an investigation into bribery outside of the United States.

Those issues go to a vote at the company's shareholder meeting June 6. The meeting will be held in Fayetteville, Arkansas, about 30 miles from the company's headquarters in Bentonville. ISS cited changes that it believes have diminished the consistency of performance goals set for company executives.

US economy contracts

The US economy contracted in the first quarter for the first time in three years as it buckled under the weight of a severe winter, but there are signs activity has since rebounded. The commerce department revised down its growth estimate to show gross domestic product shrinking at a 1.0 per cent annual rate.

The worst performance since the first quarter of 2011 reflected a far slower pace of inventory accumulation and a bigger than previously estimated trade deficit. GDP growth was initially estimated to have expanded at a 0.1 per cent rate. It is not unusual for the government to make sharp revisions to GDP numbers as it does not have complete data when it makes its initial estimates. The decline in output, which also reflected a plunge in business spending on non residential structures, was sharper than Wall Street's expectations for a 0.5 per cent contraction pace.

The economy grew at a 2.6 per cent pace in the fourth quarter. US treasury debt yields fell slightly on the report, while US stock index futures trimmed gains. The dollar fell against the euro. □□

Panel established on US-India dispute over solar energy

The Dispute Settlement Body of WTO, on 23 May 2014, established a panel to examine a complaint by the United States regarding India's domestic content requirements under its solar energy programme. Brazil, Canada, China, the European Union, Japan, Korea, Malaysia, Norway, Russian Federation and Turkey reserved their third-party right to participate in the panel's proceedings.

The United States reiterated its concern about India's domestic content requirements under its solar energy programme known as the National Solar Mission (NSM). The US emphasized that it was not challenging India's NSM Programme on the basis that it promotes solar power generation. Rather, the US was challenging the domestic content requirements in India's measures that discriminate against imported solar cells and modules in favour of "like" domestic products. The US, for the second time, requested the Dispute Settlement Body (DSB) to establish a panel to examine the matter set out in its panel request. The panel was established. Brazil, Canada, China, the European Union, Japan, Korea, Malaysia, Norway, the Russian Federation and Turkey reserved their third-party right to participate in the panel's proceedings. □

India launches safeguard investigation

India has notified the WTO's Committee on Safeguards that it initiated on 26 May 2014 a safeguard investigation on "sodium di-chromate" and "flexible slabstock polyol".

In the notification, India indicated as follows: "All interested parties may make their views known within a period of 30 days from the date of the notice issued (i.e. 26 May 2014) by the Director General (Safeguards) to: Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director General (Safeguards) on the aforementioned address within 15 days from the date of the aforesaid date of notice of the Director General (Safeguards)."

A safeguard investigation seeks to determine whether increased imports of a product are causing, or is threatening to cause, serious injury to a domestic industry. During a safeguard investigation, importers, exporters and other interested parties may present evidence and views and respond to the presentations of other parties. □

US Auto Dispute With China

A WTO panel has ruled that China's tariffs violated international trade rules. The dispute panel for WTO said China had acted "inconsistently" in imposing the anti-dumping requirements in violation of its WTO commitments. This dispute involves claims by the United States regarding certain substantive and procedural aspects of the investigations that resulted in the imposition by China of anti-dumping and countervailing measures on certain automobiles from the United States.

The Panel found that MOFCOM erred in its determination of the residual anti-dumping and countervailing duty rates for unknown exporters of the subject product. The Panel thus concluded that these residual duty rates did not conform to the requirements of Article 6.8 and Annex II of the Anti-Dumping Agreement, and Article 12.7 of the SCM Agreement. The Panel also found a number of inconsistencies relating to MOFCOM's price effects and causation determinations. The Panel rejected the US claim that MOFCOM's definition of the domestic industry in the investigations at issue was inconsistent with Article 4.1 Anti-Dumping Agreement and Article 16.1 of the SCM Agreement. The Panel recommended that the Dispute Settlement Body request China to bring its relevant measures into conformity with its obligations under the Anti-Dumping and SCM Agreements. □

Dhaka to seek strong WTO support to expand global trade

The Bangladesh government would seek strong support from WTO to expand global trade with greater access to developed markets. As a member of the Least Developed Countries (LDCs), Bangladesh is being offered duty-free and quota-free market access to around 39 countries, including Australia, Canada, Japan and members of the European Union. The United States is offering similar trade concession to a large number of Bangladeshi products, but the country's prime export-earning sector readymade garment has been kept out of this privilege despite repeated requests for consideration.

While the issue came forward at the first Trade and Framework Forum Agreement (TICFA) meeting, held in Dhaka in April, Assistant United States Trade Representative (USTR) for South Asia Michael Delaney advised Bangladesh to negotiate with the WTO for duty-free and quota-free market access. Against this backdrop, the government would seek strong supports and initiatives from WTO during the Dhaka visit of the chief of the world trade watchdog, official sources said. □