Vol-17, No. 1

Pausha-Magah 2068 **January 2012**

EDITOR
Ajay Bharti

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

COVER & PAGE DESIGNING
Sudama Bhardwaj

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

CONTENTS

Prove worthy of democracy

Former Malaysian Prime Minister Tun Dr Mahatir bin Mohamad's assertion at recently held leadership summit that India could be China in terms of development if it was somewhat "Less democratic" carries some weight and can't be ignored lightly.

Even after 64 years of getting freedom from colonial rule we neither value democracy nor do we respect it. We have Governments 'off' the people, 'buy' the people and far from the people. We Indians tend to abuse and misuse our democratic freedom with impunity. 50 percent of eligible Indian voters do not vote in the elections, which makes it imperative for the Govt to make voting compulsory.

Secessionism and corruption have thrived. Littering is rampant. Problems of pollution and adulteration have assumed serious proportions affecting the health of general masses. Thousands of persons die annually due to rash and negligent driving or due to violation of traffic rules and this happens on a regular basis in every nook and corner of the country. Crimes against women are on the increase because there is no fear of law. Due to our slow and lengthy judicial process violators and criminals, in most of the cases, go scot free. Whereas in countries like China, Saudi Arab or Singapore the punishment is supposed to be prompt and proper which is believed to acts as a deterrent for others.

Nobody likes or wants dictatorship or military rule. Democracy with all its defaults is still the better form of government. But for democracy to be meaningful and the fruits of democracy to percolate down we have to learn to stop misusing our democratic rights as citizens of a free country and stress more on our duties as members of democratic set up to prove that we are worthy of democracy.

– Vinod Bhan, *Jammu*

Awareness Campaigns Helps

Swadeshi Jagaran Manch and similar other organizations and leading experts have been educating the people of India for years about the dangers of opening retail sector to foreign players. Every type of material with convincing facts and figures were rolled out to let the people know how dangerous this move was. Normally these campaigns do not get much of public attention and one gets a feeling that all this effort is useless and wastage of time.

But recent response to the decision of the government allowing 51% stakes to Transnational retails Chains like walmart and Tescos is a clear proof that these public awareness campaigns have played their role and people of India though reluctant participants receive the message and also support any good cause if proper initiative is taken by the leadership. SJM and all other organizations need to step up the effort to ensure that government is not allowed to implement the decision that was kept in abeyance under immense public pressure.

– Manish Dutt, *Janakpuri, New Delhi*

EDITORIAL OFFICE

SWADESHI PATRIKA

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

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

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

Annual Subscription : 100/-

Life Membership : 1000/-

Kindly write your full name and address in capital letters.

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

Quote-Unquote

The tendency of acquiring control over the resources, knowledge and information by way of patents is demonic mentality and at best could be described as perversion set in human thought and thinking.

Bhayya ji Joshi

General Se cretary RSS

Until and unless consensus is evolved, the decision on FDI in retail is suspended. The matter is crystal clear.

Mamata Banerjee

Chief Minister of West Bengal

The claim that the FDI in retail will eliminate middlemen and enrich farmers is not borne out by facts.

S. Gurumurthy

Charted Accountant & Columnist

Economic reforms of UPA government are not Indian entrepreneur centric. Two third population of the country stands excluded from economic planning.

P. Muralidhar Rao

National Secretary BJPf

Indian Houswives are more responsible for our growth process than FDI & FIIs.

Prof. R. Vaidyanathan

Prof. of Finance IIM Bangalore

E D I T O R I A L

Economic slowdown

Policy Paralysis of the UPA government interrupts economic activity

Indian economy is slowing down. It grew at its slowest annual pace in five quarters in January to March. The Index of Industrial Production has fallen to minus 5.1% in October. The government had already lowered the growth projection for 2011-12 to 7.25-7.75 per cent, down from 8.5 per cent in the previous fiscal. The industrial output was 1.9% in the month of September and the fall comes after a sustained slowdown over the past few months, led by a steep fall in production of almost all sectors, particularly manufacturing, mining and capital goods. The biggest fall has come in the capital goods as well as in the manufacturing sector and mining. The capital goods growth is at minus 25% while manufacturing activity has declined to minus 6% from 2.1% a month ago. Factory output, as measured by the Index of Industrial Production, had grown by 11.3% in October 2010. The fear of this economic slowdown leading to job cuts and further escalation in already high inflation is turning to be a real one. As if negative industrial output was not sufficient the sliding rupee vis-a-vis the US dollar has further added to the woes of already slowing Indian economy. Rupee hit its all-time low of Rs.53.80 against the dollar as demand for the US currency soared along with signs of FIIs pulling out money in the wake of negative growth in industrial output. Amid these concerns, Finance Minister Pranab Mukherjee said in Rajya Sabha that it would be a challenge to maintain the fiscal deficit at 4.6 per cent of the GDP projected earlier. For the period ending October 2011, India's fiscal deficit was at Rs 3,07,009 crore as against the targeted Rs 4,12,817 crore for FY12. The fiscal deficit has reached nearly 74% of the full-year target. July-September quarter (Q2) gross domestic product (GDP) grew 6.9%, slowest growth in nine quarters. The economic deceleration is expected to continue in October-December quarter (Q3), says Montek Singh Ahluwalia, the deputy chairman of the Planning Commission.

While there is huge difference of opinion among experts about the reasons for this ‘slowdown of economy nearing recession’ and also in the way it needs to be addressed, there is overwhelming consensus on the fact that major problem confronting the country is the paralysis in the governance. For long, the political turmoil has prevented the scam-hit UPA Government from taking any major policy decisions. Even leading industrialists,who normally refuse to make political statements, openly accuse the Central Government of suffering from policy paralysis. The crisis-hit UPA Government is in no position to infuse the confidence that is needed to boost the falling economy, which is already facing turbulence due to gloomy global economic scenario. In this situation Industry associations and economists of various hues have attributed the slowdown to rising interest rates, which have led to an increase in the cost of borrowing, thus hindering fresh investment. Globalisation apologists, in and outside government, have used this opportunity to push for FDI in whatever sector it is possible including the multi-brand retailing. For them it seems to be a God sent opportunity to push for their brand of 'economic reforms'. It is in this connection that country needs to be extra vigilant. Unfortunately the UPA government is unable to install confidence in any section of the population. It has not only lost the confidence of the people of this country, but its self-belief is also invisible. Handling of various issues including the anti corruption movement has demonstrated the drift and lack of poise in the managers of UPA. No one seems to be incharge. Collective responsibility and teamwork is a distant dream. That Cabinet colleagues are at draggers drawn is an open secret. With unprecedented number of ruling alliance members either behind bars or under serious allegations the public anger is growing to immense levels. This resentment is not limited to any narrow or fringe sections of the society, it is in fact all pervasive and has already reached the level of ferocious rage. People brimming with anger are seeking ways to give vent to their cramped feelings. Government must without any further delay shed its inertia and take appropriate decisions to correct the situation. It must remember that Indian growth and development is not dependent on foreign capital or borrowed economic model. We have a vibrant and expanding market that is a precious resource. Our domestic investments including savings, if utilized properly are more than sufficient to fund our economic revival. Such a policy push will ensure inclusive growth and will bridge the ever widening gap between rich and poor. Law and order , particularly terrorism related issues also need effective handling to ensure that entire territory of India is marching on the road to development. Any expansion in Terrorism infested area will automatically mean reduction in economic activity.slow down in economy is due to sluggishness in the government. This government must go if it is not able to come out of its cocoon.

FDI in retail: Whom are you kidding, Mr PM?

An illusion is created as if the supermarkets have removed the middlemen from trading. But in reality, the big boys now share the commission between them. The new battery of middle-men, who replaces the traditional middle-men, is the quality controller, certification agencies, packaging industry, processors, wholesalers etc. explains **Dr. Devinder Sharma**

Prime Minister Manmohan Singh projects FDI in retail as a boon for the agricultural sector. Unfortunately, if you examine the realities, it will spell a death knell for farming. It will be the beginning of an end for Indian farmers.

It has happened in the United States. Ever since big retail - dominated by multi-brand retailers like Wal-Mart - entered the market, farmers have disappeared, and poverty has increased. So has hunger. Today, not more than 700,000 farmers remain on the farm in America. Poverty has grown, and hunger has broken past 14-years record.

In Europe, despite the dominance of the big retail, every minute one farmer quits agriculture. This is because farmer's income across US/EU is on a downslide.

According to a report, farmer's income in France has come down by 39% in 2009, having already slumped by 20% in 2008. More recently, in Scotland, low supermarket prices are being cited as the reason for the exodus of dairy farmers. Low supermarket prices in Scotland have forced irate farmers to form a coalition called 'Fair Deal Food' to seek better price for their farm produce.

Studies have shown that Tesco has paid producers 4 per cent less price than the average prevailing in the open market. It is therefore futile to expect the supermarkets rescuing farmers in India.

Despite the destruction of farming globally by the supermarkets, the Ministry for Commerce & Industry is gung-ho about the virtues of foreign direct investment in multi-brand retailing, which means allowing the big players like Wal-Mart & Tesco to swamp the Indian market.

"The agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in rural areas," says a discussion paper drafted by the Department of Industrial Policy and Promotion.

I find a number of economists and researchers singing chorus of praise for the role the supermarkets can play. But the entire hypothesis is based on a deliberately prepared flawed basis.

Do the supermarkets really benefit? Since 2006, India has allowed a partial opening up of the retail sector. Has these retail units benefited the Indian farmers and for that the consumers? The answer is no. The argument is that the supermarket chains will squeeze out the middlemen thereby providing higher prices to farmers and at the same time provide large investments for the development of post-harvest and cold chain infrastructure.

All these claims are untrue, and the big retail has not helped farmers anywhere in the world.

Even in Latin American countries, including Brazil, Argentina, Uruguay and Colombia, where supermarkets, most of them owned by multinational giants, now control 65 to 95 per cent of supermarket sales, farmers have been forced to quit agriculture.

If the supermarkets were so efficient and provided dynamism, I would like to know why the US is providing a massive subsidy for agriculture.

After all, the world biggest retail giant Wal-Mart is based in America and it should have helped American farmers to become economically viable.

But it did not. American farmers have instead been bailed out by the government, providing a subsidy of Rs 12.50 lakh-crore between 1995 and 2009, and this includes direct income support.

And that is why the American farmers are being supported in the form of direct income support by the American government.

It is the massive farm subsidy that supports agriculture in the US.

If this subsidy, classified under Green Box for WTO calculations, is withdrawn (as analysed by UNCTAD-India), US agriculture collapses.

A latest 2010 report by the Organisation for Economic Co-operation and Development (OECD), a group comprising the richest 30 countries in the world, states explicitly that farm subsidies rose by 22 per cent in 2009, up from 21 per cent in 2008.

In just one year in 2009, these industrialised countries provided a subsidy of Rs 12.60 lakh crore to agriculture. And it is primarily for this reason that the farm incomes appear lucrative.

Left to big retail alone, European farmers would have packed up by now.

In India, it is markets that sustain the farmers and not subsidies. We are therefore importing a failed model from America.

Regarding farm incomes, let me illustrate. Till 1950, a farmer in America used to receive about 70 per cent of every dollar spent on food. In 2005, it had come down to not more than 3 to 4 per cent. If the middlemen have been squeezed out, as is being made out, farmer's income should be increased.

Why it has instead gone down drastically is because farmers' income is being devoured by the new battery of middlemen swamping on him like a vulture.

That is why the US/EU governments are providing subsidy support to keep farmers alive.

Big fish is known to eat the smaller ones. Supermarkets exactly perform that function. They replace the plethora of small middle-men.

The *arhtiya* (commission agent) clad in a *dhoti-curta*, is replaced by a smartly dressed up middlemen. An illusion is therefore created as if the supermarkets have removed the middlemen from trading.

But in reality, the big boys now share the commission between them. The new battery of middlemen, who replaces the traditional middle-men, are the quality controller, certification agencies, packaging industry, processors, wholesalers etc.

Do supermarkets help remove poverty? Based on biased studies by the consultancy firms and some institutes, the government believes that supermarkets will create employment and therefore help in ameliorating poverty.

This too is flawed assumption. Lessons need to be drawn from a 2004 study done by Stephen J Goetz and Hema Swaminathan of the Department of Agricultural Economics and Rural Sociology, at Pennsylvania State University in the United States.

The authors measured the impact of Wal-Mart's massive retail boom on poverty in various American states.

In the past two years, Tesco had promised to create 11,000 jobs and Sainsbury another 13,000.

