

# Swadeshi

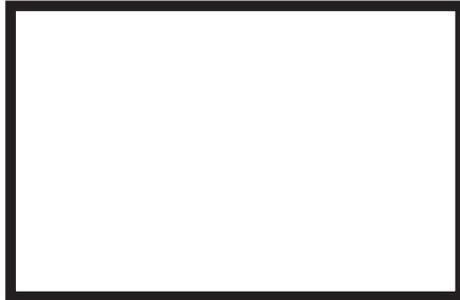
Vol-13, No. 7,

Aashadh-Shrawan 2065

July 2008

PATRIKA

## CONTENTS

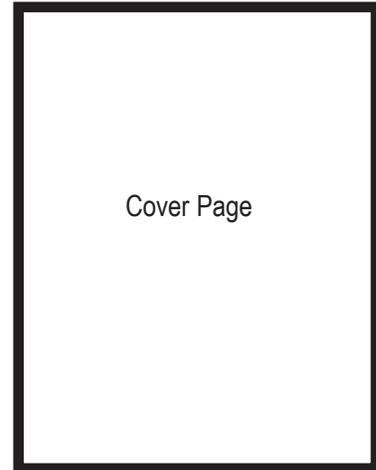


**PAGE NO.**

**16**

**Ruddar  
Datt**

Both, soldiers and farmers of India are performing their duty of protecting core national interests under extreme conditions, in most cases created by our own governments



Cover Page

Prof. Ruddar Datt discloses widespread complaints of corruption; pilferage and very low level of utilization of budgeted provision in NREGA.

### **COVER ARTICLE**

Oil Price Shocks : Dr. D.R. Agarwal

Inflation: License for UPA, silence for others :

M R Venkatesh

**4**

### **INDUSTRY**

THE MEN OF STEEL & THEIR MOTIVES : Ravi Dev Gupta

**22**

### **FINANCE**

Global Financial Crisis"

American Financial Giants, Not US Government Controlling The Fed. : Swadeshi Samvad

**24**

**0  
0**

**29**

### **LETTER- 2, NEWS-32, WTO - 36**

### **AGRICULTURE**

Why United Nations is now worried about rising prices : Dr. Bharat Jhunjunwala

**10**

### **FUTURES**

Diabolical games: No future with futures trade : Devinder Sharma

**13**

### **RISING INDIA**

Obama and the balance of power! : Sudhirendar Sharma

**15**

### **SWADESHI MOVEMENT**

National Council, May 31 and June 1, 2008, Jamshedpur

**17**

### **ENVIRONMENT**

Bhagirathi project : Swadehi Samvad

**20**

**EDITOR**

**Ajay Bharti**

**PRINTED AND PUBLISHED BY:**

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

**EDITORIAL OFFICE**

'Dharmakshetra' Sector-8, Babu Genu Marg. R.K. Puram, N. D.-22

**E-MAIL** : swadeshipatrika@rediffmail.com

**TYPING & LAYOUT**

Prem Joya



### Double Faced Communists

Communists spend most of their energy thinking how to degrade India. Now they are trying to instigate Muslims to go against the deal. How nasty these communists are? Some of the Muslim leaders openly voice concern over communist's intention to drag Muslims into this!! Chinese are paying Indian communists well! yes, communists are just using Muslim community name to uphold agenda of their Chinese masters. Where ever communists rule in India, there is no development. eg Kerala, west Bengal, and now they are affecting the whole country in the name of coalition government. They don't even learn from their Chinese masters. China, a country marching up to be no.1 country in the world, is demolishing a mosque coming in the way of Olympic arrangements. communist state government in West Bengal is not able to take decision to remove a mosque coming in the way of development of dumdum airport to international standards, thereby delaying airport work in Kolkota. Communists are double faced with split personalities. Without knowing too much about the deal and the 123 agreement, I understand something which Pakistan is opposing so vehemently and which causes China and Pakistan to gang up against India can't be that bad.

Suresh Parihar, Jammu.



### Fighting Inflation

Swadeshipatrika has nicely focused on the issue of inflation. Reputed authors are expressing their expert views on different aspects of the unprecedented price rise. May 2008 issue was well thought and the editorial was very good. My congratulations. UPA government is shamefully shifting the blame to others. Fact is that they have not been able to manage the economy properly. Dependent on the support of Communists they are neither implementing their own agenda nor are they in a position to follow left parties dictates. This confusion has further complicated the life of people. Indo-US nuclear deal is also hanging in uncertainty. It will be in the interest of the nation to end this confusion at an earliest.

Krishna Kumar, Ghaziabad

#### 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.

#### Disclaimer

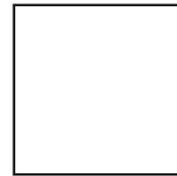
The views expressed within are those of the writers and do not necessarily represent the views of Swadeshi Patrika. Swadeshi Patrika often present views that we do not entirely agree with, because they may still contain information which we think is valuable for our readers.

### Quote-Unquote



We need a supply of uranium till our thorium reactors are ready

APJ Abdul Kalam  
Former President



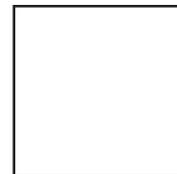
Mindsets play strange tricks on us. We see things the way our minds have been instructed our eyes to see.

Mohammed Younus  
Bangladeshi Economist



After climbing a great hill, one only finds that there are many more hills to climb.

Nelson Mandela  
South Africa



I sow. My successor reaps. This is the majesty of democracy.

Gloria Macapagal Arroyo  
President of Philippines

I will not be surprised if terrorists are able to hit us once every month given the weak security scenario,"

Prakash Singh.  
retired IPS officer and ex-BSF chief

# US Farm Bill and WTO

The US Congress has passed a five-year farm bill that continues the system of high subsidies even when food prices and farm profits are at record high. Senate passed the bill with 85:15 votes on May 15th while the House of Representatives passed it with a 318:106 margin on 14th. The margins are big enough to be "veto-proof". The final version of the Farm Bill is going to increase protection for agricultural commodities, including wheat, dairy products and sugar. The over \$300 billion bill was declared 'all but dead' over funding problems earlier. But the delay of almost eight months was compensated by the enough Congressional support to overcome a promised Presidential veto. Passage of the Bill was preceded by a lot of debate in USA. Strong opinions were articulated on issues like whom it benefits, and what its greater effects will be over long period of time. US Senators in an election year could be under compulsion to support the Bill, but that does not eliminate its numerous defects including the threat to fair and equitable trade.

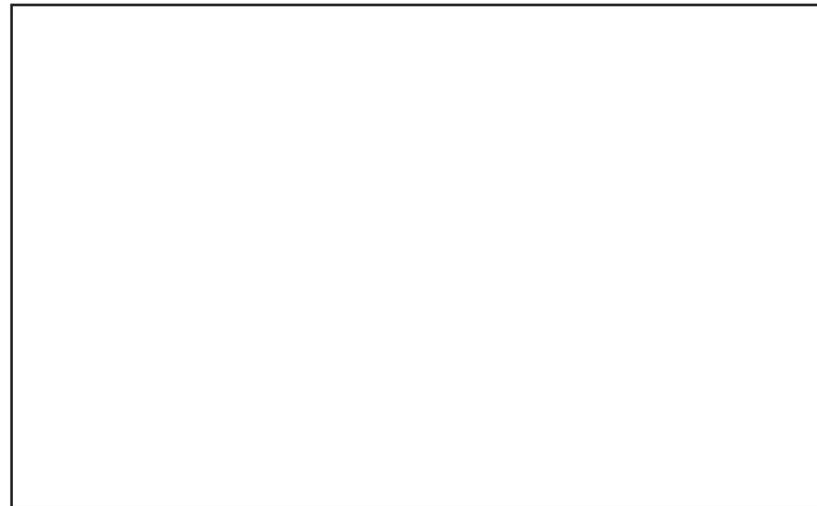
The Bill will cast a long shadow over the WTO's Doha negotiations. US farm subsidies together with the subsidies in Europe and Japan are the main cause of distortion in world trade. The subsidies enable US farmers and food companies to sell their products at much below the cost of production at international level and thus are able to unfairly beat off farmers in developing countries like India that don't have the same kind of subsidies available. President Bush and his have repeatedly said in public that this Bill contradicts US stance at the WTO. Reuters has quoted Bush saying, "It (Bill) subsidizes millionaire farmers and contradicts the free-market reforms the United States seeks in world trade talks." The Bill increases trade-distorting supports on 17 out of the 25 of the commodities that USA provides. The US agriculture officials accept that the measures that could bring problems for the US at the WTO include rules benefiting US sugar producers, a \$4 billion standby disaster fund and a new cotton incentive similar to the one that the WTO panel has ruled illegal. It is not that everyone is supporting the Farm Bill in USA. There has been a strong voice against it including the editorial comments by leading news papers like Washington Post and NYT. The Bill has been termed "Disgraceful"; 'Outrageous' and as 'an inglorious piece of work tailored to the needs of big agriculture'. Passage of this infamous Farm Bill coincides with the issuance of revised draft 'modalities' for the Doha round of trade talks at WTO. These drafts are based on WTO member governments' latest positions in the negotiations and are an assessment of what might be agreed for the formulae for cutting tariffs and trade-distorting agricultural subsidies, and related provisions. A key feature of the text on agriculture includes: The United States to cut farm subsidies to between \$ 13 billion and \$ 16.4 billion a year. The US's current limit is estimated at around \$ 48 billion. It has offered a cap of \$ 17 billion in WTO negotiations. This proposal has already been rejected by most of the developing nations rightly terming them too little and too costly for developing countries to constitute the basis for a development deal. US Farm Bill raises further doubts even on this already rejected promise of the USA. America has a history of effecting changes in its domestic laws just before crucial international treaties to further strengthen its bargaining position and intimidate other countries. Passage of Farm Bill 2008 can be a ploy to impact Doha round.

# Oil Price Shocks

**Oil shock is threatening to destabilize the global economy. Even through the current oil crisis is not first of its kind, it could be the worst ever. Dr. D.R. Agarwal the learned author from Kolkatta in his write up is analyzing various aspects of this oil shock like who sets price of oil, what is immediate and long term fallout, and the possible way out.**

**DR. D.R. AGARWAL**

**O**il price hike has been the buzzword and has slackened the whole world. It has become the talking point for fueling the inflation across the globe. The early price spike of 1970s and later decades was due to political reasons coupled with wars in middle east but the present spike seems to be purely due to speculation and other economic factors of demand and supply. The words such as "Oil price hike", "Oil crisis" and "Energy crisis" immediately catch the eye of the reader of daily newspapers and the viewers of electronic media. If one surfs through the countless news channels, one finds those same words repeated. Why is it so? Why it is that anything to do with the word OIL is so hyped up? The reason is that oil is the fuel that powers industries. It is the source of energy for industries the world over. Not only industries, but even the households depend heavily on products of oil namely, cooking gas and kerosene oil. In this age of globalization where countries' economies are linked to each other, a crisis originating in one part of the globe quickly spreads to the rest



of the world. The world is currently experiencing an OIL SHOCK which threatens to destabilize the global economy. An oil shock is a sudden increase in the price of oil. This rise in the price of oil can be due to a number of reasons viz. political as well as economic factors. The current oil crisis is not the first oil crisis that the world has experienced. However, experts warn that it could be the worst ever.

A very common question asked is "Who sets the price of oil?". The immediate answer that comes to mind is that OPEC and the

major oil producers set the price of oil. However, this is not entirely correct. The price of oil is set by movements on the three major international petroleum exchanges viz. The New York Mercantile Exchange (NYMEX), the International Petroleum Exchange in London (IPE) and the Singapore International Monetary Exchange (SIMEX). High speculation, which some experts point out is beyond allowed limits, in these exchanges is driving the prices high. OPEC was responsible for setting the prices in the 70s and 80s but it is no longer so. However, since

*Oil prices  
quadrupled  
to \$12 per  
barrel  
in 1974.*

OPEC exports represent about 55% of crude oil traded internationally, it does have a string influence on the market, especially if it decides to change its level of production.

A brief history of the previous oil shocks followed by the causes and effects of the current oil shocks will help in understanding the importance and significance of oil in the global economy. The major oil crises experienced by the world were in 1973, 1980, 1990 and to a lesser extent in 2000.

#### **The crisis of 1973**

The first oil crisis was in 1973 and it was caused due to political reasons. The end of World War II brought about a phenomenal increase in the demand for oil and consequently the production of crude oil in the Middle East increased bringing large revenues to the producing countries. This highlighted not only the importance of oil for these governments, but also emphasized the dependence of these economies on oil revenues. These countries got

together and formed a cartel called the Organization of Petroleum Exporting Countries (OPEC). The onset of the Yom Kippur War in 1973 showed the world the power that OPEC possessed. It controlled supplies, thereby driving up prices. It placed embargos on certain nations thereby increasing demand which again contributed towards driving up prices. The effect was severe as oil prices quadrupled to \$12 per barrel in 1974.