Tesco had created only 726 jobs, while Sainsbury actually terminated the services of 1600 of its existing employees, leaving 874 people unemployed.

How do we expect Tesco/Sainsbury to create additional employment in India when they have failed to stand up to their commitment back home?

Big retail does not create additional employment but actually destroys the existing employment. Here is a comparison which should help remove the wool from your eyes. The Indian retail market is estimated to be around $ 400 billion with more than 120 million retailers and employing over 400 million people.

On the contrary, the US-based giant Wal-Mart, a global leader in big retail, also has a turnover of US $400 billion and employs only 2.1 million people. Which one of these retail systems provides employment is crystal clear.

If you think Wal-mart is here to create employment opportunities you must be living in a fool's paradise. Simply put, they are investing in India to make money.

I don't know how therefore economist, policy makers and the ministers can think that big retail will provide employment while the evidence from across the world shows that big retail has displaced millions who are already employed.

Are we not deceiving the nation by presenting wrong facts?

At stake is the livelihood security of tens of millions of hawkers, small traders and farmers.

How can any sensible government that claims to work for the *aam aadmi* actually bring in massive destruction of livelihoods in the name of foreign direct investment?

Why is our government so keen to pull out the US/EU economy from recession and in turn push India into a headlong depression? ❑❑

FDI in retail — UPA 'retired hurt'

With what credibility does our regime, on whose watch farm suicides crossed the quarter-of-a-million mark, speak of helping farmers asks ***P. Sainath?***

Here's the wonderful thing about the FDI-in-retail debate: never have struggling Indian farmers found so many champions. They've been crawling out of the woodwork.

Foreign direct investment in retail may be on hold, but Hillary Clinton can stop worrying about Anand Sharma and Pranab Mukherjee.

"How does (Commerce Minister) Sharma view India's current Foreign Direct Investment guidelines? Which sectors does he plan to open further? Why is he reluctant to open multi-brand retail?" Those were among the questions U.S. Secretary of State Clinton posed in a cable to her embassy in New Delhi in September 2009, some months after Prime Minister Manmohan Singh began his second term. (See: Hillary checks out Pranab, and the competition, from The Hindu-Wikileaks India Cables series: March 18, 2011).

Note her pointed query on opening up 'multi-brand retail.' She had other worries, too. "Why was (Pranab) Mukherjee chosen for the finance portfolio over Montek Singh Ahluwalia? How do Mukherjee and Ahluwalia get along?" And "does Sharma get along with Mukherjee and Prime Minister Singh?" They get along fine, Hillary, and they're all in it together, as a team.

Hillary has reason to be concerned about FDI in retail. There's the tens of thousands of dollars she earned from serving as a director on Walmart's board. And the other thousands of dollars contributed to her 2007-08 campaign by Walmart executives and lobbyists. An ABC News report on that in 2008 also observed that as a director, Hillary Clinton remained "a loyal company woman" (Clinton remained silent as Wal-Mart fought unions: ABC News, January 31, 2008).

And she surely knows the UPA's FDI retreat is tactical. Pranab Mukherjee put it with disarming candour: we don't want mid-term polls. Hillary too had flip-

flopped during her election campaign, going by the ABC News report. (While on its Board of Directors, she had said: "I'm always proud of Walmart and what we do and the way we do it better than anybody else" — June 1990.)

Yet, Hillary's campaign website of 2007-08, points out the ABC News report, omitted "any reference to her role at Walmart in its detailed biography of her." As the race heated up, she recanted: "Now I know that Walmart's policies do not reflect the best way of doing business & the values that I think are important in America."

Perhaps Hillary's FDI concerns are loftier. She must be worried about the poor Indian farmer. The wonderful thing about the FDI-in-retail debate is the explosion of concern for agriculturists. Never have struggling Indian farmers found so many champions. They've been crawling out of the woodwork ever since the FDI announcement. From Deepak Parekh to Ratan Tata, they've suffered sleepless nights, agonising over the small farmer.

They might want to take a look at the American farm population. At their family farms, especially smaller ones, wrecked by corporate monopolies at every level, from giant agri-businesses to mammoth retail chains. Presently less than one million Americans claim farming as their occupation. That figure was over 25 million in the 1950s.

With what credibility does our regime, on whose watch farm suicides crossed the quarter-of-a-million mark, speak of helping farmers? Who knows what windfalls the deals struck with retail giants have brought to individuals in this most corrupt government in our history? We need to embrace that old journalistic principle: Follow the money. (Hillary does, though in a very different way.) Meanwhile, look at our government's claims.

Big retail operators pasting the words 'natural' or 'fresh' against their names are selling you stuff that could have been refrigerated, even frozen, for days.

Who it affects

Doing away with the 'middleman': The first to be devastated will be that poor 'middlewoman' — the vendor who daily provides our towns and cities with fresh produce. She did not push up the prices and has her modest margin squeezed each time they rise. That woman carrying that huge basket to your doorstep, on her feet 14-16 hours a day to feed her family. She's the first 'middleman' target.

The more exploitative middlemen in the chain will be coopted by giant retail which needs collectors and contractors, though not so many. It will slash their numbers after a while. This is The Mob taking over from the little guys on the block. You're looking at massive displacement in the agricultural supply chain. Only, the new 'middlemen' will be Cardin-clad and Gucci-shod, with better access to government than the farmers everyone's dying to save.

That poor woman vendor, whose life we need to improve, not destroy, brings you fresh produce. She has to, or she can't sell it. (Tip: big retail operators pasting the words 'natural' or 'fresh' against their names are selling you stuff that could have been refrigerated, even frozen, for days).

Ten million jobs: Try not to die laughing. This comes from a school of economics that has gifted the world jobless growth for three decades now. We worked hard for two of those, making a big expansion of jobs impossible within our policy framework.

From the early 1990s, fantastic claims have been made of small farmers gaining from neoliberal globalisation. For instance: farm incomes would rise 25 per cent if Indian prices were aligned to global prices; purchasing power would shoot up.

Many steps were taken on such claims, including 100 per cent FDI in sectors like seed. All achieved the opposite. These moves helped double the indebtedness of the peasantry and further spurred the worst-ever recorded wave of suicides. Apart from which we've seen seven-and-a-half million people abandon agriculture in a decade, many driven out by policies to 'benefit the farmer.' Now we should believe that FDI in retail will undo all the damage that these policies — from the very same authors — caused? And these guys predict 10 million jobs within a year?

The UPA wants to open up a sector that for all its awful flaws and hardships presently employs 44 million people and has total sales of close to $400 billion. (That's about 20 times the number Walmart employs on roughly the same turnover.) And gives some sustenance to many millions more if you think families. Small shops and 'big box retail' can co-exist, so croons the corporate choir. Sure, after wiping out countless thousands of tiny shops, the survivors can 'co-exist' with the big guys, who might even have minor errands for them to run. India's powerful will run the more important errands. That was clear from 2005 when then Walmart International Division chief John Menzer told his company's annual meeting: "In our six government meetings, we created a very positive image [of Wal-Mart]…" And: "We've energized the FDI lobby and preempted the anti-FDI lobby in India." (Wal-Mart's Hot in India, cnnmoney.com, June 6, 2005)

Efficiency: The giant chains can never match the efficiency of farmers' markets selling food produced locally or nearby. Their sourcing of produce from all over the world, central warehousing systems, giant transport operations — all these are hugely energy intensive. Which means a lot of what you get is old and much-refrigerated or frozen. Know the other costs of what you pay for.

Benefitting farmers: Here's a paradox. Just when we march determinedly towards super markets, people in the homeland of Big Retail are buying more and more from "farmers' markets." That is, the oldest form of direct marketing by small producers. More and more Americans seek decent produce not drowned in chemicals, pesticides and preservatives. Growing numbers of that nation's small and family farms are selling through farmers' markets each year. In India, every market was once a farmers' market. Over time, farmers have lost control of such markets to traders and moneylenders. Now comes the coup de grace.

The coming of Big Retail is not simply about shops in the towns of over one million. It brings a radical restructuring of the entire agri-supply chain. The kind of investments — above $100 million — will obviously not go towards labour-intensive operations. The new structures that will confront farmers are stronger than any they have ever known. As a paper on the "U.S. Farm Crisis" from the Kerr Center for Sustainable Agriculture, Oklahoma, puts it: "large corporations have in recent years moved to curtail farmer independence through production contracts and other forms of vertical integration. These moves have included establishment of huge corporate-owned Confined Animal Feeding Operations, where animals are raised without farmers."

●●●

In India, every market was once a farmers' market. Over time, farmers have lost control of such markets to traders and moneylenders.

●●●

The new middlemen the government welcomes have no regard for village and community. Maximising their own profit is their sole concern. As the number of buyers shrinks to a handful of corporations, farmers will have fewer places to sell their produce. What kind of bargaining power will they have against these mega-middlemen, some of whose worth would place them, if treated as nations, amongst the top ten economies in the world? The "contracts" in the new dispensation will reflect that power equation. The National Commission for Farmers headed by Dr. M.S. Swaminathan had observed that rushing into contract farming without ensuring the needs, safety and bargaining power of the farmer would result in major displacement in the sector. But not to worry, Hillary, your team is still out there batting. Only retired hurt for the moment. ❑❑

(Courtesy: The Hindu)

Market economy? or, market society?

The claim that like in China, Walmarts and Tescos would ramp up India's exports ignores the fact that China's domestic consumption is, just 35 percent of its GDP; the balance 65 percent is its exportable surplus. India with a high domestic consumption of 58 percent has no such exportable surplus, explains **S. Gurumurthy**

The ongoing debate on the FDI in retail is intolerably superficial at times. For a rational debate, the fundamentals of conflicting alternatives must be understood. Here are some basic truths about conventional Indian retail. For thousands of years, retailing in India has been local community business - selling retailers and buying households being familiar with each other. Even now Indian retailing is mostly neighbourhood, relation-based business.

There are 15 million retailers in India, including hawkers and pavement vendors. This translates to the greatest retailer density anywhere in the world - more than one retailer for 8 Indians! In contrast, China, more populous than India, has less than a twelfth of India's retail density; just 1.3 million retailers - one for 100 Chinese.

In India, one retailer does not stock all needs of all customers. Several neighbourhood retailers - hawkers, roadside vendors, bunks and kirana shops - taken together stock and meet all their needs. The Indian retail business is estimated at $400 billion. Of which the share of corporate is now 5 percent; the rest 95 percent is handled by traditional retailers. The wholesale-retail trade in India has evolved as part of its social milieu over millennia, organised and linked by local relations. According to an FCCI study, food - read agriculture - accounts for 63 percent of retail trade. Here, some 74 million strong small farmer-wholesaler-small retailer combine - a social inheritance of generations - works, not hierarchically, but laterally through neighbourhood relations.

Some 58.8 million small-marginal farmers from 6.8 lakh villages sell their produce at 47,000 haats/shandies to some 15 million wholesalers-retailers. It is the largest decentralised business in the world. They all operate within a radius of 16 km of where they are. Yet, only 40 percent of the food produced is traded; the balance 60 percent is barter-shared by social relations within villages. This [60 percent] sharing and [40 percent] trading keeps rural India alive.

The Parliamentary Standing Committee Report on the FDI in retail [June 2009] says that traditional retail employs 40 million people; and finds the corporate retail claim to 20 lakh job "highly exaggerated". The Committee is right. Walmart, with $422 billion global turnover, employs just 2.1 million people.

That is, with more than India's retail business in its balance sheet, it provides less than 5 percent of India's retail jobs! So the organised retail's proven job potential is less than 1/20 of the performance of traditional retail. Where from did Anand Sharma get his maths that the FDI in retail would generate 10 million jobs then?

This stentorian noise for the FDI in retail makes four claims. One, the organised retail would avoid the huge - '50,000 crore - waste of farm products due to lack of efficient supply chain; two, with middlemen eliminated the farmers would get better prices; three, Walmarts and Tescos would procure farm products and export them like they do from China, which traditional retail cannot. Four, it will yield more employment.

The claim about employment is bogus. What Walmarts and Tescos could not do elsewhere, they would not do here. The next claim, namely, like in China, Walmarts and Tescos would ramp up India's exports ignores the basics of Indian and Chinese economies. China's domestic consumption is low, just 35 percent of its GDP; the balance 65 percent is its exportable surplus. It has built this huge surplus over decades. India with a high domestic consumption of 58 percent has no such exportable surplus. Actually, it is sensible for Walmart to bring in goods from China, made cheaper by cheap yuan, into India.