#### **The crisis of 1979**

The second oil crisis was also caused due to political reasons. The crisis occurred due to the Iranian Revolution. Amid massive protests, the Shah of Iran, Mohammad Reza Pahlavi, fled his country in early 1979, allowing Ayatollah Khomeini to gain control. The protests shattered the Iranian oil sector. While the new regime resumed oil exports, it was inconsistent and at a lower volume, forcing prices to go up. Saudi Arabia and other OPEC nations did increase production to offset the decline but the overall loss in production was about 4 percent. However, a widespread panic

resulted, driving the price far higher than would be expected under normal circumstances. In 1980, following the Iraqi invasion of Iran, oil production in Iran nearly stopped, and Iraq's oil production was severely cut as well.

#### **The crisis of 1990**

The cause of the Iraqi invasion of Kuwait on August 2, 1990--and hence of the worldwide energy crisis that resulted--was economic, although the issue was one that might not appear immediately relevant to the common man. For several months preceding the invasion, Iraqi President Saddam Hussein had been asserting, with some justification, that Kuwait was in effect engaged in economic war with Iraq, stealing oil from the disputed Rumaila field and producing in excess of its OPEC quota. On August 6, the United Nations imposed an immediate and nearly total embargo on oil exports from Iraq, as well as on Kuwait, which Iraq had by then absorbed. This embargo removed almost 5 million barrels a day of oil from the world market. Most of the lost

*Unlike the previous oil shocks which were due to political reasons the current oil shock is due to economic factors including demand supply imbalance and financial causes.*

supply was in the form of crude oil. However, the embargo also forced the shutdown of sophisticated export refineries in Kuwait that at the time of the invasion were producing 750,000 barrels of refined product per day, including a large share of the industrial countries' supply of light products such as gasoline, jet fuel and heating oil.

The embargo resulted in the prices of crude oil almost doubling and prices of jet fuel tripling. Yet the officials of consuming nations did not act. Indeed, in many countries one could observe an all too familiar pattern of behavior. As in 1973 and 1979, government representatives blamed 'speculators'

for the rise in prices. At the same time, political leaders of several countries demanded 'responsibility' on the part of companies, discouraging increases in prices and interfering with free trade. As in the past, this shortsighted market interference drove prices even higher.

The crisis of 2000: Post the 1973 oil crisis the West invested in its own oil. The major companies invested heavily in regions like the North Sea. New technologies were invented to slash the cost of finding crude. Power generators in nations without oil turned nuclear and then to cleaner fuels like natural gas. Consumers also became more efficient. In fact, oil demand

growth in the 1990s was quelled to little more than 2 per cent a year, from 7 percent annually in the 20 years before the 1973 embargo, while OPEC's 40 percent share of global production came down from two-thirds in the 1970s. When the price of Brent crude dropped below \$10 per barrel, the oil producers pushed the panic button. From January 1998 to March 1999, the oil producers-both OPEC and important non-OPEC producers like Mexico-met several times and began to incrementally implement production cuts. They knew that a small marginal cut to the tune of around 7-10 per cent would in a few months lead to a price increase of 80-100 per cent. At first the international market was sceptical about OPEC's ability to adhere to the production cuts, given the cartel members' propensity for quota busting. Also, initially, the cuts seemed to have no effect on the huge inventories that had built up over the last two years, and prices remained low. However, gradually the price crept upwards first to around \$15 per barrel, then \$18/b and then in March 2000, while benchmark Brent teetered and then crossed the \$30/b mark, West Texas Intermediate (WTI) crude closed at \$34.13, sounding alarm bells in consuming countries.

The Current crisis: The world faces another 'oil crisis'. Oil prices have touched \$140 a barrel up from around \$60 in January, 2007. Unlike the previous oil shocks which were due to political reasons the current oil shock is due to economic factors including demand supply imbalance and

---

Continue from Page No. 26

## *Inflation: License for UPA, silence for others*

**Consistently increasing inflation reveals the mismanagement of Indian Economy. Government has been faulty in its diagnosis, cost conscious with truth and fanciful in its prescriptions about the economy. Having run out of options to blame 'outsiders and opposition', it is time for UPA to quit says M.R. Venkatesh**

M R VENKATESH



**A** king before demitting the throne gave three sealed covers to his successor and instructed him to open them should he face any problem in future. Years rolled by and the incumbent did face a problem. He opened the first cover. It read: 'Blame it on outsiders'. Again after some years when he faced another set of problems he opened the second one which read: 'Blame it on your opposition'. And finally time came when he was compelled to open the third which read: 'Time for you to quit'.

Readers by now may be aware that every Friday at around noon the government releases the inflation figure. And the latest inflation figures (11.05 per cent) do not auger well for the central government.

### **Inflation, the silent killer**

Given this situation, some political commentators have already begun to bet on the disintegration of the UPA while some others have pointed out that it would be extremely difficult for Congress (the cog in the UPA

wheel) to get more than fifty seats in the forthcoming elections. While I do not wish to hazard a guess on the electoral fortunes of the UPA, I surely see inflation - read management of the economy - becoming a major election issue. And when it is an election issue how can one refrain from debating it, that too in a democracy?

What adds fuel to the inflation fire is that it is well known that these figures relate to Wholesale Prices (WPI) and not consumer price index (CPI). Further, the WPI basket largely ignores the services sector.

### **Inflation at 13-year high; soars to 11.05%**

What must be indeed worrying the political managers of the UPA Government, is that no one takes even these high inflation figures with a pinch of salt. The reason is obvious. No one trusts the statistics of the government. Take for instance the retail prices of tea published by the Ministry Of Consumer Affairs. Note that the price of tea varies from Rs 100 in Hissar to Rs 204 in Chandigarh - a 100 per cent variation within a state!

Centre tea (loose)	Rs per kg
Amritsar	165
Chandigarh	204
Delhi	115
Hisar	100
Kanpur	150
Karnal	100
Lucknow	180
Ludhiana	160
Shimla	105
<b>Date 4/6/2008:</b>	<b>Rs per kg</b>
Amritsar	165
Chandigarh	204
Delhi	115
Hisar	100
Kanpur	150
Karnal	100
Lucknow	180
Ludhiana	160
Shimla	105

No wonder, given such slipshod manner of collecting data and by consciously ignoring the services basket, one realises that statistics, especially on inflation, are meant to be understated. Nevertheless, the aam admi, perceives inflation at 15-20 per cent while government maintains a figure of 11.05 per cent. Naturally, the government is worried as it is bound to have political fallouts. After all, what is politics without economics?

#### Lady luck deserts the government as its managers err

It was not so long ago that the FM saw himself as a "lucky" charm for the Indian economy. That was in his Budget speech on February 29, 2008. Riding high on the farm loan waiver scheme, extending the

employment guarantee scheme to all rural districts of the country and accepting to implement the 6th Pay Commission report, the UPA government looked infallible then. But how times change rapidly in the Indian context! Surely, as Harold Wilson said a week is indeed a long time in politics.

#### All about the 6th Pay Commission report

Given this scenario expectedly the Opposition is sensing an opportunity and is readying itself for the kill. No wonder piqued by the opposition's allegation about his mismanagement of the economy, the normally composed FM retorted sharply in his rejoinder to the BJP's national executive resolution by stating "The current inflation is almost entirely due to the relentless rise in crude oil prices. This rise has also triggered the rise in commodity prices and, because bio-diesel is produced from food items such as maize, sugarcane and palm oil, food prices have also come under pressure. The Government of India, like governments all over the world, is fighting inflation." Well the first cover has been opened.

#### FM lists out BJP's 15 'false claims'

Further the FM, in the above mentioned rejoinder to the BJP, accused the previous NDA government of failing to control inflation during its time in office and leaving an inflation legacy for UPA government to tackle. Well, second cover too has been opened.

It is indeed strange that the UPA government, which till

recently credited the robust growth of Indian economy to its economic policies has sought to blame the global factors for the current spike in domestic inflation. If this argument is accepted, the UPA must also concede that the substantial part of the spectacular growth (including the much touted tax buoyancy) witnessed by the Indian economy in recent years owes it to the global economy and not to the policies of the UPA!

Like many of its predecessors the UPA government has been faulty in its diagnosis, parsimonious with truth and fanciful in its prescriptions about the Indian economy. Let me illustrate:

Sudden appreciation of the Rupee in April 2007 (and a sudden depreciation since April 2008) without taking the exporting community into confidence is having debilitating impact on the domestic manufacturing sector, which is yet to recover from these shocks. The manner in which the Chinese took their domestic industry into confidence in similar

*aam admi,  
perceives  
inflation at 15-  
20 per cent while  
government  
maintains a  
figure of 11.05  
per cent.*

*When experts  
are in doubt, as  
the Abhijit Sen  
Committee was,  
their political  
masters have to  
pay a heavy  
price*

---

circumstances is a study in contrast.

Failure to control the substantial increase in the aggregate money supply (M3) within the economy. The rate of increase was a paltry 12 per cent when this government assumed office. Now it stands at approximately 23 per cent. Obviously it is also a classical And ignoring these facts, the UPA government has proposed to implement the 6th pay commission (a blatant attempt to appease government servants). It is bound to have a cascading impact on inflation in India as it is expected to cost the government anywhere between Rs 60,000-100,000 crore (Rs 600-1,000 billion) to implement the same.

It is indeed strange that the government was advocating a benign interest regime even as late as March 2008 when it was becoming evident by the day that inflation rate was surging ahead. Where is the question of a benign interest rate regime when inflation is not under control? No wonder

as the RBI raised the repo rate recently, the policy disconnect between the managers of the economy becomes evident.

The increased allocations to the social sector (especially the NREGA) without a concomitant increase in revenues (viz., divestments) are having their own impact not only on the inflation but also on the finances of the government.

**Needed a statesman, not a politician**

But what is galling is that the UPA government seems to be completely diffused in its management of the economy. Let me elaborate. For instance, the average global price of wheat was \$152 per MT in 2005, \$192 per MT in 2006, \$255 per MT in 2007. In March 2008 it reached a high of \$484 per MT. Precisely at that point in time it became apparent that India would have a very good wheat crop. Immediately, the wheat prices fell to \$320 per MT in May 2008.

It is quite obvious to analysts that the speculators were playing in the international market anticipating a poor wheat crop in India. And when their bets turned awry, global wheat prices fell. And between March and May, neither did South Indians give up eating wheat nor did Indians as a whole consume less of wheat. Yet the Abijit Sen Expert Committee headed by Prof. Abhijit Sen which went into the issue of forward markets influencing the commodity prices could not arrive at any definitive conclusion. Experts have a right to be wrong,

but never to be in doubt. And when they are in doubt, as the Abhijit Sen committee was, their political masters have to pay a heavy price.

Needless to emphasize the above mentioned list is merely illustrative of the fact as to how the UPA government by its action or inaction has failed to control inflation and mismanaged the economy. For all these reasons it cannot blame the rise in crude oil prices as the cause of inflation whose effect in fact begins only now.

**Inflation, the silent killer**

Nevertheless, these are extraordinary times. It calls for extraordinary national effort and statesmen like approach - both from the government and the opposition - to remedy the situation that is fast spiraling out of control. But to effectuate the dialogue with the opposition and others, the onus is on the UPA government.

Given this situation the UPA cannot have a license to politicise inflation by blaming external factors and their predecessors and expect silence from others, especially from the NDA. Opposition or for that matter even the Left parties surely are not going to oblige with their silence. They need not and should not in a democracy like ours. What is economics without a dash of politics? Whatever be it, this may well be the time for the UPA government to consider whether it is an appropriate time to open the third cover. □

The author is a Chennai-based Chartered Accountant. He can be contacted at [mrv1000@rediffmail.com](mailto:mrv1000@rediffmail.com)

## *Why United Nations is now worried about rising prices*

**The increase in Price of Agricultural goods provides an opportunity for the developing countries to unite against the unjust & unequal terms of trade imposed by the developed countries, who are adopting a policy of divide and rule, feels Sh. Bharat Jhunjunwala**

**DR. BHARAT JHUNJUNWALA**

**T**he Food and Agricultural Organization is one of the independent agencies established by the United Nations. In its State of Agricultural Commodity Markets 2004 report published in 2005, FAO had said "The continuing long-term decline in agricultural commodity prices threatens the food security of millions of people in some of the world's poorest developing countries where the sale of commodities is often the only source of cash." Bangladesh, for example, is dependent on exports of jute and Cuba on exports of Sugar. Reduction in prices of these commodities pushes them into a crisis. They have less income from exports and are not able to pay for essential imports such as that of oil.