Already Chinese goods are outselling Indian goods in India. India's annual trade deficit with China, now $20 billion, is estimated to reach $278.5 billion by 2014! Far from making India prosperous, Walmarts and Tescos may impoverish it.

The claim that the FDI in retail will eliminate middlemen and enrich farmers is not borne out by facts. See the record of Tesco, the largest retailer in the UK, in contrast. It "exploits small farmers in the UK and worldwide"; "hastens their replacement" with monoculture plantations; "poses serious risks for developing country farmers" who have traditionally supplied to local street markets.

Further, "rather than growing their produce and taking it straight to a market, they have to deal with a chain of middlemen, supermarket's standards of uniformity in shape and size, risking rejection of lot of their produce". Farmer-friendly FDI in retail is contradiction in terms.

The campaign that the FDI in retail would prevent waste by efficient supply chain management ignores two vital facts. One, the national highway forms only 2 percent of India's road network, but handles 40 percent of the road traffic! The other roads can handle only trucks smaller than 20'; and link only local markets.

Walmarts and Tescos can't build roads. The government has to. If it does, Walmart or Tesco are not needed. Two, on storage, a recent MIT paper says that as "demonstrated by the case study in rural India, the solution to food storage needs to be a bottom up approach. Communities need to be identified where the people have access to fresh food that is currently wasted and who are willing to put in the time to store it properly. Farm co-operatives are potential candidates."

So, bottom up society, not topdown Walmarts or Tescos, is the answer.

Finally, the debate on the FDI in Indian retail misses out the most crucial point. Not only Indian retail, the whole of Indian economy functions more on relations, less on contracts. That is why 60 percent of the farm produce is socially shared. The trade in the rest are based on neighbourhood relations. When contracts replace human relations, it yields not "market economy" but "market society", where even families function on contracts.

Margaret Thatcher once said: "There is no such thing as society. There are individuals and families. That is all." But, the experience of the US/West has proved that traditional families cannot survive without functioning traditional society. As the US Bureau of Economic Research had foreseen in 1970s, now family functions have been effectively taken over by corporates and the State! Unbridled market first dismantles the relation-based society, then disturbs families, to yield a purely contract-based 'market society' finally.

The relation-less retail model of Walmarts and Tescos fits the contract-based US/West. But, of late, even in the West, debate on "market economy" vs "market society" has begun - "market society" being derided as Anglo-Saxon. ❑❑

QED: The real issue is not the FDI in retail, but what does the Indian Government, economists and elites want in India finally? A relation-friendly "market economy"? Or, a relation-less "market society"?

Chidambaram prefers Cola to Compensation

Sh. Nambi Narayan, State Organising Secretary of SJM Tamil Nadu writes about the fight of Common Adivasis of Plachimada under the leadership of Plachimada Coca-Cola Virudhi Samara Samithi and its Convenor, Sh. K.V. Biju.

Organiser of Swadeshi Jagran Manch, South India Sri K V Biju, who is also the Convenor of the Plachimada Coca Cola Virudha Samara Samithi and 17 others have began their fast on 21, December, 2011 in Viyoor jail protesting against the apathy of the State and Central Governments in getting the compensation of Rs. 216.26 crores from the multinational giant Coca Cola to the victims.

On 16th December, around 100 people headed by the Plachimada Anti-Coca Cola Agitation Committee and Plachimada Solidarity Forum "occupied" the premises of Hindustan Coca Cola Beverages Company in Plachimada demanding that early steps should be taken to pay the compensation to the victims. 22 activists including Sri K V Biju were arrested. When produced, the Magistrate ordered their release on furnishing personal bond but the activists refused to take bail condemning the delaying and subverting tactics of the Governments in favour of Coca Cola.

The local Court has released the activists unconditionally on 24th December, 2011. But the prolonged battle against the Cola has a decade old history that needs a vivid account.

Plachimada, a predominantly Adivasi village in Perumatty Gram Panchayat in Palakkad District, Kerala, had over the last one decade, become synonymous with the fight of the common people against multinational corporate's over-exploitation of natural resources.

Plachimada is an important agricultural region of the Western Ghats and being in a rain shadow and drought prone area, it requires large quantities of ground water for irrigation. The villagers are predominantly agricultural labourers. The Coca Cola Bottling Plant set up in March, 2000 began drawing over five-lakh litres of ground water on its premises each day.

The people of Plachimada began to experience severe adversities within six months after the establishment of Coca Cola plant. The availability of ground water diminished considerably. Even the available water in the wells and rivers was contaminated after getting mixed with the toxic waste dumped from the factory which contained metals like cadmium, lead, nickel and chromium. The pollution came from the sludge, Coca Cola dumped in the area surrounding its plant, which the BBC had tested and declared to have a high content of cadmium and nickel. The Central Pollution Control Board had found the presence of lethal cadmium as high as 333.8 mg/kg, more than six times the permissible limit. It was heavily dumped into the agricultural fields making the poor and innocent farmers of the place believe that the sludge is of high quality manure. The disposal of the sludge also affected the general health of the people causing them skin ailments, breathing problems and other debilities.

The functioning of the plant caused environmental and soil degradation, water contamination due to over-extraction of ground water and leading to scarcity of drinking water, and hence decline in agriculture. As consequences, public health deteriorated and the agricultural economy was shattered. The plant operations thus caused gross violation of the villagers' human rights to life, livelihood and a pollution-free environment.

The local people started agitating and protesting against the Company within a year. Several non-governmental organizations and other sections of the mainstream society joined them. Sensing the mood of the people, the Perumatty Panchayat rescinded the license granted to the Company, on August 7th, 2003, and the Plant in the 40 acres of land was shut down. The matter is pending adjudication before the Supreme Court as the State has challenged the Kerala High Court's order quashing the cancellation of license.

However, despite the plant closure, the company was not ready to give compensation to the victims and the struggle was continued demanding compensation. So, the Kerala Government constituted a 14-member High Power Committee in May 2009 to be chaired by its Agriculture Production Commissioner to investigate whether the functioning of Coca Cola has resulted in the alleged violations, and if so, the cost of the damage. The Committee comprised of directors of various departments like agriculture, animal husbandry and groundwater, deans of Kerala Agricultural University, the representative of Kerala State Pollution Control Board, an environmental expert, and a retired judge.

The panel held eight meetings and conducted a public hearing at Perumatty Panchayat office which was attended by the affected people, voluntary workers, concerned citizens, and the panchayat representatives. It evaluated all the available reports on Plachimada besides visiting the village and also organizing two panel discussions with experts. The findings of the Committee are:-

- The Coca Cola company caused environmental degradation through over-extraction of groundwater and irresponsible

The Committee has assessed the damages caused to be Rs. 216.26 crores, the break-up details of which are as follows :

Agricultural losses:	Rs. 84. 16 crores
Health damages:	Rs. 30. 00 crores
The cost of providing water:	Rs. 20.00 crores
Wage losses and opportunity cost:	Rs. 20.00 crores
The cost of polluting resources:	Rs. 62.10 crores
Total:	**Rs. 216.26 crores**

disposal of sludge. The water sources of the area have been affected and the water scarcity has become more acute.

- The company misguided the farmers by passing off the sludge as manure and is responsible for soil degradation, water contamination, and the consequent agricultural losses.
- There has been a steady decline in the agriculture production in the area and the production of milk, meat, & eggs has declined.
- Metals like cadmium, lead, and chromium have been detected in the sludge. Skin ailments, breathing problems, and other debilities among the locals have been on the rise.
- Low birth-weight in newborns has also been noticed.
- Women have to fetch drinking water from far-off places and this has deprived them of their wages.
- Children have dropped out of schools on account of the social, health, and economic factors caused by the pollution.
- The gram panchayat has been providing drinking water through tankers ever since the wells and water bodies were rendered useless by the pollution.
- The Coca Cola company is guilty under several laws in force.

Even though there are sufficient provisions under the existing laws to claim compensation from the company under the 'polluter pays principle', the panel felt it desirable to set up a dedicated institution to adjudicate the individual claims. It said that this body could either be a tribunal under Article 323 B of the Constitution of India to be legislated by the state legislature, or an authority under section 3(3) of the Environment (Protection) Act, 1986, to be created by the central government. The tribunal/authority can then assess the individual claims and the polluter company made to pay it.

Based on the recommendation of the High Power Committee, the Kerala State Assembly, with the support of all the 140 MLAs, unanimously passed the 'Plachimada Coca-Cola Victims' Relief and Compensation Claims Special Tribunal Bill, 2011' on 24 Feb. 2011.

As the High Power Committee had found that the Coca Cola company also violated the Water (Prevention and Control of Pollution) Act, 1974; the Environment (Protection) Act, 1986; the Factories Act, 1948; Hazardous Waste (Management and Handling) Rules, 1989; the SC/ST (Prevention of Atrocities) Act, 1989; the Indian Penal Code; the Land Utilization Order, 1967; the Kerala Groundwater (Control and Regulation) Act, 2002; and the Indian Easement Act, 1882, the State Government, in its wisdom, thought it fit to send the bill for Presidential assent.

The Kerala Governor had forwarded the bill for Presidential assent on March 30, 2011 and it had reached the Union Home Ministry on April 4. The Ministry had, in turn, referred it to the Ministries of Law, Agriculture, Environment and Forests and Water for comments on April 18. As per the Cabinet guidelines for disposal of State Legislative Assembly matters, the Bill would be processed without waiting for further comments if the concerned Ministry failed to submit their observations within six weeks. Within six weeks, the Home Ministry, which was coordinating the Bill at the Centre, received comments only from the Ministry of Rural Development, Ministry of Law and Justice and Ministry of Agriculture. The Home Ministry, headed by Mr. P. Chidambaram, instead of forwarding the Bill to the President, took cognizance of the legal opinion sent by the Coca Cola Company and sent the Bill back to the Kerala seeking explanation as reported by Mr. P K Biju, MP from Kerala at the Lok Sabha in December 2011.

Thus even after the passage of the bill in February 2011, the Central Government has slept over it for more than 9 months and sent it back to the State Government raising queries. This is a clear indication that the Central Government favours the multinational company at the cost of the poor people, denying them the due compensation for the losses suffered. The protest of the Agitation Committee is therefore significant in this context and if the people rise against the apathetic attitude again, squarely the blame lies with the Central Government. ❑❑

Rama. Nambi Narayanan
State Organising Secretary, SJM, Tamil Nadu

Reforms do not mean just FDI and FII

The focus of our reforms should be the State and lower level to sustain our growth rates. Delhi centric reforms can only benefit fat cats and not the most productive sectors and engines of our economic growth namely India "Unincorporated". What India needs is reforming our reform process to focus on the real India, stresses **Professor R. Vaidyanathan**

Whether it is the Pink business papers or Economic experts on TV, the word reform immediately evokes talk of allowing Wal-Mart in retail or increasing the limit for foreign capital in insurance from 26 percent to 50 percent. We have reached a pathetic situation where reforms are equated to FDI and FII only. This shows our mindset which is connected with umbilical cord to London and Washington. Our policy formulators are also US trained and reflect the thinking of the US corporations. If someone says that reforms are far more needed at lower levels then he is painted as Swadeshi left or worse socialist. Actually our economic policy formulation has been hijacked rootless wonders trained in investment banks or think tanks of Europe/USA.

Corporate Sector Focused

Unfortunately the reforms initiated in the early nineties when Manmohan Singh was Finance Minister under PVN have focused only on the corporate sector and Government at the Centre.

The focus of the reforms has been

- Industrial Policy (Licensing, MRTP, FDI)
- Private [Domestic/Foreign] sector in Infrastructure—Ports/ Containers/ Airports/Airlines/Telecom/TV/etc
- Opening up of Defense Manufacturing for Private sector
- FDI in manufacturing/Infrastructure
- Forex & Trade Policy (Negative lists for imports/exports, capital goods imports and customs tariff rates)
- Foreign investments (more than 50% equity allowed, technology imports, usage of foreign brands etc).
- Tax structure (reduction in Tax rates, tax incentives to FII, Reduction in exemption notifications)
- No tax on Dividends
- Capital market (Pricing of shares, Regulations on MB/ MF/ FII/ etc)
- Completely computerized exchanges in Shares/derivatives
- Holding/trading/clearing /settlement

all using IT.