Nowadays FAO has changed its tune. In the Crop Prospects and Food Situation report published in April 2008, FAO has said, "The world's poorest countries are set to face a 56 per cent rise in the price of cereal imports owing to strong demand and depleted world reserves... Low-income countries in Africa, which rely on imported cereals for their food needs, face an

even higher price rise of 74 per cent... Higher food prices have already sparked riots in a number of developing countries, including Egypt, Cameroon, Ivory Coast, Senegal, Indonesia, the Philippines and Haiti. In all, a total of 37 countries are currently facing food crises." The focus now is on the food-importing developing countries who have to pay more for their imports.

FAO had said in 2005 that declining agricultural prices were a problem for the poor countries.

The presently rising prices should then be beneficial for the developing countries. But the FAO now says that rising prices too are bad for them! In fact, both statements have partial truth. Rising prices are beneficial for all developing countries taken together as stated in 2005 because agricultural commodities constitute of a larger share of their exports than imports. An increase in prices of agricultural goods is beneficial for them just as the farmer's wife is happy when the price of tomatoes goes up. She gains more by sale of

tomatoes and even if she has to buy sugar at a higher price. The World Development Indicators published by the World Bank tell that the share of agricultural goods in exports of all low- and middle income countries was 12 percent, oil and minerals 23 percent and manufactured goods 65 percent. The share of these commodities in imports was 10, 15 and 75 percent respectively. An increase in price of primary commodities-agricultural, oil and minerals-will be beneficial for the developing countries because they constitute 35 percent of their exports and only 25 percent of their imports. The situation of low-income countries considered alone is no different. The share of these commodities in their exports was 46 percent against imports of 36 percent.

The increase in price of agricultural goods is beneficial for the developing countries as shown by these figures and also stated by FAO in 2005. Question before us is this: Why has the FAO changed its tune and now saying that this same increase is harmful? Why is the FAO now talking about the 37 developing countries who are net importers of food even though all developing countries taken together are net exporters? These 37 developing countries were benefiting from the decline in prices earlier but this was not said by the FAO. Why does the FAO talk about these 37 countries when the prices are rising?

The reason seems to be that the economic condition of the developed countries was reasonably strong in 2005. They were benefiting from the declining prices

## *The 37 developing countries that are in trouble today were mostly self-sufficient two decades ago. They did not invest in agriculture and are facing the trouble*

of agricultural commodities which constitute only 13 percent of their exports but 20 percent of their imports. All developing countries taken together were losers. Nevertheless, the developed countries could afford to be charitable towards the developing countries just as a rich man can afford to pay Rs 60 to the basket maker for a basket he is willing to sell for Rs 50.

The circumstances have changed. Economies of developed countries are in trouble today. The increase in price of agricultural goods and oil is very harmful for them now. Thus FAO should talk about the benefits of the present situation for all developing countries taken together. But this will hit at the developed countries hence FAO now mainly speaks about the 37 developing countries who are net importers of these commodities. FAO nowadays hides the fact that price rise is beneficial for all developing countries taken together because this will justify the increase in prices and hit at the interests of the developed countries. Just as a factory owner makes an alliance with casual workers to break the strike of permanent workmen; and then turns around to reduce wages of the casual workers also; similarly the developed countries are making an

alliance with 37 food importing countries to prevent the larger group of developing countries from benefiting from the present increase in prices. It is no wonder that similar statements are being made by the World Bank and International Monetary Fund. After all, these agencies are dominated by the developed countries.

The problem of 37 food-importing countries remains unanswered if we consider present price rise to be beneficial. This should be solved by all developing countries rejecting free trade in food. The World Bank and other multilateral institutions have advised developing countries to focus on their strengths in manufacturing and services and to import food. Self sufficiency in food was considered as 'backward' and inefficient. The 37 developing countries that are in trouble today were mostly self-sufficient two decades ago. They did not invest in agriculture and are facing trouble today. The developing countries should reject this advice of World Bank and ensure self sufficiency in all essential goods. That would enable them to face rising prices with ease.

Leading developing countries like India have a special

responsibility. A wise leader of the Trade Union forges an alliance of permanent- and casual workers. Similarly, India should take the lead to forge an alliance of the food-importing and food-exporting developing countries. Food exporting developing countries should offer special prices to food importing developing countries. In return, food importing

developing countries should support India in taking patents out of the WTO, forcing developed countries to reduce their domestic agricultural subsidies and seeking free movement of natural persons across countries. All developing countries have common interests on these issues. The developed countries are trying to split the

developing countries into two camps and adopting a policy of divide and rule. They are like the clever cat that ate the bread in settling the share of the two monkeys. The increase in price of agricultural goods provides an opportunity for the developing countries to unite against the unjust and unequal terms of trade imposed by the developed countries. □

### FARMERS' RALLY

## Society, not state must lead the Nation Govindacharya

“Farmer’s will have to find their own way to solve their problems, because no good can be expected from the government.” These were the views expressed by renowned thinker & philosopher Sh. K.N. Govindacharya while addressing a mammoth rally of farmer’s in Balbaade, Goida. The impressive farmer’s rally in which more than 10,000 farmers participated was organized by district unit of SJM. Govindacharya observed that political leaders are busy in protecting their governments and have very little time for solving the problems faced by the farmers. He was of the opinion that over interference of government in every field was the major reason for all ills. At present state is leading the society and the country on all fronts. For the balanced growth of the nation society must be in forefront, he added. Farmer’s will have to come

forward to ensure the same.

People who have not seen villages and are unaware of rural realities are making policies in air-conditioned cabins of Delhi, deciding the fate of farmers. This minuscule minority of power brokers in Delhi is trying to transform India and make it America. These people are trapped in the cobweb of illusion created by western nations.

He said that a system based on Jal, Zameen, Jungle, Janwar and Jan (water, Land, forests, livestock and people) is in existence in India. For the farmers’ benefit this system has to be protected at all costs. He advised farmers to plant trees to protect land from erosion and added further to protect entire chain of the system to protect the environment. Govindacharya suggested farmers to raise livestock, particularly the cow and restore the ratio of four cows per farmer prevalent in earlier times.

Sh Arun Ojha, national Sanchalak Swadeshi Jagaran Manch, Sh Dinesh Mandal, co-convenor Swadeshi Jagaran Manch Jharkhand state; Bandey Shankar Singh, Sachinder Baryan, Vishnu Singh, Ladli Mohan Jha and Dr. Shambu singh also addressed the rally.

All these speakers raised various issues confronting farmers at national level as well as in the state of Jharkhand. Sh. Shivpujan Singh, a teacher from village Kokra presented a group song in honour of the guests along with the students.

# Diabolical games: No future with futures trade

Futures trading is playing havoc with food prices. Had futures Trading helped farmer receive economic price for his produce US & EU would not have been paying massive farm subsidy including direct income support, to its miniscule farmer population says the world renowned food expert Dr. Devinder Sharma. He stresses an urgent need to ban futures trading in 25 essential Commodities.

**DEVINDER SHARMA**



**F**ood and Agriculture Minister Sharad Pawar is not giving up. At a time when internationally futures trading is coming under attack for the rise in food prices, Sharad Pawar continues to defend the futures market. "No plans to ban more goods from futures market," he recently stated, adding that the government's decision to suspend trading in four more commodities - soya oil, chana, potato and rubber - would not be extended beyond four months.

The decision to suspend

future trading in these four commodities was taken by the Forward Market Commission, and is in addition to last year's ban on wheat, rice, tur and urad. The newly banned four commodities contribute up to 40 per cent on the National Commodity and Derivative Exchange (NCDX) and 10 per cent of the daily turnover on the Multi-Commodity Exchange (MCX).

Whatever be the share of the banned commodities in the futures market, the fact remains that futures trading is largely a game of

speculation and no speculator is in the trade to incur losses. They obviously want more kill from the market.

Therefore, not only in India, globally too futures trading has played havoc with food prices. The UN Special Rapporteur on Right to Food Jean Ziegler has in his report said that about 30 per cent of the price rise was due to speculations in international grain markets. Well, if that can happen globally why do we think that futures market has no major impact in boosting inflation in India?

You will say that the government appointed Abhijit Sen committee on futures trading has found little evidence that futures tend to drive prices up. Well, you are right. But if you were to carefully look at the composition of the committee, what the Sen committee has said now was a foregone conclusion at the time it was set up some 14 months ago. The committee was loaded with representatives from the futures market and what do you expect them to say? It is like the Genetic Engineering Approval Committee

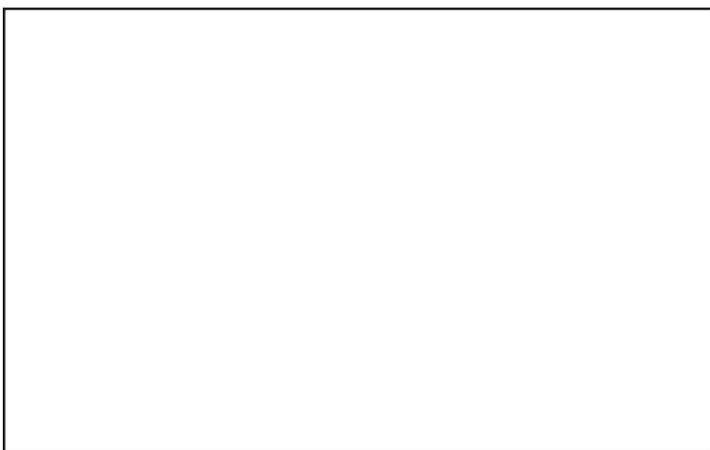
that comprises of pro-biotechnology industry experts whose interest lies in promotion of genetically engineered crops and foods.

Do you see the glaring contradiction? How can futures trading in India not impact inflation when it does so internationally? Well, as I said earlier it depends upon what kind of committee are you setting up and for what hidden purpose.

It is believed that futures trading helps in price discovery, which is based on a variety of parameters and expectation of farmers, consumers and traders. In other words, futures market is expected to provide farmers an economic price for his produce, thereby helping him overcome the risks. If this is true I see no reason why the United States should be paying a massive farm subsidy, including direct income support, to its miniscule population of farmers.

After all, the US has futures trading and has the world's biggest commodity exchange at Chicago. If all this was translating into higher incomes for the farmers then why should the US be pumping in more than \$ 75 billion every year as agriculture subsidy?

As if this is not enough, the US Farm Bill 2008 provides for a massive subsidy support to the tune of \$ 286 billion for the next five years. In the European Union, the situation is no different. In fact, EU



is being traded illegally in what is popularly called "dabba" trading. Such is the level of speculations that what is being traded is often ten times more than what is actually being produced.

Take guar seeds for instance. CPM leader Sitaram

Yechury tells us that the total production of guar seeds in the country is around six lakh tonnes whereas the volume of futures traded is 286 times more at over 1600 lakh tonnes. If you think this will help farmers in making price discovery and at the same time help in taming inflation I suggest you must immediately go to a psychiatrist.

The basic objective behind pushing futures market as the ultimate saviour of the farming community is the intention to dismantle the procurement system. Once the MSP is withdrawn and the procurement system dismantled, trade will look forward to extract its pound of flesh.

This is what happened at the time of Bengal famine in 1943, and if the same system had prevailed, India would have never emerged from the gallows of "ship-to-mouth" existence. The choice therefore is limited. As per the recommendations of the Standing Advisory Committee attached to the Ministry of Food and Consumer Affairs, there is an urgent need to ban futures trading in 25 essential commodities. □

*The fact remains that futures trading is largely a game of speculation and no speculator is in the trade to incur losses*

happens to be the biggest provider of agriculture subsidy.

Farmers in America and European Union survive only on subsidy support. Withdraw agricultural subsidy and agriculture in both the trade blocks collapses like a house of cards. If futures trading has failed to work for the economic benefit of the US/ EU farmers I fail to understand how India expects to make it workable for its poor and subsistence farmers.

In India, over Rs 40 lakh crore is the cumulative value of the derivative market. And if newspaper reports are to be believed, another Rs 40 lakh crore

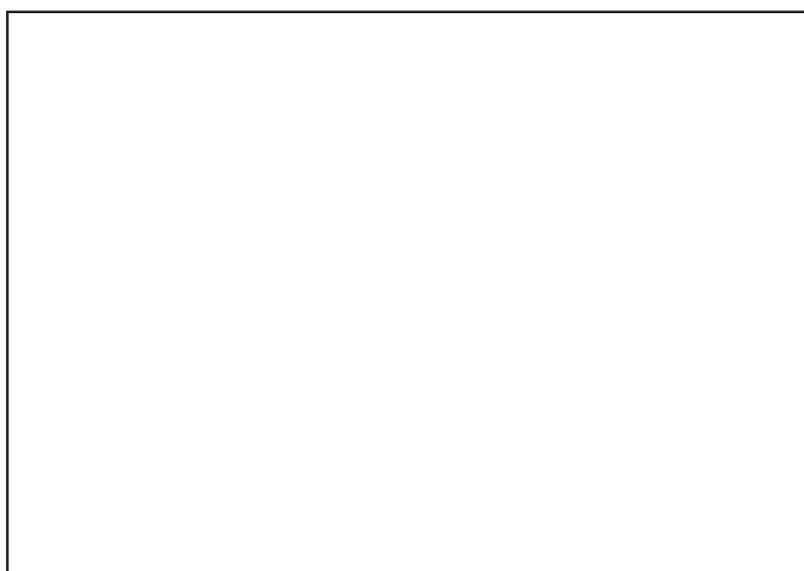
# OBAMA AND THE BALANCE OF POWER!