- Investments abroad by MF's / Corporates /individuals
- Banking sector (Interest rates de-regulation, Policy on asset classification and provisioning, Capital adequacy norms, and starting new Pvt. banks)
- Opening up of Insurance Sector
- Moving from Defined Benefit [DB] to Defined Contribution [DC]in pensions in Government sector

We find from the above that the focus of reforms is mainly on the Corporate India and its interface with Government. Most helped crony capital crooks

'Unincorporated' India

But the economic structure of India is different from that of the USA. Nearly 65 percent of our GDP comes from partnership/ Proprietorship firms or "Unincorporated" India. Contrast it to USA where more than 70 percent is from corporate activities. Less than fifteen percent of our GDP is only from the corporate India even though we spend maximum time and energy in discussing the Corporate India and changes in Sensex. Even in manufacturing activities nearly 50 percent of the share of value addition is from "unorganized" or non-corporate sector

Not only that, the share of service sector consisting of Construction, Whole sale and Retail trade, Transport, Hotels and Restaurant and other services like fitter ,plumber ,carpenter, priest- in our GDP is around 65 Percent and more than 80 percent of the service sector is Partnership Proprietorship firms. Service sector is growing at more than 8 percent real growth rate in the last decade and the India Unincorporated

which is the engine of our growth is crying for reforms.

Same thing on employment side. Nearly 90 percent of our economy is self-employed while as nearly 90 percent of US economy is salary-employed. The structure of our economies is totally different and imposing that model here will be disastrous. If one state this bare fact one is considered as "anti-modern" & "traditionalist" & back ward looking or worst " Swadeshi left"

The Financing of our growth is due to domestic savings which is around 38 percent of our national income. Substantial portion of our domestic savings more than 75 % is due to household savings. And from that point of view average Indian housewife is more responsible for our growth process than the FDI and FII which are considered as all curing Chawanprash. FDI and FII put together is never more than 8 percent of our investment since more than ninety percent of our investment comes from our domestic savings.

Reforms Needed

The actual areas where reforms are needed are

- Commercial Tax
- Road Tax
- Entertainment Tax
- Excise duty on liquor
- Urban land ceiling and regulations (ULCRA)
- Shops and establishments Act
- Laws governing educational, medical etc institutions
- Money lending regulations.
- Stamp duties Act
- Food and Adulteration acts—municipalities
- Water/Power/Drainage regulations—Acts
- Registrations/Contracts act

These regulations pertaining to the activities in which Uninc sector dominates are in the realm of State Governments. There is a need to have an Inter State council only to focus on reforms in all the above mentioned areas instead of just being obsessed with FDI and FII.

When the Tsunami stuck the Indian coast I got lots of mails from Insurance professors abroad about possibility of Insurance companies going down under similar to 9/11 terror attack. But interestingly no insurance company was affected substantially since most establishments were not insured. The reason is that they do not have "clean paper" of ownership. Same is about bank loans against lands and other assets of poorer segment. No clean paper no loans, no insurance. Creating clean paper to establish ownership rights of poor groups is critical for economic growth. Not exotic derivative products which no one understands including those who create them!

We do not want to have basic and important reforms and do not even discuss it since they are not "sexy" and sadly unimportant to the CNBC crowd. We think having more funds from abroad will solve all problems. That is not a sign of free marketer but a sign of sold out sepoy of global capital.

Unless and until we focus on the reforms at the State and lower levels we are not going to sustain our growth rates. We must come out of our thinking on the corporate or put it colorfully "Sensex" economy. Our corporate sector is only an "item number" in our economy full of glamour and that "ooch" factor. But from substance point of view it does not have much importance. Still we as a nation have an uncanny ability to focus on the inconsequential and immaterial and spend lots of time and effort on them and abuse others as Swadeshi left or worst socialist.

Delhi centric reforms can only benefit fat cats and not the most productive sectors and engines of our economic growth namely India "Unincorporated". They are struggling to get adequate credit at reasonable rates of interest and deal with corruption at the lower levels of our system. What India needs is reforming our reform process to focus on the real India. ❑❑

The author is Professor of Finance, Indian Institute of Management-Bangalore.The views are personal and do not reflect that of his organization.


Swadeshi promotion begins in Durgakund

Swadeshi Jutaan

Varanasi

A two-day 'Swadeshi Jutaan' was organised on Dharma Sangh premises, Durgakund, Varanasi on 28-29 December 2011. Noted thinker Sh. K. Govindacharya inaugurated the event.

Addressing the inaugural function, the speakers said the problems and challenges being faced by country today could be addressed only through the promotion of swadeshi. "The answer to problems like black money, corruption and inflation is in swadeshi",Sh Givindacharya said, adding that the concept of Swadeshi advocated a positive change in the system based on own resources. "Today the public representatives are power centric not people-centric", he added.

Speaking about the misuse of government funds, he said the government was trying to save Air India by spending Rs. 30,000 crore, but it was unable to arrange for Rs. 7,000 crore to dispose of four crore pending cases. He said in this phase of transition, the country could be saved by a collective movement instead of fragmented agitation.

The inaugural function was followed by open discussion in different sessions. Around 300 representatives from different parts of Uttar Pradesh and Uttarakhand took part in the programme.

Earlier addressing the programme, BJP leader Uma Bharati highlighted the importance of swadeshi and said problems like corruption and black money could be solved only by a change in system.

"And, the change in system is possible only through the concept of swadeshi", she said. The programme was also addressed by BJP leader Muralidhar Rao, Brij Bhushan & others.❑

Lesson from Mullaperiyar

Dams are not permanent

*Dams are not permanent structures. They have a finite life which may extend to a few hundred years at most. One can see the ruins of forts and palaces across the world. These grand buildings could not survive indefinitely. So also with dams made of the same cement and steel. People of Tamil Nadu and Kerala are to be congratulated for bringing the attention of the people to the impermanency of the dams, advocates **Bharat Jhunjhunwala***

The Mullaperiyar Dam was built about 100 years ago in Tamil Nadu on the border of Kerala. The dam has become weak since then. There is some leakage of water. People of Kerala apprehend that it may break some day. In such an event large amounts of water and sediments will flow through Kerala and destroy fields, villages and cities. People of Kerala are demanding that the dam be dismantled and a new safe dam be built. The Government of Kerala is willing to pay the cost of reconstruction. People of Tamil Nadu, however, are not convinced. They feel that the dam is safe and politicians of Kerala are whipping up public fervor for their political gains. Reconstruction of dam will take time and Tamil Nadu will be deprived of the benefits during that period which may extend to five or more years.

Safety of the dam is a matter of debate. But the very existence of such doubts establishes that dams are not permanent structures. They have a finite life which may extend to a few hundred years at most. One can see the ruins of forts and palaces across the world. These grand buildings could not survive indefinitely. So also with dams made of the same cement and steel. Many dams have been removed in the United States because of such safety considerations.

This fact is important for people of the whole country because large dams like Bhakra, Tehri, Narmada Sagar, Tungbhadra and Renu Sagar have been made in various parts since Independence. In coming times these dams will face the same face as Mullaperiyar is facing today. However, unlike a small dam like Mullaperiyar, it is nearly impossible to reconstruct a large dam like Bhakra. Reason is that huge amounts of sediments are deposited behind the dam. These sediments will flow down in a gush along with the river water when the dam is removed for reconstruction. These sediments will entirely cover the downstream towns just as lava flowing from a volcano destroys the cities. This leads to an insoluble problem. It is necessary to remove the dam for reconstruction but the dam cannot be removed because of the sediments deposited behind the structure.

Man Mohan Singh is determined to make new dams on every inch of the flow of every river of the country. Many new large dams like Bhakra are planned as well. He, however, does not inform the people of the country that these dams have a life of a few hundred years and thereafter they will become an insoluble problem. Reason is that Manmohanomics is focused entirely on the short run gains. Thinking is that the problem of leaking dams will be faced by future generations a hundred years or more later. We need not worry about this now. We must generate evermore amounts of electricity so that the air-conditioners of the rich can run smoothly today; and aluminium can be produced for making windows of five-star hotels. Man Mohan Singh is happy to impose huge costs on future generations for securing benefits today.

Solution to this problem is available though. The Edwards Dam was made on Rappahannock River in Virginia State of America. The river water was diverted by this dam into a canal which supplied water to the city of Fredericksburg. Hydroelectricity was generated from the remaining water before being discharged into the river downstream. The dam had become unsafe like Mullaperiyar has become. Also, there has been huge increase in environment awareness in America in the last few decades. People started demanding removal of the Edwards Dam so that the fish could reach their spawning grounds and people could engage in water sports like canoeing and kayaking.

The Government came up with a novel solution to meet the triple objectives of removing the unsafe dam, supplying water to Fredericksburg and restoring free flow of river. An artificial Motts Run reservoir was constructed across the hill ridge near the River. Water is nowadays pumped out of the Rappahannock when flows are adequate and stored in the Motts Run Reservoir. Water is released from Reservoir and supplied to the City of Fredericksburg when required. Water is also released back into the river when flows are lean. The Edwards Dam has been removed by placing explosives after the Motts Run Reservoir was constructed. In this way all the objectives have been met: the unsafe dam has been removed; River Rappahannock flows freely to the happiness and satisfaction of sportsmen and environmentalists; and the City of Fredericksburg gets water. In addition, River Rappahannock has more water during lean periods.

Bhakra, Tehri, Narmada Sagar and other large dams can be removed similarly. Off-stream artificial reservoirs can be constructed at appropriate places away from the flow of the river. Water of the river can be diverted into these artificial reservoirs during monsoons. Water can be released for generation of electricity and for supply to farmers during winters and summers when the need is greatest. These artificial reservoirs can be emptied before the monsoons and the accumulated sediment can be removed. The walls of these reservoirs can also be reconstructed because there will be no incoming river water that would obstruct the work. In this way the dam can be made permanent and the welfare of future generations can also be protected.

Manmohanomics does not allow adoption such environmentally benign and sustainable options, however. The cost of making an artificial reservoir to store large amounts of water is high. It is cheaper to make a dam on the river because it is already hemmed in by hill ridges on both sides. The higher cost of making reservoir translates into higher cost of electricity. Say, the cost of generating electricity from Bhakra is Rs 4 per unit. The cost of generating electricity from the artificial reservoir may be Rs 6 per unit. Man Mohan Singh is not interested in artificial reservoirs because he is single-mindedly focused on generating cheap electricity which is mostly consumed by the rich. Man Mohan Singh wants cheap electricity today even if the life of future generations is sacrificed. Thus he has made a policy that every inch of every nala and river in the country should be dammed as soon as possible even if that leads to the collapse of our civilization tomorrow. He has made a task force to speed up making of dams on all the rivers.

People of Tamil Nadu and Kerala are to be congratulated for bringing the attention of the people to the impermanency of the dams. They should demand that Mullaperiyar be dismantled and an off-stream artificial storage be constructed so that such a problem does not ever arise again. People of other parts of the country should similarly demand the dismantling of Bhakra, Tehri and Narmada Sagar before the deposit of sediments becomes so large that it becomes impossible to remove and reconstruct the dams. ❑❑

Rupee fall due to FII pullout?

Time to end P-Note menace!

The latest exit of a mere $500 million (0.16% of our forex reserves) and its impact on the Indian economy demonstrates the need to monitor the entry and exit of P-Notes, asserts ***MR Venkatesh***

The rupee is depreciating by the minute. In just the past few days it has slipped by over 4 per cent. One significant factor that is increasing the demand for the dollar (which in turn has increased the value of the dollar and simultaneously depressed the value of the rupee) is the capital outflow caused by the exit of foreign institutional investor (FII) funds.

In this connection, Finance Minister Pranab Mukherjee observed that any intervention by the Reserve Bank of India would not effectively check the fall in the value of the rupee.

According to the Finance Minister, the demand for the dollar was triggered by the pullout by FII, triggered by global factors, from the Indian markets.

Rough estimates suggest that FIIs pulled out approximately $500 million since November 15, 2011 from India.

But who is actually pulling out from the Indian markets? While broadly categorizing the sellers as FIIs, one suspects that the Securities and Exchange Board of India cannot precisely answer that question. Neither can the RBI. Nor the Enforcement Directorate or, for that matter, the finance minister himself.

Why? The answer to the same is that the Indian stock markets have been peppered by a financial instrument called Participatory Notes.

It may be noted that as a subset of the policy on foreign direct investment, India allowed investments by foreign institutional investors (FIIs) directly into the stock markets, provided these FIIs register with Sebi and be subjected to its rules and regulations.

Participatory Notes (P-Notes) are derivative instruments issued by FIIs to foreign investors — individuals or corporates — who want exposure to Indian equities, but do not want to register with Sebi.

Thus, P-Notes are a contract between a foreign institution and a foreigner to invest into India. Needless to emphasize, the underlying securities of P-Notes are Indian stocks.