Much hyped economic growth based on the imitated model of development is becoming possible at the cost of rich traditions and culture of a great civilization. Infinite appetites are pitted against finite resources. Dr. sudhirendar Sharma has a critical look on rising India.

SUDHIRENDAR SHARMA

**B**arack Obama's candid acceptance that the flights of jobs to Bangalore cannot be reversed may have pumped up nationalistic pride on this side of the Atlantic but hidden beneath are the manifestations of economic change that may bounce back once the growth engine has its full run. The skinny hands that held the begging bowl in the past may have started moving fingers across keyboards of world-class technology, but the economic growth hasn't been able to pull the country out of its dismal status on the UN Human Development Index, still languishing at 128 out of 177 countries.

Obama acknowledges India's arrival on the world stage with a stern message that the once poverty-stricken and colonized India 'does not owe a living to the developed world'. However, the unleashing of the power of internet connection may have made the elite in Boston compete with the poor in Banda but the balance of power has not tilted as many may have started believing. Self-disciplining of the workforce is in the offing across the US, much will depend how indeed Obama's proposed \$50 billion stimulus package is used to cushion



the present decline?

Further scrutiny reveals that though India may be walking tall amidst the comity of nations, its much-hyped economic growth is still not at par with the west. No wonder, a small but significant surge in petroleum prices triggers shock waves across the stock market and a weakening rupee sends alarm bells ringing at the IT hubs in Bangalore and Gurgaon. Statistics reveal that the economy of India doesn't compare any bit with that of the US, Britain and Germany. Consequently, what gets admired and applauded is the shining

fraction of the illusive jewel (the real Kohinoor is still in Britain)!

Buoyed by the liberal show of praise by the western observers, the rulers and planners have swept any cynicism of projected growth under the carpet. Finance Minister P Chidambaram lashes out at those who oppose his model of liberal growth: 'people are being deceived to believe that the existing state of life is an ideal state of life and that development will make it worse. This could be categorized as a conspiracy of the socially-driven class to keep people poor.' Barrack Obama's acceptance of India's

incredible growth and Gordon Brown's praise that 'the East is rising' only helps the stubborn politicians miss the other side of the growth coin.

That the projected two-digit growth will be at the cost of the country's finite resources

and teeming millions gets under shadow! When asked if India, once independent, would ape the British model of development, Gandhi had responded: 'if a small country like Britain had to colonise the world for meeting its basic needs, given our size we will need to colonise other planets.' There is no denying the fact that the right to growth and attainment of basic living standards ought to be equal but the question is whether or not India will be able to withstand the growth of unlimited appetites of its billion plus?

Bush may have erroneously hinted at the impact of such growing appetites but Obama has instead been cautious in accepting the inevitable. Paradoxically, while both acknowledge the value of a growing market for the products they make; their people rue the emergence of a new global economic order that has forced the relocation of new jobs outside their territorial jurisdiction. But as growth acceleration widens inequality within our society, unchecked industrialization and unbound consumption promises to amplify social strife as security nets



be any going back from the pattern of development though. That 'development' one day will threaten its proponents could not have been foreseen by then US President Truman who had positioned post-World War America to extend its technological prowess to the

developing world as a euphemism for expanding the era of American hegemony!

*Barrack Obama's acceptance of India's incredible growth and Gordon Brown's praise that 'the East is rising' only helps the stubborn politicians miss the other side of the growth coin.*

against misery and want begin to evaporate.

It is intriguing that while the industrialized west seems content with our growing consumerism, it rues bearing the cost of 'become like us' through increased carbon emissions. Undoubtedly contradictory, there doesn't seem to

The trouble with beating the west in their own game is that it will be at the cost of rich traditions and cultures of a great civilisation. Can an ancient civilisation be compromised at the altar of modern economic growth? At this time, no one seems to be reading the writing on the wall. On the contrary, infinite appetites are allowed to express themselves against the finite resources on offer - creating a process of self-annihilation through irreversible ecological degradation. This unprecedented historical experiment of pitching unrestricted demand against shrinking supply will consume the resource poor of the developing world, as there will be no colonial hinterland to relocate them. However, the technological prowess may help the west create an escape route but the developing world would be left to fend for itself. Wonder, who will be the winner? □

The author is the Director of The Ecological Foundation, New Delhi.

# Swadeshi Jagaran Manch

## NATIONAL COUNCIL

*May 31 and June 1, 2008, Jamshedpur*



### NEC Jamshedpur

National Executive Council (NEC) of Swadeshi Jagaran Manch held its meeting in the Iron city of Jamshedpur on 31<sup>st</sup> May and 1<sup>st</sup> June 2008. NEC meeting was attended by all leaders of SJM. In his inaugural speech Sh. Muralidhar Rao, national convener of SJM stressed the need to strengthen the concept of Swadeshi, while paying tributes to Late Jamshed ji Tata, Muralidhar Rao said that concept of Swadeshi was not any imaginary idea by a practical way of life. Nation, he opined can progress in a proper and balanced way only after it follows Swadeshi Model of economies.

NEC decided to further accelerate the pace of

Swadeshi movement. Role of Swadeshi Mela and Swadeshi Patrika came under focused attention. Members stressed the need to further expand the reach of these important tools of Swadeshi thought. A mammoth Public Meeting was also organized on 31<sup>st</sup> May. A large number of people attended the Public Meeting. Sh. Ram Prakash Mishra, Bhagwati Prasad Sharma, Arun Ojha and Sh. Govindacharya addressed the public function. Sh. B. P. Sharma evaluated the liberalization policies of last 15 years and Dr. Yoga Nand Kale discussed the issues related to speculative market in Agriculture. Two resolutions were also passed in the NEC. Resolution on Agriculture says:

## Resolution

**FARMER SECURITY CAN ONLY ENSURE FOOD SECURITY AND CONTROL ON INFLATION**

Since independence, in all these years, the state of agriculture has never been very good, but in last two decades, it has been worsen to its limits. The spate of farmers' suicide continues unabated. The prices of agriculture produce are fast rising despite better agriculture production this year. Ironically, despite rising retail prices of agriculture produce, the farmers are not getting remunerative price for their produce. Today, 60% of population is dependent on agriculture, whereas it fetches only 18% share in GDP. In 1980-81, 27% of the government budget was allocated for agriculture. Today, this allocation has come down to around 6%. Gross capital formation in agriculture which was 16% in 1980-81 has come down to 7% now. It seems that there have been concerted efforts to block agricultural development.

Terming the buffer stock totally unimportant, the government has been taking its hands off from procurement of agriculture produce in the last few years. As a result of this, the government agencies

could purchase hardly 148 Lac tones of wheat during 2006, which further went down to only 92 Lac tones in 2007. The simple reason for this has been the low price of Rs. 850 per quintal offered by the government, much lower than the price of Rs. 1000 to Rs. 1100 offered by private companies. While the government was not ready to offer reasonable price to the farmer, the country faced serious shortage of food grains resulting into an import of inferior quality of wheat at Rs. 1300 to Rs. 1600 FOB per quintal. In 2007, government allocated Rs. 6000 Crores for the import of 50 Lac Tones of wheat. Had this money been allocated for domestic procurement and higher price been paid to the farmers, they would have been benefited; the nation would have been better off with comfortable stock of food grains and the control on prices would have been much easier. Unfortunately, the government relaxed quality norms for imported wheat and in the process allowed the import of inferior wheat with new worms and fungi, exposing the Indian agriculture to new types of diseases. Now, when forthcoming elections are knocking the door, nervous government is realizing the importance of buffer stocks and making huge procurement by offering higher prices. According to government's



## Swadeshi Movement

claims, 210 Lac tones of wheat have been procured so far in the current season.

This Rashtriya Parishad of Swadeshi Jagran Manch is of the firm opinion that purchase of agriculture produce should not be a matter of compulsion. In fact, buffer stock has its own importance for offering reasonable prices to the farmers. It puts a break on hoarding and speculation and thus, making agriculture produces available to the common man at reasonable prices. On the part of Government, it is not sufficient to declare higher minimum support prices but to make more and more procurement of food grains also from the farmers.

The whole world including India is facing the problem of rising prices of agriculture produces due to future trading and advent of finance capital. The Government of India worried with rising prices of wheat, rice and some pulses, has taken off these items from the list of future trading for the time being. The demand is picking up from all quarters to take off some other commodities from the list of future trading, the vested interests have started arguing for the re inclusion of these items in future trading in the wrap of Abhijit Sen Panel's report. Future trading is causing havoc for farmers and consumers as well world over. During 2007-08, USA faced almost twice the prices of wheat and rice despite keeping sufficient stocks of these items in the country. The report of Bloomberg dated 28<sup>th</sup> April, 2008 described the worsening condition of both, the farmers as well as of the consumers due to hoarding of food grains by American financial market.

USA has continuously been enhancing agricultural subsidy, flouting the WTO agreement. Approving the subsidy of USD 300 Billion through the Farm Bill, 2008, the US Senate once again shows total disrespect to international agreements. The farmer does not have many options except giving up agriculture in the face of unequal competition from imports. Further enhancing the miseries of the Indian farmers, the government has effected changes in APMC Act. Public Distribution System is continuously being made ineffective and seed



sovereignty is being snatched from the farmers by way of Seed Bill, 2004. At first, the agriculture has been made uneconomic and then now, special economic zones are being erected on highly productive arable lands.

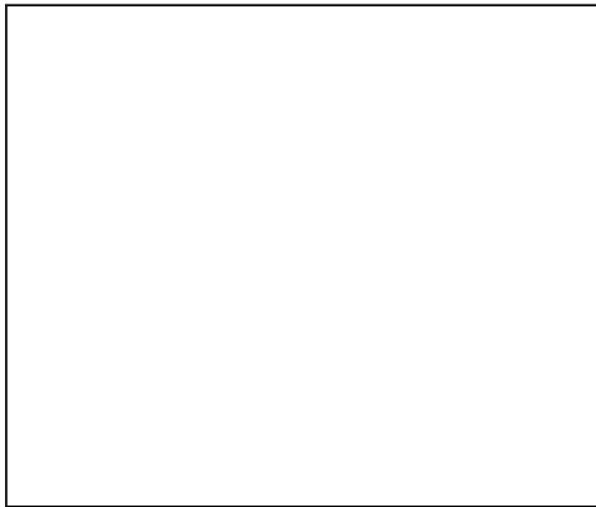
### Swadeshi Jagran Manch demands :

1. A ban be imposed on future trading of not only agriculture produce but all commodities.
2. Instead of making imports at higher prices, the higher minimum support price be declared for procurement of agriculture produce and at the same time, there must be a ban on purchase of agriculture produce by private corporates.
3. SEZ Act, 2005 be repealed immediately and land so acquired for this purpose be returned to the farmers with sufficient compensation to them.
4. Special schemes be made for increasing the production of food grains, pulses, oil seeds and other agriculture produce and ultimately, effective ban be imposed on import of these items.
5. Farmers be provided loan at 3% per annum.
6. Small, marginal farmers and land less labourers be provided old age pensions and health insurance. Crop insurance be extended to all crops and crop failure or loss due to natural calamities be compensated by the government.
7. Sufficient budgetary provisions be made to encourage natural and organic farming in the country.

### BHAGIRATHI PROJECT

Struggle to ensure the continuity quantity, quality and rejime of flows without disruption bears fruits.

#### SWADESHI SAMVAD



**T**he Save Ganga Movement, which in its renewed phase began with a fast unto death by the former IIT professor, Prof. G.D Agarwal achieved a major breakthrough when The Chief Minister of Uttarakhand Major General Retd. B.C.Khanduri announced that the two Hydel Projects Pala Maneri and Bhairogahti project will be suspended till further notice.

Efforts to save the Ganga got a major fillip with Sadhus from Rishikesh and Haridwar, including yoga guru Baba Ramdev, joining the struggle and declaring the formation of the Ganga Raksha Manch. Besides these respected and influential Sadhus a large number of cultural, environmental and social organisations are supporting the movement.