In contrast to the stringent Know Your Customer (KYC) norms laid out for resident Indians even for opening a bank account, the norms for P-Notes are relatively lax.

In fact, courts in India have held that there are virtually no KYC norms for P-Notes. That makes transactions relating to P-Notes incomprehensible.

The net result: Indian regulators do not know the names of such investors, or the origin or sources of such funds. Crucially, they can do precious little. No wonder, P-Notes are referred to also as Phantom Notes.

Indeterminate ownership

Given this background, the Union finance ministry had constituted a high-power committee, comprising senior officials and experts from the ministry as well as from Sebi and the Reserve Bank of India in 2005, to look into these issues.

The RBI, which was a part of this committee, was of the view that P-Notes should not be allowed. In a dissenting note to the expert group, it stated, "The Reserve Bank's stance has been that the issue of Participatory Notes should not be permitted. In this context, we would like to point out that the main concerns regarding issue of P-Notes are that the nature of the beneficial ownership or the identity of the investor will not be known, unlike in the case of FIIs registered with a financial regulator."

Further, the RBI apprehended that "trading of these P-Notes will lead to multi-layering, which will make it difficult to identify the ultimate holder of P-Notes. Both conceptually and in practice, restriction on suspicious flows enhance the reputation of markets and lead to healthy flows. We, therefore, reiterate that issuance of Participatory Notes should not be permitted."

Trading of these P-Notes will lead to multi-layering, which will make it difficult to identify the ultimate holder of P-Notes.

Subsequently, the Tarapore Committee set up by the RBI in 2006 to recommend steps to usher in Capital Account Convertibility, reiterated its earlier views on banning P-Notes.

In this connection, this report observed, "In the case of Participatory Notes, the nature of the beneficial ownership or the identity is not known, unlike in the case of FIIs. The committee is, therefore, of the view that FIIs should be prohibited from investing fresh money raised through P-Notes. Existing P-Note holders may be provided an exit route and phased out completely within one year."

Yet P-Notes continue to dominate the Indian capital markets. But what is disturbing to note here is that despite repeated attempts by Sebi (as exemplified by several cases involving P-Notes), it has been unable to get the names of the ultimate beneficiaries of the P-Notes or determine their owners.

●●●

There are virtually no KYC norms for P-Notes.

●●●

The net result is that even to this date, owners of P-Notes are suspected of playing ducks & drakes with the Indian capital markets.

What is appalling is that while there is capital inflow into the country on account of this dubious mechanism and its exit not only keeps the stock market on the boil, it also has the calculated effect of keeping the rupee volatile as much as keeping the macro-economy in a state of constant imbalance.

The crucial point to note here is that a mere exit of $500 million (when India has a forex reserve in excess of $300 billion!) is sufficient to dynamite the currency markets, cause a steep fall in the stock markets as it is being witnessed now, and possibly keep the money market on the boil in the coming days when interest rates could further harden.

Time to tackle the P-Notes monster

It may be recalled that all that

is stated above is nothing unknown. P-Notes have been at the centre of any debate involving gyrations in the stock markets and their consequential impact on the national economy.

It may be recalled that Parliament was agitated over the extreme gyrations in the stock markets in 2001. Consequently, a Joint Parliamentary Committee was constituted to look into the matter.

One of the interesting findings of that JPC was with respect to P-Notes. According the JPC report, Sebi expressed suspicion that some of the Indian promoters have purchased shares of their own companies through P-Notes issued by sub-accounts of FIIs.

This mechanism enabled the holders to hide their identities and to transact in the Indian capital market. [Para 8.81 of the Report]

The crux of the argument against P-Notes is that these predominantly comprise round-tripping (which is used for tax evasion and money laundering) of the corrupt money of Indians, moved out first through the hawala route and laundered back into India, taking advantage of the tax-breaks provided by the Indo-Mauritius DTAA.

That was in 2001. A decade later not much has changed in our stock markets. As pointed out above, a mere $500 million FII-pullout is enough to dynamite our economy.

What is indeed hurting the ordinary Indian is that with every pullout of a dollar by the FIIs (possibly P-Notes), the rupee depreciates. And with the depreciation of the rupee, the fuel bill of an average Indian soars.

Assuming for a moment that

●●●

What if the Chinese have parked a few billions in our markets out of their $3 trillion forex reserves using the P-Note route

●●●

these are legitimate investors, one can rationalise these developments as market-related ones.

However, what if such sales in the stock markets are effectuated by P-Note holders who are not favourably disposed to our national interest?

In the alternative they could well be some of our own who have parked their illegitimate wealth in the Indian market through the P-Note route.

What if the Chinese have parked a few billions in our markets out of their $3 trillion forex reserves using the P-Note route and attempt to pull out all of a sudden?

Crucially, in all these cases when the ownership of P-Notes is itself indeterminate, how can Sebi or RBI identify them, much less regulate them?

And all these make P-Notes a stock market escalator, or security risk or an economic disaster; probably all.

Naturally, the latest exit of a mere $500 million (0.16% of our forex reserves) and its impact on the Indian economy demonstrates the need to monitor the entry and exit of P-Notes.

With Sebi reluctant & the finance ministry unwilling to ban P-Notes, it interesting to note that P-Notes is one instrument that unites the usually warring political class!

Ideally, with the markets low and global confidence wavering, it is appropriate to get rid of the monkey on our back and take the bull by its horns.

It is time to neutralise the debilitating impact of P-Notes by banning fresh issue of P-Notes. As far as existing P-Notes are concerned, one way out would be to reopen the income-tax assessment of FIIs.

Under the extant law of the land any FII can be subjected to reassessment for assessment years beginning 2005-06. Under this process, the FII must be asked to provide the ownership details of all P-Notes issued by them and 'exited' Indian markets till date.

In case they fail to provide details of the ownership of P-Notes, the said amounts must be taxed as 'unexplained credit' in the hands of the FII.

It is pertinent to note that such details need be strategically sought only in cases of those P-Notes that have 'exited' the Indian markets, not otherwise. Those who stay invested may be allowed to do so.

While one is not sure whether such a move would inhibit further pullouts, the fact remains that this is an opportune moment to get at P-Notes!

Of course, we can tackle the morality issue later during better times.

Tackling P-Notes is a small yet effective step in curbing black money, money laundering, and restoring order into our capital markets. Else with each passing day, the Indian economy will be controlled by phantoms — the ultimate owners of P-Notes! ❑❑

How to Stop Fall of Rupee

FIIs, though, major cause of weakening of rupee, are not solely responsible for fall in value of rupee. A big jump in Indian imports that outpaced growth in exports (Imports of power plants, telecom equipments and consumer goods resulting in increased trade deficit) is another reason for continuous devaluation of Indian currency, says **Dr. Ashwani Mahajan**

Continuously declining for months rupee went to a record low at 52.7 rupees per US$, on November 22, 2011 and even further record low of rupees 54.3 on December 15, 2011. Government and the Reserve Bank are telling that Foreign Institutional investors are taking away foreign exchange abroad, which is causing weakening of rupee; as demand for foreign exchange has suddenly increased. Increased demand for foreign currencies from importers is also contributing to the spurt in demand for foreign exchange. More worrying is the fact that RBI had initially shown its inability to shore up the falling rupee. Rather the officials of RBI have been saying that any intervention by the Reserve Bank could be harmful. Department of Economic Affairs of the government also indicated that rupee might continue to remain weak in the coming weeks. Recent measures in the form of incentivising NRIs, increased limit on foreign investment in government and corporate debt instruments, raised ceilings on interest rates on non-resident deposits and also enhanced the all-in-cost ceiling for external commercial borrowings etc. are being adopted by RBI to shore up rupee.

How the Exchange Rate is Determined

Exchange rate of rupee vis-a-vis US$ (or any other foreign currency) is determined by demand and supply of US$ (or any other foreign currency). Demand for foreign currencies come from importers and sometimes also from FIIs who wish to take their funds abroad. Supply of Foreign Exchange comes primarily from exporters of goods and services, inward remittances by NRIs, foreign investors (both Foreign Direct Investment and Foreign Institutional Investment). These days an additional major item in outgo of foreign exchange is income outflow by MNCs. Therefore, when importers demand more foreign exchange or foreign investors increase their outgo, demand for foreign exchange grow and rupee weakens.

Country's currency weakness could be a boon for exporters, because their benefits will increase significantly. However, for country at large this is not a good situation. Falling value of rupee, whether due to spurt in imports or increased transfer of funds by foreign investors is going to make life difficult who is already reeling under hyperinflation. Fall in value of rupee will not only increase price of crude oil in rupees, even raw materials and metals would also become dearer and may multiply the problems for industry. Inflation, which already is rallying in two digits, may further go up.

History of Devaluation of Rupee

Era of New Economic Policy, since 1990, has also been an era of depreciation in the value of rupee. Exchange rate of rupee vis-a-vis dollar, which was rupees 17 per US$ in 1990, reached rupees 44 per US$ in 2006-07. In 2007-08 it appreciated and reached near rupees 40 per US$. In the next year, it depreciated again due to big outflow of foreign exchange by FIIs in wake of deep recession in US and Western Europe and reached a historic low at rupees 52.21 in 2008-09. Outflow of foreign exchange by FIIs was not due to the reason that FIIs feared of any major losses in India, but was due to the reason that they were facing major liquidity crunch in their domestic countries.

After improvement in conditions in their respective domestic economies, these FIIs started bringing foreign exchange once again and rupee started improving and exchange rate reached Rupee 44.5 per US$ by March 2011. Indications of possible sovereign default by US government and subsequently downgrading in economic rating of USA by Standard & Poor's increased problems of USA manifold and markets around the globe tumbled. India also felt the heat. Repeating the experience of 2008, FIIs once again started flight of capital (which is also called flight to safety) and rupee started tumbling again and reached its historic low at rupees 52.71 per US$ on November 22nd, 2011 and further rupees 54.3 per US$ on December 15, 2011.

Advantages of Strong Rupee

Many times, it is considered that devaluation of currency is advantageous for the domestic economy as it would encourage exports and discourage imports. This is so because devaluation of rupee will make our imports costlier and exports cheaper. However, the experience so far reveals that devaluation actually has been worsening the inflation, as prices of petroleum products, essential machinery and equipments, metals and other raw materials increase, which in turn raises the cost of production. Thus, the process of development is adversely affected due to devaluation. Therefore, strong rupee is in the interest of the nation because it helps in controlling inflation. Another advantage of strong rupee is that, the popularity of rupee in international market improves and therefore other nations would love to keep rupee instead of other currency. In the end, strong rupee would help us in raising international loans in term of rupee, which may reduce burden of repayment in terms of foreign exchange.

How to Stop Fall of Rupee

In the long run, strong rupee is definitely in the interest of the nation. However, at present the major challenge is to stop the fall of rupee. For this, it is imperative that the policy makers understand the reasons for weakening of rupee. It is true that FIIs are finding it safer to invest in US treasury and therefore they are disinvesting in Indian share market and putting their money in US Treasury bonds. There has been no decline in software export nor in the remittances from Indians from abroad, still India is facing a major decline in rupee due to the fact that FIIs are not only not bringing fresh investments, they are even taking their previously invested money abroad. However, this is not the only reason for weakening of rupee. In the recent past, there has been a big jump in Indian imports and the growth in imports has outpaced growth in exports. Imports of power plants, telecom equipments and consumer goods have increased manifold recently. As a result, trade deficit has soared to US$ 130 billion in 2010-11. In the first quarter of the present financial year, the trade deficit has been to the tune of US$35.4 billion, which is again a record. Increasing imports from China are raising our trade deficit significantly. Today trade deficit with China comprised of 20 percent of total trade deficit, which is alarming. Therefore, we can say that, FIIs, though are the major cause of weakening of rupee, and are not solely responsible for the same.

Though RBI's has now started adopting some measures to stem the fall of rupee, previously it was saying that it has limited options in this regard. It is the responsibility of government and the RBI to adopt concrete measures in view of the challenge of weak rupee. Effective restriction on the imports, especially from China can help. This is possible by raising tariff and other barriers in the form of health standards and strategic issues. Apart from this taking a cue from Brazil, we can even tax the profits of FIIs. There should be a minimum three years lock-in period for investments from FIIs. All this will help us in imparting discipline among the FIIs and ultimately stop fall of rupee. ❑❑

Callous Administration adds to Pathetic life of Weavers: SJM Survey

Appala Prasad along with his team

A Scientific Survey by Swadeshi Jagaran Manch exposes the Pitiable Condition of Weavers of Kappaladoddi (Krishna District)

It is a great pity that there are lakhs of weaver families in the state of Andhra Pradesh who are under starvation. Not only in Sirisilla(karimnagar dist) and Dubbaka(medak dist), but in all districts do we find the disgraceful lives of these families. On October 18th and November 26th and 27th 2011, Swadeshi Jagarana Manch study team with 25 management students' team visited the village of Kappaladoddi of Gudur Mandal in Krishna District. As many as a hundred families crowded round us immediately.

Their troubles and tribulations for the 10 to 15 fifteen years are beyond any explanation. While some people submitted their petitions, other burst into tears being unable to outline their woes. While some people have nothing to eat, some others look for death. Thus, everyone's condition is quite deplorable. When I, accompanied by our team members visited the village, From 11 in the morning to 4 in the evening, those families followed us. They are fed up with indifference of the Government. It is very touching for anyone to see their faces eagerly waiting for anybody who would come forward to protect their interests. One can only appreciate the purity of their inner self when they lament and pray that such grief as theirs would never come to anyone.

At the local level, Sri Loknath Rao, Y. Kotaiah, Ramesh, Subbaiah and others gave an account of the weavers' lives. An awareness camp was held with 200 people for nearly 3 hours on same day. Women, children and youth and the old, everyone talked about his or her plight. With their meager wages and having sold out their properties, they are leading a disgraceful life with heavy debts.

When the weavers lose their lives, their survivors are unable to meet the police enquiry, post mortem or even the funeral expenditure. Can their outcry ever reach the ears of the Government? While most of the families are unable to educate their children, some others, even if they educate their children by borrowing the cost, fail to repay the debts.

There are so many of them leading very hard lives in rented homes. They could not get the houses built in the registered plots sanctioned by then Chief Minister, Sri Chandrababu Naidu.

It is very difficult to perform the marriages of their daughters.

Tears rolled down from everyone's eyes when a tenth class girl appealed sobbingly to lend a hand to her to go for higher education and not to employ her in the weaving work. Two other tenth class students, Raagamalika and Naveen requested to aid them for their higher studies.

Sri Kotaiah deplored that it is merely seen in newspapers that the Government waives the interest on the loans taken by the societies. But, in fact, the scheme is hardly implemented.

Sri Surendra Babu hoped that it would be a little relief if they had an own house and an own loom.

Smt. Paidamma begged that her daughter, pursuing Triple IT, may be supported financially to meet her expenses.

The families are unable to feed and support their physically and mentally disabled members.

Diseases like diabetes, rheumatism, pneumonia, throat infection, sight heart problems place these families in a great predicament.

Professionally The weavers of Kappaladoddi, who are weaving saris with 800 old pit-looms, are unable to compete with the latest power looms. Sri Utukuri Kotaiah expresses his grief over the fact that there is no support either from the

public or from the Government.

Though there are 5 societies in Kappaladoddi village, they do not receive any support from the Government-deplores" said by Sri Subbaiah.

Sri Madhusudhan Rao grieves that when weaver's interests are not protected, suicides become inevitable. Sri Ekkela Kotaiah feels that the Government schemes are restricted to the public sector alone. They are not reaching the ordinary labourers.

Though there are 15 master weavers in the village, the workers are the pay that they deserve. The Government fails in imparting training in latest designing and also providing market facilities in a village that is capable of producing 80 count saris.

The weavers are going to Hyderabad, Karnataka and Orissa to market their products. There is sufficient scope of extending the market for their products with highest quality if the Government extends its support.

The fact that the weavers do not receive the bills in time for the products sold to APCO adds to their troubles. The societies feel that it would be beneficial for them if the present 12 percent rebate in raised to 15 percent.

While 800 looms are functioning under the control of Societies, the others are run by the master weavers. These pit looms get damaged when rain water drench them in the pits. This problem can be solved to some extent if the pits are built with cement at the cost of Rs. 3000/- a pit. But nobody heeds to it.

There are around 500 workers in the age group of 30 to 40 years. Though they are hard- working by nature, they tend to get disappointed and frustrated as there is no protection for them. There are artists, but there is none to support them. So this field loses its glory.

Under the Antyodaya Scheme, just 65 people get 35 kilos of rice per month. Isn't it the Government's responsibility to see that the scheme is extended to the hundreds of other poor families which are crushed under the burden of poverty.

The Society started in this village in 1944. The (dis) credit goes to the Government which has brought the weaving profession to this pathetic stage instead of taking it to higher and higher levels.

The Globalization of 1991 and the resultant economic policies have sent tremors into the lives of weavers. In the name of competition age, they are weakening the already sick handloom field and encouraging the multinational companies at the cost of public interest.

There is very urgent need of the support from the Government and social organizations to improve the condition of the weavers and for the development of the handloom industry in Kappaladoddi.

As we have spent 3days in the village, we could get the real picture of horrible situation prevailing in the state. Swadeshi jagarana Manch appeals to the young men and women and various voluntary organizations to bring the plight of the weavers to the notice of the Government. The organization also warns that if the Government lends a deaf ear to it, there will be mammoth public agitation.

Demands of weavers of Kappaladoddi-

1. 35 kilos of rice under the Antyodaya Scheme should be supplied.
2. The Govt. on its own should take up the construction of houses & sheds in the patta lands.
3. The workers' medical reimbursement bills should be cleared with immediate effect.
4. Personal loans should be written off fresh, interest free loans sanctioned.
5. The Government should provide free educati n from primary to higher studies. Scholarships should be paid.
6. Free medical camp should be organized in the village and special medical care be provided for the various ailments prevailing in the village.
7. In time payment of bills for the products purchased by APCO.
8. Yarn should be supplied to weavers on subsidy.
9. Governemnt should purchase the handloom products and encourage them.
10. Pit looms should be built with cement.
11. The families of the weavers who have committed suicides should be given immediate relief from the Chief Minister's Relief Fund without waiting for the post-mortem report.
12. Special counseling should be arranged for preventing or discouraging suicides. ❑❑

Appala Prasad

Muralidhar Rao unertakes 3-day hunder strike for betterment of weavers

Slamming the UPA government for its apathy towards weavers across the country, P Muralidhar Rao, former National convenor of SJM and presently National Secretary BJP, sat on a three-day hunger strike in Hyderabad protesting the policies of the Central and the Andhra Pradesh governments, for the distressed community.

Addressing a gathering after launching his 72-hour-long hunger strike, in wake of the pathetic conditions of weavers, Rao alleged that the central and state governments have been setting up Economic Special Zones and granting funds in crores to various firms and companies, but have totally neglected the weavers in handloom and powerloom sector. Urging the UPA government to announce a clear textile policy to help weavers, the BJP leader said India's handloom sector was in acute distress as thousands of weavers have committed suicide due to the wrong policy of the government.

BJP president Nitin Gadkari, who addressed the concluding meeting at fast camp, said: "Deendayal Upadhyaya said that the last man in the society too should get food, shelter and clothes. Then only can our dream to see a developed India be realised."

Stressing the need for implementation of the principle of Antyodaya, which stands for eradication of poverty and provision of basic needs of every family, Gadkari said only Antyodaya could correct the current imbalances in the country.

By chanting the Antyodaya of Uapadhyaya, Gadkari also recalled Mahatma Gandhi's words that development of the country was possible only with the development of villages.

"Gandhi wanted maximum production employing maximum number of persons. But Jawaharlal Nehru pressed for maximum production ignoring the employment aspect," Gadkari said while rejecting the Nehruvian model of economy.

"I am congratulating Muralidhara Rao on undertaking a three-day fast for the betterment of weavers. This is just a trailer. The full movie will be released soon," Gadkari said, while indicating that Upadhyaya's philosophy would be the guiding force for the BJP.

"Do not make rounds to Delhi to get party tickets. BJP is not here to see a particular person as MP, PM or CM. It is here to bring about a change in society. Go to the poor and work for them. Then only will the party recognise you," he told party leaders.

Let us Join Hands to Support Deprived Indians

Before embarking on the three day protest fast Muraliji wrote an Open Letter to fellow Indians for support to this deprived segment of Indian Society. The letter says:

Dear Friends and fellow citizens of India: India's handloom sector comprising, in livelihood terms, the largest chunk of India's population after farmers, is in acute distress.. For several years, I have engaged intimately with weavers' communities across the country, acquainting myself firsthand with their devastating problems, all the more distressing as they are rectifiable through an exercise in political will.

We are all aware of India's rich heritage of handlooms and handicrafts. The sheer size of this sector is evident from the fact that there are nearly two-and-a-half million handlooms in India (2,377,331 to be precise, as per the Handloom Census, 2010). It is a de-centralized, small-scale, community-based and labour intensive industry, with a legacy of unrivalled craftsmanship... Handloom weaving is a full-time family profession, providing both self-employment and casual employment. Both men and women participate equally.

Recognising the strength of this crucial sector Mahatma Gandhi used it as a symbol and a vital instrument of freedom struggle. Khadi weaving not only became a strong tool of mass mobilization but an emblem of self reliance besides representing the aspirations of millions of Indians for their socio-political freedom. It is really unfortunate that the sector which was a rallying point for swadeshi and self- reliance during freedom movement has got completely neglected in independent India. Thus the weavers are forced to live a life of utter neglect, gross deprivation and absolute scarcity and sustenance has become a challenge for these skilled workers who are involved in manufacturing of excellent fabrics. This community suffered the worst excesses of the British Raj. After Indpendence, they suffered much more.

India is currently the world's largest producer of handlooms, turning out more than 5 billion metres of fabric in 2005. This accounts for 23 per cent of the total textile production in India. The major handloom weaving states in India are West Bengal, Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Assam and Manipur. Some 12.5 million people are dependent on handloom weaving for their livelihood. This sector plays a vital role in local economies, especially in rural areas.

Multiple schemes claimed to be formulated to improve the conditions of weavers, like training projects to work shed-cum-housing, cluster developments, weaver's comprehensive welfare inclusive of health insurance, mill gate price scheme, marketing and export promotion, strengthening of weavers services centre, etc have failed in their objective. The condition of the common weavers in the country continue to remain desperate and distraught.

The majority of weavers remain outside the reach of the institutional mechanism and the burden of the weaving community in no way mitigated. Presently, large majority of the weavers do not have the bank accounts and accessing credit from formal institutions remains a distant dream. Barely ten per cent of weavers, mainly those associated with Handloom Cooperatives, receive bank credit and other monetary support from government those outside the cooperative umbrella, get nothing. The Planning Commission acknowledges that 80 per cent of handloom weavers depend on private money lenders who charge exorbitant interest rates. Societies are made to suffer on account of delay in payments running into lakhs of rupees for several months by the marketing organizations created by the government. In Andhra Pardesh alone APCO owes weavers societies money ranging from Rs 2lakh to Rs 56 lakh.

These societies in order to pay weavers take money on credit from money lenders and get heavily indebted in the process. Successive Congress Governments, in AP and at the Centre have neglected this sector for years and have pushed it towards decimation. The condition of weavers, during the rule of Congress led UPA, has deteriorated sharply all across the country, but nowhere more so than in the state of Andhra Pradesh. Suicides by weavers have reached epidemic proportions.

According to state government figures, 700 weavers committed suicide in Andhra Pradesh in recent times (the actual figure is around 2,000).

The reasons are (i) lack of regular job-work, (ii) inadequate wages, (iii) indebtedness, (iv) negligence in paying bills by government agencies to weavers for their products, (v) high cost of production and no remunerative price, (vi) ill health. Even when the government declares financial assistance to the families of the victims, it is not delivered one pretext or the other.

We must bear in mind that weavers are a self-respecting community, taking enormous pride in their skill and workmanship. This renders them unfit for menial labour, with the result that even non-skilled labourers are better paid than weavers. The community has an almost zero crime rate, a testimony to their honest devotion to their craft. They also tend to suffer in silence and thus, their grievances are rarely redressed. Wages have not increased in the last 15 years. Some sections of handloom weavers are living in hand-to-mouth conditions, with no house or assets.

Keeping the importance of the sector in view - in terms of the sheer numbers of people involved, the size of the handloom economy and the urgency of stemming the tide of weavers' suicides – the Bharatiya Janata Party has pro-actively taken up the issues confronting weavers at various levels. The party has conducted hundreds of cluster meetings, prepared extensive documentation, undertaken public mobilization and mass contact programmes through its local office bearers. Allocations for handloom in national and state budgets are being reduced.

In the last ten years, budget allocation has been decreasing gradually and continuously, as the Tables here show. It is also interesting to see the overall budget for the Ministry has been increasing. It has grown by a factor of seven between 1997-98 to 2009-10 – from Rs.739.04 crores to Rs.5398 crores.