Baba Ramdev announced the formation of the Ganga Raksha Manch at Haridwar. Although it was

#### **SJM in a statement issued by its national convener Shri Muralidhar Rao extended its full support to struggle.**

The Government of India is blindly following an imitated model of unsustainable development that needs cheap energy availability as a major requirement, in what is being projected as focused pursuit of agenda for economic advancement. A number of hydro-electric projects are being built on various rivers of the Ganga valley including the Bhagirathi in Himalayas to tap their enormous hydro-power potential for generation of cheap energy. Government is over enthusiastically closing its eye to the large scale devastation of the environment and its long term impact on nation for immediate political benefits. Traditional Indian ethos of worshiping nature and living in harmony with it even while hunting for materialistic prosperity is being given a good bye. Construction of these dams has already disturbed the natural flow, ecology, and lives of the people living on and around the banks of holy Ganga and its tributaries.

Not only that, Ganga is the life line of India. It is the bedrock of Indian civilization. It is worshiped by millions of Indians and personified as goddess. Their belief holds that bathing in the river (especially on certain occasions) causes the forgiveness of sins and helps attain salvation. People travel from distant places to have a dip in the holy water and carry sacred water from the Ganges as a valuable possession. Playing with the beliefs and sensitivities of millions of people can not be justified on any ground in a democracy.

#### **Fragility**

Well documented evidence is now available in abundance that shows how fragile the Himalayan Mountain system is and how increased human activity is adversely affecting them. Closely clustered large dams in highly seismic Himalayan region is sure to induce increased seismic activity thereby endangering the life and property of millions.

Destruction of forest and diversion of water has affected local climate to the extent that farmers have to change cropping pattern in several cases. Erosion not only exposes hill sides, in the event of cloud-burst homes are vulnerable to flooding and even destruction. Water reserved in reservoirs is affecting the temperatures of the area resulting in melting of glaciers at much faster rate. The medium and long term human and environmental consequences of such a large number of hydro-electric projects and associated construction activities (roads, power house, transmission lines, administrative buildings,

housing for workers and engineers) are immense and very costly in long run.

The role of any government is to create conditions for sustainable development including formulating rules for desirable investment with due consideration for conservation and protection of fragile ecosystem services. But the government is failing in its duty and is, on the contrary, indulging in activities that destroys the environment.

### **Fast-unto Death**

It is to focus the attention of people on this role and responsibility of the government that Sh. Gurdyal Aggarwal, the renowned environmentalists with in-depth understanding of Indian ethos and environment has started fast-unto death with the demand to stop ill treatment of holy Ganges. It may be recalled that already flow of sacred Ganges has been severely affected because of Teri Project and at many times it was found that the flow of water up to even Haridwar was reduced to very low volume. Now when the Government has decided to build around 220 dams on several Himalayan rivers, the free flow of these rivers is greatly endangered. Need not be mentioned that India is natural resource rich nation with a number of rivers with year-round water flow sustaining life in full form in the whole of India, Sacred Ganga and all other rivers not only provide water, they contribute greatly to the fertility of the land through out the nation wherever they flow, as they bring lot of soil nutrients from Himalayas. Faced with the danger to their living Utrakhand people have started their fight against this Governments induced devastation. In fact government's decision to make so many dams is an attack on the human rights of the Indian people in general and that of Utrakhand in particular.

### **SJM Supports the Struggle**

SJM expresses its solidarity with their struggle. Activists of SJM all over the country will actively mobilize people's opinion in favour of this great effort. SJM family believes, Prof. Aggarwal's Fast unto Death would shake the whole government and will compel them to reverse their decisions to interrupt the free flow of god gifted rivers. Expressing full solidarity with the cause, SJM extends all out support to this endeavor.

SJM in fact stands for sustainable development and has been always fighting against the anti poor and anti people policies of the governments. SJM warns government to stop playing with the larger interests of the nation for the benefit of selected few. Entire nation will stand by Prof. G.D. Aggarwal and SJM assures to be there with hand in hand of all those who love and respect him and his mission.

said that the manch would not be affiliated to any political party, the political parties are worried as they fear that subject may turn into a major political issue ahead of the 2009 Lok Sabha elections. Swadeshi Jagaran Manch has also supported the efforts aimed at saving the Ganga. The Ganges river starts from Gaumukh in Uttarakhand and ends its journey in Ganga Sagar Calcutta in West Bengal. Ganga is life line of India, both economically and culturally.

Earlier Prof Aggarwal had stated to media his intention behind the fast unto death protest on River Ganga projects. He said, "As you are aware, R. Bhagirathi Ganga has a very special place in Indian culture, thought and tradition. In the past few years, however, the continuity, quantity, quality and regime of flows is being disrupted for generation of hydro-electricity like all other rivers. Already in the reach downstream of Maneri, long stretches of Bhagirathi remain water less for long periods. In near future this may become the state of the entire river. As a serious student of environment sciences and as a faithful Hindu, this is hard for me to swallow. I strongly believe that at least Bhagirathi upstream of Uttarkashi should be spared of any works that disturb its natural flow-regime, ecology, purity or piety and, after brooding over it for several months, I have decided to oppose such works with all the might I have."

The Environmentalists who are upbeat are vowing to lead the tirade against the Congress led U.P.A government in the centre. G.D. Aggarwal reiterated that the "Save Ganga Campaign" now would shift to New Delhi.

The Congress party that was supporting the Professor till he was leading an agitation against the B.J.P led Government in the state is alarmed on his fresh statement. The Congress party workers led a mob to the Professor's location where he was sitting on Hunger Strike.

The congress party workers led by local Congress M.L.A are furious at the closure of the projects. They now blame the Professor for the closure of the projects resulting in unemployment in the region. The congress workers shouted slogans against the Environmentalists and the professor at his Sit in location at Manikarna ghat. □

# THE MEN OF STEEL & THEIR MOTIVES

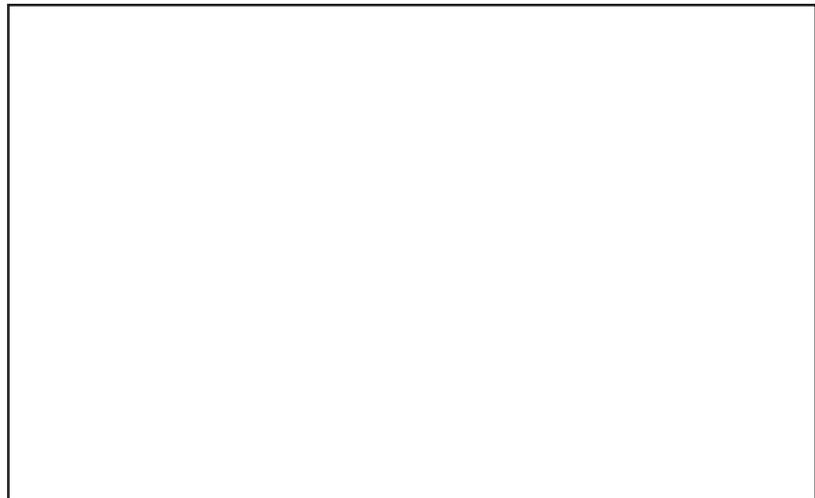
Uninterrupted escalation in steel prices has baffled the whole nation. Country appears to have been taken for ransom by a structured cartel. Government is unable to put any spanner in the imperious conduct of the steel manufacturers. It is time to make public the Cost-Audit reports of these manufacturing companies to arrive at the truth and assess the justification of the prices of steel in the past, present and future

**RAVI DEV GUPTA\***

The audacity with which steel prices are being steadily hiked in the last few months by the steel manufacturers, in the face of Govt: rhetoric of combating inflation by all possible means baffles many.

Even an agreement between the manufacturers and the Prime Minister to freeze any hike further and reduce the prices by Rs. 4000 per ton by July month, has been scoffed at and thrown to the winds as if it was just a smokescreen aimed at befooling the Govt: and the general public. How the gov. is swallowing this insult is utterly understandable?

When the whole nation is girding-up the loins to fight inflation and the Govt: seemingly appears to be in a mood to leave no stone unturned, the makers of steel are rejoicing in their sail against the current without any bash or fear. Recent increase of Rs. 2000-2500 per ton is a burning example of



their unabashed move.

An analysis of the past events also leads us to a startling revelation that while the PM, FM & Commerce minister have been cudgeling their brains, the Ministry of Steel has been mysteriously mum all along comfortably, occasionally interjecting in negative overtones supporting the manufacturers' cause only.

What does this all mean?

Obviously the men of steel are insolent due to the reinforcement of comprehensive insurance accorded to their anti-social moves by some who matter. To rub salt to the injury, their logic of increasing prices in order to stabilise their margins is incredulous, contemptuous and highly deplorable in these times when nation demands self-denial and austerity from each and everyone.

Analogically, they created a

cartel initially to be disbanded in the face of detection and possible action. Subsequently, SAIL was coerced to fall in line reluctantly, of their sinister game. Later the Govt: was befooled and now the Global inflation is being pleaded for their compulsions. Curbs on Exports are being resented even though they are unable to meet the indigenous demand too.

**Solution to the problem:**

This is the high time when the people of this nation should see through this fraud being perpetrated on them with the active connivance of some high and mighty in the corridors of power, who have granted these men of steel an “abhaya-daan” to let loose, choose and yet keep away from the noose. To combat the men of steel

and their benefactors, we also need to possess resolve of steel only, to see to the desired end. Let us not forget that Iron and steel is the core and basic product influencing every walk of our lives and forms minimum 24% of the total inflationary pressure.

Govt: has to go whole hog and take some following immediate steps inter alia :-

1. Put ban on exports of iron ore to augment our own resources
2. Decrease its excise duties and rationalize import duties to afford choice
3. To & fro Rly. freight on iron-ore and coke be subsidized for cost reduction.

Present boom in construction has caused a spurt in demand for steel and it is likely to continue till

commonwealth games and Govt: has no choice except to create environment for greater production at affordable price. Akhil Bhartitya Grahak Panchayat is a national body dedicated for the consumers’ cause and therefore passionately appeals to the govt to take note of the whole situation and take all possible measures to foil this game plan of gaining at the expense of the hapless consumers at large.

We demand that It should make public the Cost-Audit reports of these manufacturing companies to arrive at the truth and assess the justification of the prices of steel in the past, present and future. Unwarranted profiteering cannot be condoned at any cost. □

**President, Delhi State Unit :  
Akhil Bhartitya Grahak Panchayat**

# SWADESHI PATRIKA

## *Voice of Real Economy*

**Dedicated to Swadeshi Movement in all its dimensions;  
Battles threats to the economic sovereignty of the nation; and  
Gives Voice to all sections of Economy**

### SUBSCRIBE AND/OR RENEW YOUR SUBSCRIPTION

**FILL THE FORM AND SEND IT TO US :**

Name .....

Address.....

.....

City ..... Pin .....

**YEARLY Rs. 100/-**

**LIFE Rs. 1000/-**

Email : [swadhipatrika@rediffmail.com](mailto:swadhipatrika@rediffmail.com)

GLOBAL FINANCIAL CRISIS"

# *American Financial Giants, Not US Government Controlling The Fed.*

Systematic effort to encourage spending to maintain the growth even at the cost of financial discipline is the root cause of global financial crisis.

Preservation and strong thinning of family system is the way to survival and property, asserts Sh. Gurusurthy

## SWADESHI SAMVAD

**G**lobal financial crisis has preceded flare up of world prices in energy, commodities and food, leading to spectre of world wide high inflationary pressure. It has led to hundreds of billions of dollars in write off and collapse of two leading banks in US and UK. Most banks in developed economies, including the biggest one, are struggling. There is a crisis of confidence and banks are less willing to lend to each other, forcing Central Banks to pump liquidity in the market. This has affected credit availability and raised its cost.



George Soros, the legendary investor described the financial market crisis as "most severe since 1930s" and adds that it "marks the end of a 25 year era of credit expansion based on the dollar as the international reserve currency."

Those who advanced the "de-coupled" hypothesis and hoped that emerging markets, including India, will remain unaffected were

too off the mark.

One section of experts feels that the financial crisis is an isolated event caused by greed of the market players and lax regulations. They feel that best response would be liquidity support with close monitoring. They do not wish to sacrifice growth at any cost. They hope that slowdown in US and

elsewhere will lead to fall in demand for energy and commodities and take care of inflation.

There are others who believe that the financial crisis together with unprecedented increase in prices of fuel, commodities and food are result of extreme monetary expansion which fuelled unsustainable consumption, unsustainable levels of investment

*Profits of finance sector which were 5% of the total US corporate profits in 1980, increased to 40% in 2000.*

and strings of asset price bubbles - in property, credit, equities and now in commodities.

Unlike the former group, they do not agree that the crisis is an isolated event nor do they feel that it calls for one-dimensional solution. They are convinced that it is a long and painful road ahead. The solution does not lie in tinkering here and there but in the entire paradigm shift.

To help people understand the issue in a better way Swadeshi Jagaran Manch organised a public lecture on "Global Financial Crisis" on 4th June 2006 in Mumbai. Shri S. Gurumurthy, a leading Chartered Accountant and an ideologue, on "Global Financial Crisis" was the speaker and Shri Suresh Kotak, Chairman, Kotak & Co., Ltd. Presided over. Venue of the lecture was University Club House, Shahr Amar Shaikh Hall, Churchgate. Economics being a complex subject and has a dominant effect on the well being of people.

International financial order changed critically when US abandoned its gold standard after 1970. From 1970 up to around early 1990s, US \$ still functioned as an unofficial international currency because American economy was strong and was backed by strongest military might. However, between 1990s and

present, from being a biggest creditor of the world, America became its greatest debtor. Both its government and house holds are deep in debt. It has to borrow 2 billion dollars every day. US \$ is hugely devalued in terms of gold, crude oil, commodities and other currencies.

As US is the biggest economy, its currency an internationally accepted medium of exchange and reserve, its problems send shock waves the world over.

Shri Gurumurthyji in his lucid style explained how this happened. Tracing the history of US Federal Reserve, he underlined its most significant aspect - that it is not the US Government but American financial giants who control the Fed. Two of the greatest American presidents - Abraham Lincoln and John F. Kennedy were assassinated after they took momentous decision that US Government will issue its own dollars. It may be a coincidence. Even in this days of open society, US Fed functions under a level of secrecy not even enjoyed by CIA. In practice US Fed is controlled by Federal Reserve of New York, which in turn is controlled by the Wall Street.

Having explained the background, Shri Gurumurthyji than pinpointed the proximate cause of

the present financial crisis. From 1980 to 2001, the interest rates were brought down from 20% to 1%. This effectively dried up the savings of households. Household savings shifted to equity and than to corporate coffers. Thus in two decades, from being creditor, the house hold sector accumulated huge debt. In the year 2006, while corporate savings were \$512 billion, household sector had a negative savings of 112 billion.

There was a systematic effort to encourage spending to maintain the growth even at the cost of financial indiscipline. Dominance of finance sector increased manifold. Profits of finance sector which were 5% of the total US corporate profits in 1980, increased to 40% in 2000. With help of derivatives bankers became trader, investor and speculator all combined. Thus, real economy became a hand maiden of financial economy. Financial economy nor longer remained servant but master of the real economy. This gradually eroded the US economy with a dangerous long term consequences.

Shri Gurumurthyji concluded by emphasising that there is no substitute of hard work, discipline and savings. Families were destroyed first in Europe and England and latter on in America. Economies whose family system is in tact will survive and prosper. He sited example of Japan and India. Family system should be preserved and strengthened at any cost. It will be the bulwark against economic and financial turbulence of present and future. □

Continue to Page No. 6

financial causes. It is clear that significant change is underway in global energy markets, portending major challenges for the global economy and energy security. Experts predict oil will reach \$200 per barrel by the end of the year. The current crisis is serious enough to warrant a thorough analysis.

The main causes for this current shock are:

**Skyrocketing Demand** - demand for oil is no longer driven by the developed countries. The main surge in demand has come from the rapidly developing economies of China and India which are demanding huge amounts of oil in order to sustain the pace of their industrialization and growth rates.

**Constricted Supply** - plans to increase supply through exploration and production are being frustrated by heightened political risks and mismanagement, including anti-competitive national energy policies in the oil-producing countries.

The above figure shows the change in net exports of oil-exporting companies. The major oil producing countries (primarily OPEC countries) have actually reduced their exports of oil. The newer oil reserves have increased production but prices of oil have still risen. This is so, because the supply of light crude (sweet crude), which comes mainly from OPEC countries, has fallen. The newer oil reserves are actually reserves of heavy crude. Therefore, the extraction and refining process

*Steady depreciation of US Dollar against other currencies has prompted investors to buy oil futures to hedge the dollar risk resulting in the phenomenal increase in oil prices*

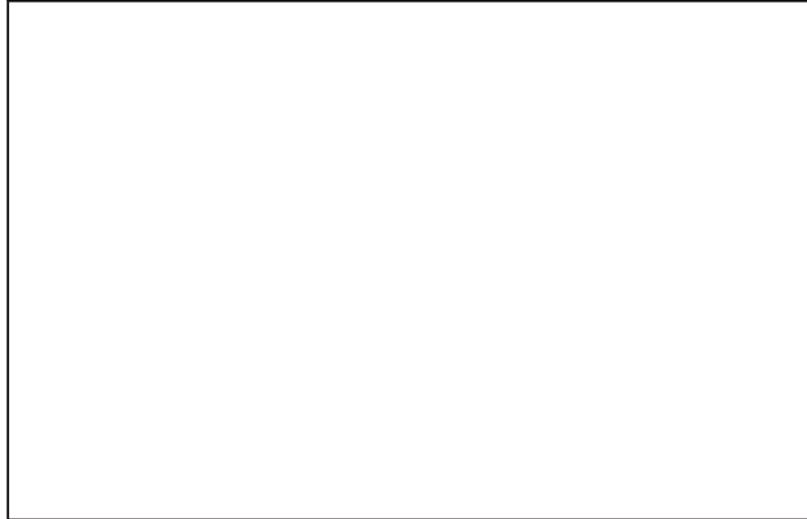
costs more. These factors have contributed to the rise in oil prices.

Financial causes - a major cause for the high price of oil is 'speculation'. Many experts believe that more than the demand supply imbalance, speculation is raising the price of oil to such heights. Another reason for the price hike is the depreciation of the US Dollar. Oil prices are quoted in dollars and the depreciation of the dollar viz-a-viz other currencies like the Euro, Pound etc. has led to concern among some economists that the principal earned from the sale of oil may lose value in the long run if the US dollar loses real value. The steady depreciation of the US Dollar against other currencies has prompted investors to buy oil futures and other commodities to hedge the dollar risk. This has played a major role in increasing the price of oil. The U.S. currency's slide has contributed about one-third of a \$60 increase in oil prices between 2003 and 2007. Oil prices are also being driven up by high

export taxes in oil producing countries. For instance, Russia imposes a high oil export duty of 60 per cent. A deluge of investments by large commodity investors has only worsened matters. Falling equity prices and rising commodity prices have made managers of private equity funds, sovereign wealth funds, hedge funds and pension funds invest in commodities like oil.

Effects of the current oil crisis: The effects of the current oil crisis are dramatic, to say the least. On the one hand it has made consumers worse off while on the other the producers are gaining. Data shows that the oil rich countries are experiencing boom times with an estimated \$1.8 trillion of wealth transfer from global oil consumers annually. Moreover, the main producers such as the Middle-East countries have begun to invest their profits in Sovereign Wealth Funds (SWF). This is unlike the previous cases in the past where the surplus profit was not invested properly. However, transparency is a problem and many countries are diverting these funds towards uneconomic avenues, thereby robbing their countries of a chance to develop. However, countries like Saudi Arabia and the United Arab Emirates have begun to use these SWFs to invest in projects other than oil exploration and extraction. These countries have realized that they are heavily dependent on oil and they are aware that with the use of alternative fuels in the future, their economies will collapse.

The consuming nations are the ones to suffer, especially those



which import huge amounts of oil. Countries like India and China are really feeling the effects of ever mounting prices of oil.

Damage to Oil Marketing Companies - the Oil Marketing Companies (OMCs) have incurred huge losses to the tune of Rs.650 crore a day. This was mainly due to the government's policy of subsidizing fuel to the consumers. The government did raise the retail price of petrol, diesel and LPG by Rs.5 a litre, Rs.3 a litre and Rs.50 a cylinder. This has lowered the losses of the OMCs to some extent but they do continue to bleed.

Higher Taxes - the government denies imposing any taxes or cess to fund its pocket. However, a glance at the pricing structure of oil reveals a completely different story. The basic price of oil is Rs.21.93. The various taxes levied are:

Excise Duty -Rs.14.35

Education Tax - Rs.0.43

Dealer Commission - Rs.1.05

VAT - Rs.5.5

Crude Oil Custom Duty - Rs.1.1

Petrol Custom - Rs.1.54

Transportation Charge - Rs.6.00

Total Price - Rs.51.90

Therefore, for a price of almost Rs.22 per litre, consumers in India pay almost Rs.30 more as taxes.

Higher Inflation - if the government borrows more to fund the oil price adjustment, it will have to print more money and release it in the economy. This means more money chasing the same goods and services: a perfect recipe for pushing inflation above its current peak of 8.1 per cent. A hike in fuel prices will have an effect on inflation. According to economists, the wholesale prices index may go beyond the dreaded 10 per cent level. Higher rates of fuel will lead to a rise in prices of food articles due to higher transportation costs. Rise in inflation rates is bound to raise the cost of borrowing money i.e. interest rates. Higher cost of funds will make doing business more expensive and project costs will go up. People will borrow less and many will even defer their plans to borrow. Since corporations will

also borrow less, therefore investment will decline which will lead to slowing down of the economy. This combination of slow growth rate and high inflation rate is called Stagflation - stagnating growth and high inflation.

Weakened Rupee - the government needs more dollars to buy oil and this demand increases the demand for dollars and, hence, its price measured in rupees. The falling rupee, in turn, makes imports costlier and exports cheaper. The rupee has already depreciated over 7 per cent in the last one month. Despite India's good FOREX reserves, the RBI has resorted to buying US Dollars which has resulted in an increase in the price of the dollar against the rupee. This is in sharp contrast to the other currencies which have been steadily appreciating against the US Dollar.

There are many issues that come to light when we view the current oil crisis from an Indian perspective. The question asked is "What can the Indian government do in the face of rising oil prices?". On the face of it, the solutions might appear to be straight forward. However, it must be borne in mind that most, if not all, decisions taken by the government are done so after weighing the political pros and cons. So while a solution might be socially desirable, the government might not opt for it because it might have serious political ramifications. The recent oil price hike by the government is a good example. Economic theory suggests that the increase should have come a long time back. However, most governments avoid

increasing the price of oil as it may lead to the party losing power in the elections. The present UPA government did increase price, though not as much as would be suggested by economic theory. Moreover, after announcing the price hike, the Centre appealed to the State governments to offer subsidies and cut down on some taxes. This was done keeping in mind the fact that elections are around the corner and the government did not want to antagonize the common man.

India is, no doubt, growing at a rapid pace and, along with China; it is set to become the next superpower. However, there are key areas which demand immediate attention. While India has industrialized rapidly, its Research & Development sector is unfortunately unsatisfactory. The key to sustained growth is R&D because this would enable the country to adopt newer and more efficient technologies thereby increasing the productivity of its industrial activities. The size of India's population and the growing demand for oil and gas by the households only serves to elucidate the fact that the government must encourage oil exploration and development of alternative sources of energy. The Government of India levies a service tax of 12.36% (inclusive of education cess) on survey and exploration, site formation, mining services, etc. This serves as a disincentive for potential players to enter the oil exploration market. Another aspect which the government should look into is the encouragement of the use of LPG and CNG as fuel for vehicles. These fuels are much

---

cleaner and are thus not so harmful to the environment. The city of Delhi is a good example to prove that the use of CNG has indeed made the city cleaner and the air is a lot more pollution-free. Improvement of traffic system will help in conserving energy. Public transport should be developed making it cleaner and more efficient. The government should pursue policies encouraging people to conserve energy by making use of public transport more often rather than using cars. The advantages of using carpools should be made known to the public.

The government should also look towards developing its handicraft industry. This will firstly generate more employment and secondly it will also conserve energy since these industries are not power based industries. On the alternative fuels front, India should look to encourage the development of bio-

fuels industry. However, this issue is a little tricky. India's ever increasing population demands ever increasing amounts of food. Thanks to the Green Revolution technology, the country does have food reserves but the situation could become critical and there are already signs of it becoming so. Therefore, encouraging the cultivation of crops which can be used as bio-fuel is likely to be met with strong opposition. Another point is that these crops require large amounts of water. These points form the crux of the "Fuel vs. Food" debate. In a country that is already facing a water crisis, it is indeed difficult to promote the cultivation of such crops. This only serves to highlight the need for better R&D facilities so as to ensure that the country's economy does not collapse.