Rise in budget for non-handloom sector essentially mean that handloom is no longer considered as the mainstay of the Ministry of Textiles work. There is a clear divergence from the pronouncements and budget allocations. Handloom sector is being 'weakened' by reductions in budget allocations and further by active promotion of powerlooms and mills.

In order to highlight the plight of weavers, bring it into public focus and create pressure on the government to take remedial steps, I have decided to sit on three-day hunger strike in Hyderabad, Andhra Pradesh, from 14th to 16th Dec, 2011. Senior party leaders associated with the weaving communities from various states, along with prominent Members of Parliament, will also participate in the programme Sh. Nitin Gadkari Ji, All-India President of the BJP, will address the weavers on the concluding day, 16th Dec, 2011.

The support extended by you in this struggle for revival of handlooms is crucial. Our cause is nothing less than to emancipate millions of weavers from dire poverty and establish them once again as the world's leading craftsmen, thus preserving a vital aspect of India's heritage. ❑❑

Needed an economic order that safeguards the interests of the society & universe: Bhayyaji Joshi

The Swadeshi Jagaran Manch (SJM) should accept the challenge to spread the influence of Bharatiya thought to enrich the life on this earth in coming days by successfully confronting the dangers and threats of consumerism, pollution and wanton degradation of resources, said Shri Bhayyaji Joshi, Sarkaryawah of Rashtriya Swayamsevak Sangh (RSS) in Nagpur.

Bhayyaji Joshi was addressing a gathering of intellectuals, industrialists, chartered accountants and others organized by Swadeshi Jagaran Manch (SJM) at Moropant Pingle auditorium at Reshambag on December 3, 2011. Principal Yoganand Kale and Prof Ajay Patki of SJM shared the dais on the occasion while Sri Ashutosh Pathak compeered the proceedings.

In his hour-long educative address Sri Bhayyaji Joshi touched upon various aspects of the present economic order and the threats arising out of it to human and natural resources in various parts of the world. He insisted that the answer to all these threats and challenges, posed by the economic order driven mainly by the greed of the powerful nations and the multi-national companies (MNCs), can be found in the Bharatiya thought and thinking on human life. What is most needed is to reproduce that thought commensurate with the modern terminology and environment. He wanted the SJM to accept this challenge and devote itself to create families who could be described as 'living examples' of this Bharatiya thought.

The RSS Sarkaryawah said that this Bharatiya thought was universal, fundamental and eternal thinking of the learned people who gave priority to preserving the life and resources available all through the ages. Had this thought been translated into our life many a problems confronting the human society today would have been solved easily, he added.

The modern economic thought was centered round the human being. But that thought was incomplete in the sense that it only considered human being in parts and not as a whole. Creating maximum resources and gadgets to provide maximum pleasure to man was the core issue of these development models. The barometer of happiness existed on maximum usage of resources available for the individual therefore more stress was laid on achieving physical progress, material wealth and consumer goods. This has been the thinking of rich, capitalist countries like the USA. Today the rich are getting prestigious place in the society without going into the details of their source of richness. This was the dangerous trend, he added.

With this capitalist tendency handful of people started controlling the economic affairs of the world. Organizations like WHO would decide what kind of medicines the less developed countries would require. The policies of the WHO were in turn decided by the MNCs in pharmaceutical production field. "So, practically speaking, the MNCs in pharma sector decide the health policy of the world which is fundamentally wrong. In doing so their ulterior motive was to gain control over the resources of the world. Bharat has rich treasure of natural resources including ample sunlight, wind and water energy and the MNCs are more interested in gaining control over them", he clarified.

The other trend in economic sector was to have total control of the state machinery over the resources and facilities which was the Communist thinking. Both the capitalist and communist thinking of human welfare and happiness were imperfect and incomplete as they considered the human being as bundle of desires and the aim of life was to generate as many resources as possible to satisfy these desires. The entire system was tuned to follow this principle and the education system was so created to fulfill these objectives. But both the systems have ignored the basic thought about the human being, he remarked.

Sri Bhayyaji further said that the Bharatiya thinking did not accept the human being as a mere bundle of endless desires. The Bharatiya thinkers understood that the human being has a mind and satisfaction of mind cannot be obtained merely by material wealth. Beyond the mind there is intellect and beyond that there is the soul which also needs to be satisfied to

●●●

The concept of giving back to the society was part of this lifestyle developed by our forefathers.

●●●

a certain level. The real satisfaction was in giving something for the society. Therefore, in Bharatiya society those commanded respect and honor above the ruling class who gave something to the society. The name of Bhama Shah is associated with Maharana Pratap because he sacrificed his riches for the cause of the society.

Profit and loss determine the policy of production in the west while public requirement decided the same in Bharatiya thinking, he said but lamented at the tendency of adopting the western policy in Bharat. The craze for cash crops has not only dominated this profit and loss policy but caused degeneration of our land resources.

Hitting hard at the tendency of acquiring control over the resources, knowledge and information by way of patents the RSS leader said that this was the demonic mentality and at best could be described as perversion set in human thought and thinking. "There is no thought for the posterity. All thinking is centered round the present. This is a dangerous thought", he explained.

"The natural resources are the gift of the Creator and we are its trustees. We should take from them whatever is required to fulfill our needs", he said adding that even Mahatma Gandhi had said that nature has enough to satisfy man's needs but not enough to fulfill his greed. We believed that the entire universe is supported by the one spiritual power and our lifestyle was designed in tune to this basic thought. The concept of giving back to the society was part of this lifestyle developed by our forefathers. But the influence of rituals in the later years corrupted this lifestyle today.

Referring to two words 'Kamadhenu' and 'Kalpataru', Sri Bhayyaji said that these two words were coined by the Bharatiya society to express its gratitude towards the entire animal and plant kingdom which helped the human being in leading a sustainable life. Our thinkers associated everything with *Dharma*. Had we followed this we would not have faced the problems of pollution today.

The Bharatiya thinkers strived to establish a lifestyle commensurate with the relationship of the resources and human beings which even today could lead the humanity through this present crisis. What is required is to create an economic order which would safeguard the interests of the society and universe.

The challenge to create a worldwide influence of our time tested lifestyle should be accepted by organizations like Swadeshi Jagarana Manch. We were always open to new thoughts but lack the strength to stand with unshakable will and unassailable edifice of spiritual strength. As Swami Vivekananda had said we need to work to establish this universal, fundamental thought which would ensure welfare of the entire human race and resources. This was what the Swami described as Vedantic Imperialism. But there is a need to translate this eternal thought into modern parlance to make the present generation aware about the same. ❑❑

Ministers' foreign trips: Rs 435 crore due towards Air India

Union cabinet ministers have accumulated dues of Rs 435 crore on the cash-strapped Air India which is 93 per cent of the total bills incurred by them during their visits abroad. This information was provided in Lok Sabha.

Responding to a question, minister of state in the Prime Minister's Office V Narayanasamy said during 2009-10 Cabinet Ministers incurred bills of Rs 61.10 crore on foreign travel while ministers of state spent Rs 3.78 crore. In 2010-11, cabinet ministers spent Rs 37.17 crore while ministers of state spent Rs 4.76 crore. In 2011-12, foreign travel bill of cabinet ministers was a staggering Rs 460.78 crore till December 16, 2011 while for ministers of state the figure was Rs 3.80 crore, he said. The minister said the figure of Rs 460.78 crore "includes pending payments to Air India for previous years amounting to Rs 435 crore".

He said ministry-wise expenditure information is being collected and would soon be tabled in the House. ❑

KFC overtakes Pizza Hut

KFC, which almost quit India due to protests from health and animal rights activists after its debut in 1995, has overtaken Pizza Hut as the largest-selling fast food chain of Yum! Restaurants, riding on the country's increasing appetite for chicken. World's largest quick-service restaurant (QSR) chain McDonald's, domestic fried chicken chain Bangs and T.G.I. Friday's restaurant chain too have reported a spike in chicken sales this year, confirming the widening appeal of the meat as eating out becomes a habit across the country.

"KFC is growing faster than Pizza Hut," says Sandeep Kataria, chief marketing officer of Yum! Restaurants India, while McDonald's says the McSpicy chicken burger range is the fastest growing product across its 240 stores. Driving this chicken mania is a number of factors including rising number of nuclear families, youngsters staying away from home, travel, rising incomes, changing lifestyles and mall culture that has boosted accessibility, competition and innovations.

The growth in demand is expected to continue. The Rs 40,000-crore domestic poultry industry expects per head chicken consumption to double to 6 kg a year by 2014-15 from less than 3kg last year.

26% FDI cap in print media Justified

The government has underlined its concern for employment in the domestic newspaper industry as a reason for not increasing foreign direct investment (FDI) over 26%. I&B minister Ambika Soni said that there was no unanimity in the country on increasing FDI.

Responding to a query during Question Hour in the Lok Sabha, Soni said, "With the liberalization process, 26% FDI has been allowed in foreign news and that category of newspapers. But it has been our considered policy and there is no unanimity in the country on increasing the FDI quotient. It is also an endeavour on the part of the government to encourage the newspaper industry which is indigenous, which is Indian, so that our people do not lose their source of employment." The minister said that there was an ongoing debate but no unanimity on increasing FDI. Under the present policy, newspapers and journals publishing scientific, technical, specialty journals can get 100% FDI. Foreign publishing houses, who own foreign newspapers, are also allowed to bring out a facsimile edition of the foreign newspaper through its wholly Indian-owned subsidiary.

Soni said, "I agree that Internet has made it much easier to access foreign newspapers as well. But the policy has to remain conducive to employment for the Indians." She added that the policy measures for the news and current affairs sector had benefitted the domestic newspaper industry.

Chinese troops damaged stone wall in Tawang

Chinese troops had in July this year damaged a 200 feet stone wall which was built 250 meters inside the Indian Territory in Tawang area of Arunachal Pradesh, government told the Rajya Sabha. "As per the established mechanism with China, a strong protest was lodged with the Chinese side on the action of the PLA patrol in a flag meeting (between the two sides)," Defence Minister A K Antony said.

In reply to a question, the Minister said the attempt by the Chinese People's Liberation Army (PLA) to raze the wall was prevented by the Indian army. "In July, a PLA patrol attempted to cross a 200 feet wall of loose stones constructed 250 metres on our side of the Line of Actual Control (LAC) in Yangtse area of Tawang, which was prevented by our troops," Antony said. The stone wall was partially damaged by the PLA patrol, but it has been reconstructed, he said.

The 200-metre long wall was constructed by

Cabinet clears Rs 6,600 crore French missile deal

India has cleared the Rs 6,600-crore acquisition of 490 French advanced missile systems to arm the Mirage-2000 fighter jets, which are being upgraded under a separate Rs 10,947 crore programme finalized in July, 2010. The Cabinet Committee on Security (CCS), chaired by Prime Minister Manmohan Singh, cleared the contract for the fire-&-forget MICA (interception & aerial combat missiles) with French armament major MBDA.

Another major defence deal, the acquisition of 75 Swiss turbo-prop aircraft to train IAF rookie pilots for over Rs 3,000 crore, is likely to be cleared. IAF wants to induct the 75 Pilatus PC-7 basic trainers by 2013-14 since its 114 piston-engine HPT-32 aircraft have been grounded since August, 2009, due to repeated engine failures, leading to training of pilots being truncated.

The MICA systems will be fitted on IAF's 51 Mirage-2000s, which are to be progressively upgraded with the help of French companies Dassault Aviation (aircraft manufacturer) and Thales (weapons systems integrator). ❑

Indian Army for protection against the icy winds during the patrol duties. Replying to a question on infrastructure development along the Chinese border, he said, 10 railway and 73 roads projects have been identified in North and North Eastern regions.

Multiple faults in UID 'Aadhar'

The former finance minister and senior BJP leader Yashwant Sinha-headed standing committee on finance has picked multiple holes in the much-hyped Unique Identification 'Aadhar' Scheme and asked the government to bring forth a fresh legislation before Parliament. The key objections of the committee on the National Identification Authority of India Bill, 2010 include: No feasibility study, approved in haste, security gaps, directionless, unreliable technology, limited coverage and lack of coordination.

The Home Ministry has raised serious security concern over involvement of private agencies in large scale scheme. The Ministry of Planning has expressed reservation over the merits and functioning of the UIDAI and the necessity of collection of iris image. The National Informatics Centre has pointed out that issues relating to privacy & security of UID data could be better handled by storing in a govt. data centre.