Will things change in the future? We human beings have been conditioned to always hope for the best and work towards a better tomorrow. Therefore, we HOPE things will change in the future. We might have to accept the fact that oil prices may never fall below \$100 a barrel. But we should work towards discovering new oil fields and developing alternative sources of energy. This, however, does not mean that the common man sits and waits for some breakthrough. Till such discoveries are made, we, as responsible citizens, must try to conserve energy or else the day might very well come, when we have no oil to sustain our ever increasing demand for energy. However what is most important is the need for sustainable consumption of energy for a long-term sustainable development. □

# Field Marshal Sam Manekshaw passes away

SWADESHI SAMVAD



**F**ormer Army Chief Field Marshal Sam Manekshaw passed away at Military Hospital in Wellington. The Padma Vibhushan and Military Cross awardee, who was admitted in the hospital for some time for "progressive lung disease", had slipped into a coma earlier in the day and the end came just after midnight at 00:30 am, the Defence Ministry said in a statement.

Manekshaw, who had led India to victory in the 1971 Indo-Pak war, had developed "acute broncho pneumonia" with associated complications and his condition had been serious for the

past four days.

Manekshaw assumed charge of the Indian Army, as the 8th Chief of Army Staff, on June 07, 1969. Born in Amritsar, Punjab in April 1914, he completed his schooling in Amritsar and Sherwood College, Nainital. He then joined the first batch of 40 cadets at Indian Military Academy (IMA), Dehra Dun on 01 October 1932. He passed out of the IMA in December 1934 and was commissioned as a Second Lieutenant in the Indian Army. He held several regimental assignments and was first attached to the Royal Scouts and later to the 12 Frontier Force Rifles.

Manekshaw succeeded General Kumaramangalam as Chief of Army Staff (COAS) in June 1969.

For his selfless service to the nation, he was awarded the Padma Vibhushan in 1972 and was conferred with the honorary rank of Field Marshal in January 1973. He retired a fortnight later on 15 January 1973, after completing nearly four decades of military service.

Manekshaw, the hero of 1971 Indo-Pak war, would be accorded a state funeral by the Centre. Union Minister of State for Defence, Pallam Raju, would represent the Central Government at the funeral, while a representative of Chief of Royal Bhutan Army Kinley Dorji would attend, representing the Bhutanese Army, it said.

Meanwhile, the Tamil Nadu government announced a day's official mourning today. The National flag would fly half mast through out the state, an official press release said.

Field Marshal Sam Manekshaw lives on. His exploits in battlefield, as soldier and general, are the stuff of legend. In the 1961 India-China war, he was called to the front to lionise Indian soldiers being pushed back by the Chinese. He came, he inspired and he forced back the attack. His finest moment as soldier was, however, when he led the Indian forces to victory in the 1971 war with Pakistan. Sam Manekshaw was a soldier of great repute, but he also built a reputation of being no respecter of men. □

## Woman of Today

# *The Media should be careful in reporting research findings*

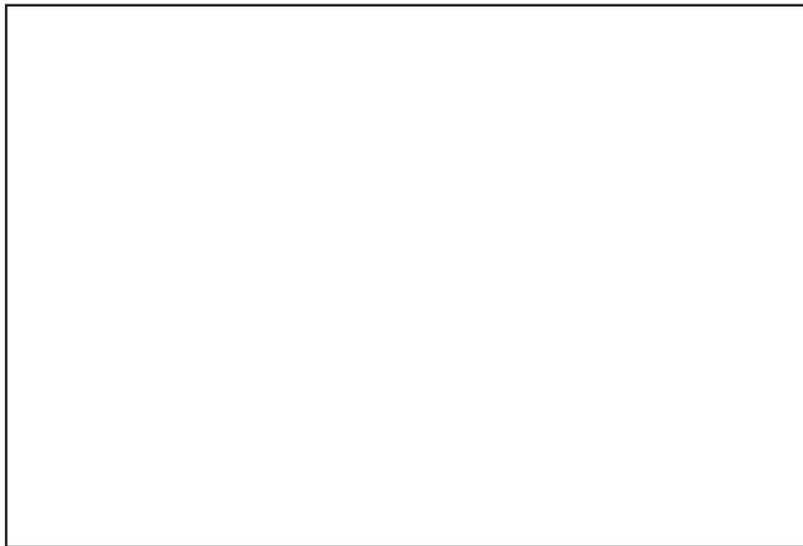
Even a cursory glance through a newspaper in the past week or so would reveal wildly contradictory - or just plain wild - claims about the nature of women. One study claims that women prefer men with hybrid cars, while another says women are genetically hard-wired to shop. Yet another study claims that women really are more attracted to the bad-boy type, even if they say otherwise. It seems women are the hot new research subjects. But where is all this research coming from? And why are researchers so interested in what women want? The answer might lie in the market. Smart marketers have long been aware that women make most buying decisions in urban households. Now, perhaps, rather than merely targeting women - or men by portraying their products as being attractive to women - advertisers are commissioning light sociological surveys to push their products. This way they can promote a brand name and stir up discussion in the media. For example, it can hardly be a coincidence that General Motors, which is going to launch a hybrid car soon, commissioned that research that suggested women would be more likely to date a man who drove a hybrid car. The study that has equated shopping for women with sex for men was conducted by scientists at a British university for a fashion website. We don't need research to figure out why this happens. People are more receptive to a quasi-scientific study backed by impressive numbers than the smartest of advertisements. What is less understandable is why we in the media choose to play up all manner of frivolous research findings with hyperbolic headlines. It's not that all research is a commercial tool. In fact, research is necessary to understand human behaviour. It is just difficult to distinguish between genuine research and studies that are gimmicks, when news reports don't identify where these studies are coming from. A large proportion of the research findings published in major news outlets today is sensationally packaged to draw attention.

This is where the media must step in to help readers decide whether a study that tells them that aggressive women are more likely to give birth to boys merits any consideration. In the interests of full disclosure, they should make clear in their reports who was funding the study and which scientific journal published it. This information can help readers decide for themselves which pieces of research are closer to the truth and which are not.

This is the editorial of the Times of India dated June 25,2008. we have reproduced it for the benefit of our readers.

# Massive Protest Rally against SEZ's in H.P.

KASHMIRI LAL



**S**wadeshi Jagran Manch organized a massive protest rally against SEZs in Gagret-Unna in Himachal Pradesh.

Addressing the rally National convenor of SJM Sh. Muralidhar Rao criticized the anti farmer policies of government. Government, he said, does not care for the welfare of farmers and is treating them unfairly like a step mother. He further added that independence does not mean only a right to hoist Tricolour on the ramparts of Red fort every year. Real freedom means a right to every citizen to work according to his wishes in the interest of nation & people. But governments are hitting hard on the interests of

farming community, he added. Muralidhar Rao further said that farmer's contribution to nation has always been immense yet governments have ignored their plight.

Successive governments are trying to snatch the fertile land of farmers and are determined to displace them. He declared mass movement is the only solution. IT is a long drawn battle and when we struggle jointly no government can dare to forcibly snatch land from farmers against their wishes.

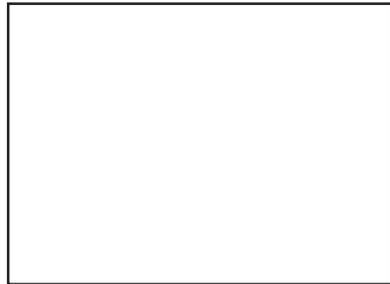
Sh. Kashmiri Lal ji, member Central working committee of SJM also addressed the rally. In his speech Kashmiri Lal ji spoke about

SEZs in China. He said that China has only 6 SEZ developed on unproductive land. Comparing the same with SEZs in India he said that there is a rush for SEZs and government has already sanctioned more than 500 SEZs. Kashmiri Lal ji is explained in detail the possible adverse implications of these SEZs. He appealed for a strong people's movement against these SEZs.

National Vice President of Akhil Bhartiya Kissan sangh, Sh. Prithvi Singh Vatsa in his speech sought the cooperation of people and promised a joint action to force the government to change its decision to establish SEZ at Gagret. He further assured the full cooperation of BKS to the movement.

Narendra Parmar of Matribhumi Bachaoo Sangharsh Samiti said that Gagret SEZ will adversely affect 24 village and about 80,000 Kanals (4000 hectares) of fertile land will be snatched from the farmers. He said this will not be allowed at any cost. Any sacrifice is too small to save the farmland, he added. Thousands of farmers present in rally raised their voice against the SEZ. Deshbandhu, convene SJM HP; Prof. K. R. Sharma and Bhagat Ram Patiyal were also present at the rally. □

## Poor India makes millionaires at fastest pace



India, with the world's largest population of poor people living on less than a dollar a day, also paradoxically created millionaires at the fastest pace in the world in 2007 even though the world grew such "high net worth individuals (HNWIs)" at the slowest pace in four years. Growing them at a blistering pace of 22.7 per cent, India added another 23,000 more millionaires in 2007 to its 2006 tally of 100,000 millionaires measured in dollars, according to an annual Merrill Lynch Cap Gemini report that weighs such financial information for its wealth and asset management purposes. In contrast, developmental agencies put the number of subsistence level Indians living on less than a dollar a day at 350 million and those living on less than \$ 2 a day at 700 million. In other words, for every millionaire, India has about 7000 impoverished people. India's HNWI population growth of 22.7 per cent in 2007 exceeded China's 20.3 per cent and its own 2006 gains of 20.5 in 2006. Explaining the faster rate of growth of millionaires in India than in China, the report suggests that as market capitalization and real GDP in China were spread over a larger population, there were smaller per

capita gains in China. In 2006, India had a larger market capitalization growth than gross national income, significantly impacting HNWI population growth. In addition, it said, China is currently experiencing explosive growth in its "mass affluent" population, which has yet to break the HNWI threshold of US\$1million. The observation also suggests China is having greater equitable growth than India.

## Inflation Will Pull Down Gdp Growth To 7.8 Pc



Inflation, fuelled by surging energy and commodity prices and interest rate hikes by the Reserve Bank, could pull down India's economic growth from the projected eight per cent to 7.8 per cent this fiscal. "High oil prices, strong input costs and a depreciating Rupee continue to exacerbate inflationary and other pressures. High interest rates, along with a slowing global economy, will trim GDP growth to 7.8 per cent in 2008-09," Standard & Poor's Asia-Pacific Chief Economist, Subir Gokarn, said in a statement here today. The inflation rate was expected to be around 8.5 to nine per cent during this fiscal. Rising inflation, a forecast slowdown in economic growth, and turmoil in the global financial markets have dampened investor confidence and

led to foreign capital outflow. "This has led the rupee, which was already under pressure from a rising oil import bill, to depreciate as sharply this year as it appreciated in 2007," the statement said. As global market conditions become more stable and oil prices moderate, the rupee could appreciate to around Rs 41-41.5 vis-a-vis the US dollar towards the end of the fiscal year, the statement added. The country's current account deficit was expected to swell to about 2.6 per cent of GDP. "Fiscal improvements in the past few years are likely to be reversed this year, due to a surge in oil, fertiliser and food subsidies," the statement also said. PTI

## Posco using school to store bombs, explosives

Tension gripped Gobindpur village in the Jagatsinghpur district of Orissa where South Korea's Posco had proposed to set up a steel plant, as anti-Posco activists claimed they had discovered an arsenal of bombs and other materials stored in a school for use against them. People struggling against Posco caught and locked up one pro-Posco follower Narottam Mohanty, who disclosed the names of persons who allegedly hurled a bomb and killed Dula Mandal, an anti-Posco activist, and others on June 20. Mohanty reportedly confessed that pro-Posco groups were using a school to store bombs, explosives, ingredients of land mines, swords and other arms. Anti-Posco activists thereafter raided the school and reported they had seized huge cache of arms and explosives. Mohanty apparently confessed that bombs were hidden in Gobindpur primary school and

that school teachers were aware of it. Local activists then bashed a school teacher who then took the group to the hidden arsenal inside the school campus. At Gobindpur, anti-Posco activist Dula Mandal was killed in an attack by pro-Posco supporters. It is claimed that people have recovered six boxes of bombs, land mines, firearms, 75 swords and other ammunition from the school along with bags supplied by Posco, vests, school kits and other material. They then called in the Kujang police to seize the arms, bombs and other ammunition.

## Double-digit inflation to stay: FM



Double-digit inflation is likely to continue for a few more weeks before government efforts kick in to ease the rate of price rise, Finance Minister P Chidambaram has said. Ahead of new inflation data to be released on Friday, he told a television channel that he cannot guess the inflation figure, but "will remain in double digit for some more weeks." Inflation touched a 13-year high of 11.05 per cent as on June 7, after a partial pass through of increase in global crude prices. Government and RBI have taken several fiscal and monetary steps to cool inflation, but these measures may also have a slowdown

effect on economic expansion. Asked whether the government feels achieving nine per cent growth this fiscal would be difficult, the Finance Minister said: "There will be some moderation in growth rate, but growth will not fall precipitously. "(Given) the structure of our economy, which is about 57 per cent services, growth will still be above eight per cent, but the point is we want nine per cent growing up to 10 per cent. This year we can't hope for that," Chidambaram said.