CAG questions Cong JPC member

Comptroller and Auditor General (CAG) Vinod Rai has taken serious exception to allegations levelled against him by some Congress members on JPC Panel that he pushed forth "corporate agenda" in his report on 2G spectrum scam.

JPC chairman PC Chacko confirmed that this took place during the two-day JPC meeting. "Some members alleged that the CAG acted on certain corporates' agenda and had selective corporate interest. Some other members objected to such kind of questioning and leveling of allegations against the CAG. Responding to this particular question, the CAG said such questions were objectionable," said Chacko without elaborating the incident.

According to Opposition party members in the JPC, they objected to Congress MP Manish Tewari's "style of questioning and bullying" of Rai.

In the meeting, Congress members tried to demolish the whopping loss figures of Rs 1.76 lakh crores mentioned in the CAG report on spectrum scam. "They cited CBDT's report that there was no word called 'presumptive loss' in IT Act in big contracts and the concept is used for small contracts," said an Opposition party member.

In previous sitting in November, Rai told JPC that the concept of presumptive loss was mentioned in IT Act and newly introduced Direct Tax Code bill.

Bill on migration of labourers rejected

A Parliamentary panel has rejected an amendment Bill relating to inter-State migration of labourers, contending it is not comprehensive enough to address the problems of the workers in "entirety".

The panel was of the view that the Government should instead wait for the recommendations of a committee already set up to take a comprehensive review of the existing legislation. The Govt. had introduced the 'Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Amendment Bill 2011' in Rajya Sabha in August this year & it was referred to the committee on August 24.

"The committee recommends that the Bill should be returned to the Government with a request to bring a comprehensive amendment bill so that the problems of the migrant workers could be addressed in entirety," the panel, headed by Hemanand Biswal, said in its report tabled in Lok Sabha.

China's $300bn fund a wake-up call

China's central bank plans to create a new vehicle to manage investment funds worth a total of $300 billion to improve returns on the world's largest stockpile of foreign exchange reserves, according to published media reports. The vehicle will operate two funds, one targeting investments in the US and the other focused on Europe. The vehicle's goal is believed to make more aggressive overseas investments for higher returns. It's the clearest sign yet of Beijing's waning faith in bonds issued by Europe and the United States. Europe's festering debt debacle, record low yields on US Treasuries and a depreciating dollar all add weight to the view in China that the time is ripe to change investment tack.

"China has decided that real assets are better than broken debt fix promises and low interest rates," says Paul Markowski, president of MES Advisers and a long-time external adviser to China's monetary policymakers on global financial markets. Beijing has watched for two years as Europe's crisis has choked growth and demand in China's biggest export market and stoked default risks on the near $800 billion of euro zone government bonds it is estimated to own.

After all, China had actively bought euro assets to guard its $3.2 trillion reserve pile against over-exposure to U.S. dollars, which have lost about a third of their value in the last 10 years as U.S. Treasury yields have sunk to record lows. ❑

Republicans agree to Obama's demand

Republicans in the US House of Representatives caved in to demands by the President, congressional Democrats and fellow Republicans in the Senate for a short-term renewal of payroll tax cuts for all workers. The payroll tax cut was the centrepiece of Obama's three-month campaign-style drive for jobs legislation that seems to have contributed to an uptick in his poll numbers and taken a toll on those of congressional Republicans.

House Republicans were under fire from their constituents and Republican establishment figures incensed that they would risk losing the tax cut issue to Democrats at the dawn of the 2012 Presidential and congressional election year. House Republican arguments about the legislative process and the "uncertainty" a two-month extension would mean for business were unpersuasive.

After days of wrangling that even Republican House Speaker John Boehner acknowledged "may not have been politically the smartest thing in the world," Boehner abruptly changed course and dropped demands for immediate holiday season talks with the Senate on a full-year measure that all sides said they want. Senate leaders had insisted on the two-month extension to buy time for talks next year.

$5.5 billion WB aid for Pakistan

The World Bank will provide Pakistan with $5.5 billion in development aid over the next two years. "We will continue our strong support to Pakistan, while keeping a keen eye on implementation to ensure that these efforts translate into real results on the ground," said the bank's Pakistan country director Rachid Benmessaoud. Inspite of all the evidences that Pak is engaged in spreading the terror network in the world, still international community considers Pak as the best friend. So it indicates that, all they share the crocodile tears. No one is really interested to go by the principle and with the right one. As long as their interest is protected, there is no harm to make friendsip with terrorists. So is pak's principle. They want to nurture the snake which they belive will bite their enemies.

European crisis a risk for all nations

IMF chief Christine Lagarde says that the European debt crisis poses a risk for "all economies of the world," as she met officials in Nigeria on her first visit to Africa as head of the fund. "And what is happening in advance economies, particularly in Europe, is obviously of concern for everybody around the world at the moment," she said while meeting Nigerian Senate President David Mark. "Because the severity of the crisis and the difficulty that the Europeans have in dealing with the crisis will have a ripple effect in all economies of the world."

China-Pakistan currency swap

China has announced a currency swap with Pakistan in the latest step to gradually expand use of the tightly controlled Chinese currency abroad. The Chinese central bank said it swapped 10 billion yuan ($1.6 billion) for 140 billion Pakistani rupees. It said the exchange would promote investment and trade but gave no details of how the money would be used.

China's yuan doesn't trade on global markets, but Beijing is gradually expanding its use for trade

New satellites to extend China's military reach

China reached a milestone in its drive to master the military use of space with the launch of trials for its Beidou satellite global positioning network, a move that will bring it one step closer to matching US space capabilities.

If Beijing can successfully deploy the full 35 satellites planned for the Beidou network on schedule by 2020, its military will be free of its current dependence for navigation on the U.S. global positioning network (GPS) signals and Russia's similar GLONASS system. And, unlike the less accurate civilian versions of GPS and GLONASS available to the People's Liberation Army (PLA), this network will give China the accuracy to guide missiles, smart munitions and other weapons.

"This will allow a big jump in the precision attack capability of the PLA," said Andrei Chang, a Hong Kong-based analyst of the Chinese military and editor of Kanwa Asian Defense magazine. China has launched 10 Beidou satellites and plans to launch six more by the end of next year, according to the China Satellite Navigation Management Office. ❑

with some countries. It has carried out currency swaps with Argentina and Kazakhstan and agreed to lend yuan to other countries in case of emergencies.

US economy gaining momentum

The US economy is gaining momentum and should push through next year with only a few bruises despite an almost certain European recession and slower global growth. A firming in the anemic US labor market should put the economy in reasonable shape to withstand headwinds from overseas, although the recovery will likely slow at the start of the year after a surprisingly solid fourth quarter. Data from employment to manufacturing imply US growth will top a 3 percent annual rate in the fourth quarter, which would be the fastest pace in 18 months.

Much of that expansion reflects the release of pent-up demand for autos and a restocking of inventories by businesses, temporary factors that could lead to a lull early in 2012. But a healing labor market provides a signal of a more-lasting and fundamental strengthening of the recovery. The jobless rate fell to a 2-1/2 year low of 8.6 percent in November and first-time claims for jobless benefits have dropped to the lowest level since early 2008.

Putin's response Mikhail Gorbachev

The last Soviet leader Mikhail Gorbachev has said that he was ashamed of Vladimir Putin and Dmitry Medvedev's career was over, in a stinging rebuke to the Russian ruling duo over their response to protests. Gorbachev's criticism came in an interview with the opposition Novaya Gazeta paper — which he part owns — on the eve of a new wave of protests over the outcome of fraud-tainted December 4, Parliamentary polls. "This is shameful. And embarrassing. I, for example, am ashamed," Gorbachev said in reference to a television appearance last week in which Putin compared the white ribbons worn by Russian protesters to condoms. "I feel tied to Putin in the sense that at first, when he came to power, I actively supported him everywhere — both here and abroad. And now look."

Former KGB agent Putin and Medvedev — suspected of more liberal leanings when he replaced his mentor as president in 2008 — have both dismissed the fraud allegations and linked protests to shadowy funding from the West. The vote saw their ruling United Russia party narrowly retain its majority despite allegations of widespread voter irregularities in Moscow and ballot stuffing across other regions of Russia. The so-called "ruling tandem" intend to swap jobs after March Presidential elections in arrangement where Medvedev is to become Putin's Prime Minister. But Gorbachev said Medvedev had lost his credibility as a politician by refusing to question the election results.

Abbas' reconciliation with Hamas

Moves by Palestinian president Mahmud Abbas to seal reconciliation with Hamas drew an angry response in Israel with one Government Minister even calling for the annexation of Jewish settlements in the occupied West Bank. After talks with Abbas in Cairo that Hamas leader Khaled Meshaal told AFP were held in an "excellent atmosphere," the two men agreed on a process that would pave the way for the Islamist group to join a reformed Palestine Liberation Organisation and for long delayed Palestinian elections.

Israeli Prime Minister Benjamin Netanyahu's spokesman, Mark Regev, said the deal with the Islamist rulers of Gaza was proof that the Palestinian president was not interested in peace. "Hamas is not a political movement that resorts to terrorism but a group whose whole vocation is terrorism," Regev told AFP."The closer President Abbas moves to Hamas, the further he moves away from peace." ❑❑

US in WTO on Indian poultry access

US poultry organisations have encouraged US Trade Representative Ron Kirk and Secretary of Agriculture Tom Vilsack to begin consultations with the government of India in WTO for India's longstanding prohibition on the import of US poultry.

Despite being one of the 23 founding countries of the General Agreement on Tariffs and Trade (GATT, which became the WTO) in 1947, India has done as little as any nation to open its border to trade or to abide by multilateral trade rules, the USA Poultry & Egg Export Council (USAPEEC) and the National Chicken Council (NCC) said in a statement.

Since 2006 India has had a ban on poultry imports from any country that has reported any incident of avian influenza, irrespective of its pathogenicity. This protectionist posture is inconsistent with accepted international standards US says.

"In our view, India's posture is thinly guised protectionism," said USAPEEC President Jim Sumner.

We believe that if India were to open its market and to apply international rules fairly, our industry could compete effectively, the US poultry orgs continued. The current Indian market for poultry is about 2.6 million metric tons annually, and is growing at 8-10% per year. The USAPEEC and NCC estimate that if trade with India were liberalised, annual US poultry exports could exceed $300 million.

India for majority view in WTO talks

In a plain-speak to the developed countries, India has said global trade cannot progress if interests of three-fourths of the world's population are held "hostages" to the commercial interests of a few. "Development is a global good. Trade cannot flourish, if the interests of three-fourths of the world's population are held hostage to the commercial interests of the few that already command global trade," India's Commerce and Industry Minister Anand Sharma said at the WTO Ministerial Conference.

Sharma also conveyed India's strong reservations on proposals which seek to get global trade agreements involving only a small number of WTO members, overlooking a large majority of the 154 members. Since no agreement could be achieved in the last 10 years in Doha negotiations, it has been suggested by rich countries like the US that the key members of developed and developing groupings can sit in smaller groups and work out deals. India is vehemently opposing it. But to show flexibility, Sharma said on its part, New Delhi is open to considering new issues within the mandates of the regular WTO organs as long as these are discussed in inclusive and transparent manner.

BRICS asks WTO to fight protectionism

On the eve of important WTO Ministerial meeting in Geneva, India along with other BRICS members underscored the key role of the World Trade Organisation to keep protectionism at bay in the difficult economic environment. The trade ministers of Brazil, China, India, Russia and South Africa came out with a common position stating that the WTO must maintain its central role in multi-lateral trade disciplines. "We attach great importance to the role of the WTO in keeping protectionist forces at bay. Under the present global economic conditions, international trade plays an even more critical role in stimulating economic growth and development. "We are in full agreement that all forms of protectionism must be resisted," the declaration at the end of the BRICS trade ministers said. In his intervention, India's Commerce minister Anand Sharma said that BRICS would be both a rallying point and a bridge between developed and developing world.

WTO agrees procurement deal

WTO clinched a landmark reform of its Government Procurement Agreement, opening $100 billion of government contracts to foreign competition and paving the way for more countries, including China, to join the pact.

"It's an extremely positive development for the parties to this agreement, for the organization and for the world economy at large," WTO's Director General Pascal Lamy said at a news conference after last minute negotiations clinched the deal.

U.S. Trade Representative Ron Kirk said the culmination of 10 years of negotiations clarified rules and represented an opportunity for U.S. suppliers of goods and services.

WTO officials estimate the deal will open $100 billion of procurement contracts in the 42 member countries, expanding the original GPA, which dates from 1994, into more government agencies, services and build-operate-transfer arrangements. ❑❑