## Interest rates set to rise by up to 100 bps

Amount (Rs.)	EMI for 20 years loan		
	INTEREST @		
	10.5%	11%	11.5%
20,00000	19,968	20,644	21,329
50,00000	49,919	51,609	53,321
10,000000	99,838	1,03,219	1,06,643

Interest rates are all set to go up by 50 to 100 basis points, following the RBI's decision to increase the lending rate on funds to banks by half a percentage point. CMD of Punjab National Bank (PNB) KC Chakrabarty said the step taken by RBI will lead to a minimum increase of 50 basis points in interest rate. Some banks might increase the rate even to 75 basis points, he added. However, a senior official of a private sector bank said increase in the lending rate might go up to one percentage point (100 basis points). As the interest rates are going upward for last quite some time and not likely to come down in the near future due to inflationary pressure, many banks will increase the rates by one percentage point from July 1, 2008. The worst hit by this would be the home loan borrowers. A senior

bank official said that as the rates are increasing, default rates would also go up. This will increase the cost of funds, forcing banks to further hike the rate. At the same time, as interest rates are going up, the value of the government securities will also fall. As shown in the chart, increase in the interest rate by 100 basis points on a 20-year loan leads to increase in EMI by almost 7%. On the other consumer loan also, the increase in the rate will be higher than one percentage points.

## Aeronautics industry should wake up and capture national market, says ISRO chief

With a projected demand of 1,000 new civilian aircraft in the next 10 years, both for long and short haul flights, it is time the Indian aeronautics industry "wakes up and captures the national market," Chairman of the Indian Space Research Organisation (ISRO) G. Madhavan Nair said while speaking at the inauguration of a two-day International Conference on Aerospace Science and Technology, organised by the National Aerospace Laboratories (NAL). Mr. Nair said that even if 10 per cent of the national market was captured, it would translate into billion of dollars. "The Indian scientific institutes should work together towards indigenous capacity building." The former President, A.P.J. Abdul Kalam, said that with its technological capabilities in aerospace, India should strive to become globally competitive in developing and producing aerospace systems for defence, space and civilian applications.

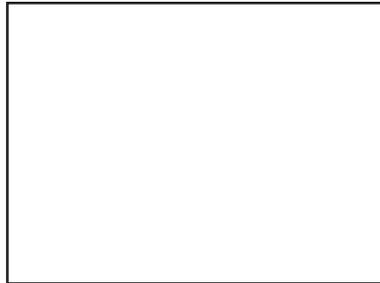
## UN to prod G8 on food crisis, climate change, poverty



UN Chief Ban Ki-moon has said he would press for concrete action at a summit of Group of Eight (G8) leaders in Japan next month to tackle the world food crisis, climate change and the flagging fight against poverty. On the eve of his departure on a two-week, three-nation Asian tour, the secretary general said the 7th to 9th July summit in the northern Japanese resort town of Toyako must face the three inter-related crises which demand "our immediate action." He said that before departing, he would write to each of the G8 leaders to lay out his concerns about the global food crisis, the need "to act now" on climate change if we are to reach a deal to cut greenhouse gases by the end of next year and the emergency of development. "If ever there were a time to act, together as one, it is now," he told a press conference at the United Nations on Thursday. Ban said he would appeal to world leaders in Toyako "to deliver on the measures agreed to in Rome earlier this month to end the current food crisis and prevent a recurrence". These include a commitment by nations to remove export restrictions and levies on food commodities and cut agricultural subsidies, particularly in developed

countries. Ban said he would also propose tripling the proportion of Official Development Assistance (ODA) from wealthy nations to developing countries for farm production and rural development.

## Biofuels pushing 30m into poverty: Oxfam



BIOFUELS are responsible for 30 per cent of the increase in global food prices, pushing 30 million people worldwide into poverty, aid agency Oxfam said in a report. The use of biofuels is soaring as developed countries try to reduce their dependence on imported oil and cut emissions of carbon dioxide, but critics say they have led to a shortage of grain, pushing up commodity prices. 'Rich countries' demands for more biofuels in their transport fuels are causing spiraling production and food inflation,' said Oxfam biofuel policy adviser Rob Bailey, who wrote the report. 'Grain reserves are now at an all-time low.' Oxfam called on rich countries to dismantle subsidies for biofuels and reduce import tariffs. 'Rich countries spent up to US\$15 billion (\$20.51 billion) last year supporting biofuels while blocking cheaper Brazilian ethanol, which is far less damaging for global food security,' the report said. The aid agency also urged rich countries to scrap biofuels targets, including European Union plans to get 10 per

cent of its transport fuel from renewable sources like biofuels by 2020. Oxfam estimates that by 2020, CO2 emissions from land-use change in the palm oil sector may have reached over 3.1 billion tonnes, largely as a result of the EU target - and it would take over 46 years of biofuel use at 2020 levels to repay this 'carbon debt'. 'Biofuels are taking over agricultural land and forcing farming to expand into lands that are important carbon sinks, like forests and wetlands,' the report said. 'This triggers the release of carbon from soil and vegetation that will take decades to repay.'

## Rising temperatures force many plants higher: study

Rising temperatures have forced many plants to creep to higher elevations to survive, researchers reported on Thursday. More than two-thirds of the plants studied along six West European mountain ranges climbed an average of 29 meters in altitude in each decade since 1905 to better conditions on higher ground, the researchers reported in the journal *Science*. "This is the first time it is shown that climate change has applied a significant effect on a large set of forest plant species," said Jonathan Lenoir, a forest ecologist at AgroParisTech in France, who led the study. "It helps us understand how ecosystems respond to temperature changes." Using database on plant species found at specific locations and elevations stretching back to 1905, the researchers showed many plants have steadily crept higher to conditions best suited for survival and growth. Plants move higher by dispersing their seeds in the wind, which blows them to higher

elevations and cooler temperatures similar to their former location, Lenoir said. The researchers tracked 171 forest plant species during two periods -- between 1905 and 1985, and from 1986 to 2005 -- along the entire elevation range from sea level to 2,600 meters. They found that two-thirds of the plants responded to warming temperatures over that time by shifting to higher altitudes. Plants at higher altitudes also appear most sensitive to warmer conditions because slight temperature changes at higher altitudes have a bigger impact, he added. Earlier this week, U.S. researchers warned warming temperatures could turn many of California's native plants into "plant refugees" looking for more suitable habitats. They concluded that a warming climate and rainfall changes would force many of the U.S. state's native plants to range north or to higher elevations or possibly even go extinct in the next 100 years. The French team's findings suggest plants at high altitudes face the same or greater impacts from rising temperatures, Lenoir said in a telephone interview. "Plant species move where it is optimal for them to grow," Lenoir said. "If you change these optimal conditions, species will move to recover the same conditions." Continued...

## **Raising bar: China poses threat to India's Central Asia gas plan**

At a time when the Left is thwarting the nuclear pact with US, its ideological beacon, China, is raising the bar for another energy deal India is trying to work out in Central Asia. Reports from Turkmenistan - from

where India is looking at piping gas through Afghanistan and Pakistan - have alerted New Delhi of a big Chinese push to grab up to 100 billion cubic metres of gas annually at a price higher than what New Delhi is offering. China appears to have made some headway but Russia is making a pitch to "buy" all gas from the Central Asian nation. If the countries succeed, it will mean a second setback for India's efforts at getting gas through a transnational pipeline. As reported China had staged a coup by contracting all gas from an offshore Myanmar field -- where ONGC and GAIL together hold 30% equity, even as New Delhi was planning a pipeline. If such huge quantities are committed to China and/or Russia, it will raise the question whether Turkmenistan will have enough left to feed the proposed pipeline to India. During the third round of technical discussions that concluded on May 31 in Ashgabat, Turkmenistan, though, assured officials from India, Pakistan and Afghanistan that it had enough gas for all and would get an independent estimate by September. During those talks, price of gas emerged as the key issue during closed-door negotiations. Sources said Turkman energy minister Saparmurad Nuriyev told the officials, "Many countries like China, Russia and the EU are courting Turkmenistan for its gas and are ready to pay market price... TAPI (the pipeline) members should not expect to pay lesser price." Turkmenistan rejected the Indian offer of \$200-230 per thousand cubic metres of gas and said it expects \$400-450 and would charge the same from Russia and China from 2009. Differences also surfaced over the gas price formula. Turkmenistan insisted on its own formula, which it said was

followed for selling gas to EU and Russia.

## **Oil price hits record near \$142**



Some analysts have predicted that oil prices will hit \$200 a barrel. The price of crude oil has surged to a record, almost breaking through \$142 a barrel, amid concerns about the ability of producer nations to meet demand. In London, Brent crude jumped to \$141.98 a barrel, while New York light crude climbed as high as \$141.71. Producers' group Opec has been under pressure to boost production, though recent reports have shown its members are split over whether to lift output. Some analysts are now predicting that crude prices will continue to climb. Opec shuns calls to produce more Opec president Chakib Khelil has said the cartel of oil producing nations is pumping enough output, and that high prices are down to other factors. He put the current price rises down to other factors outside Opec control, such as US pressure on Iran and the weak US dollar. He also blamed high prices on the US sub-prime crisis "and the ensuing impact of the dollar devaluation", and accused also traders of turning to commodity markets, such as oil, when they could not find good returns in areas such as in currency exchange.

## India asks Lamy for clarity on IPR, subsidy provisions

India has told WTO chief Pascal Lamy that New Delhi would not remain silent if issues such as disclosure of provisions for genetic material, fishery subsidies and services were not resolved satisfactorily. Lamy will convene a ministerial meeting on July 21 to finalise the modalities in Doha agriculture and market opening for industrials. The modalities in agriculture and non-agricultural market access (NAMA) would suggest the tariff and subsidy reductions for farm products and the tariff cuts for industrial products that members would have to undertake as part of the Doha agreement. At a closed-door meeting of trade envoys from about 30 countries, Lamy said he was going to convene the July 21 meeting on the assumption that there is "better than 50 per cent progress" in agriculture and Nama agenda. He suggested that between now and July 19, when ministers are required to congregate in Geneva, members can bring about 90 per cent progress. "If we don't do it now, it would not happen," he said. But there is widespread scepticism as many members say there is not even 50 per cent progress to warrant a ministerial meeting on July 21. "It is wrong to say that there is more than 50 per cent progress in agriculture and Nama, and if anything, it is well below that figure," Argentina's senior trade negotiator, Nestor Edgardo Stancanelli, told Business Standard. "There should not be a ministerial meeting if it has to result in a failure," he said. India's trade envoy, Ambassador Ujal Singh Bhatia, challenged the director-general to clarify the process and substantive issues, cautioning that within agriculture and Nama there are umpteen unresolved issues such as the number and treatment of special products, the thresholds for special safeguard mechanism, and overall trade-distorting domestic support. But more than agriculture and Nama, Bhatia said, there were issues such as fishery subsidies, TRIPS (Trade Related Aspects of Intellectual Property Rights), CBD (disclosure requirements for genetic material), and services which are vital for India in the Doha Round but

not properly addressed till now. "I can't be taking sides on TRIPS and CBD," Lamy told India, suggesting that the country must sort out the issues on its own with key members.

## Doha's development angle being undermined: CII, Ficci to Lamy

In separate letters, industry bodies Ficci and CII told World Trade Organisation Chief Pascal Lamy on Tuesday that they are deeply concerned over concerted attempts to undermine the "development dimension" in Doha non-agricultural market access (NAMA) negotiations. They slammed the last revised NAMA text on the ground that it contains proposals - such as anti-concentration clause, zero-for-zero sectoral tariff elimination, and linking formula coefficients with flexibilities - that go diametrically opposite to what the Doha Development Agenda had proposed.

"The revised text of NAMA has belied the expectations of the Indian Industry" and has "disregarded the development dimension of the Doha Round by restricting the flexibilities for developing countries and also by ignoring the core demands of the Doha Round, that is, less-than-full reciprocity [LTFR]," Ficci Secretary-General Amit Mitra said in his

letter to Lamy. Under the LTFR principle, which was agreed in the July 2004 Framework Agreement and the Hong Kong Ministerial Declaration, industrialised countries are required to take bigger commitments than their developing counterparts. But the proposals prepared by the chair for Doha NAMA negotiations, Ambassador Don Stephenson, has given a short shrift to the LTFR principle, several countries have complained. "Equity and balance to this development-oriented Doha Round can only be achieved if developed countries agree to take a coefficient that will result in a cut of 49 per cent to 51 per cent on their dutiable bound rates with developing countries choosing coefficients that take comparable cuts in dutiable bound rates," wrote R Gopalakrishnan, chairman of the CII's WTO and Trade Agreements Committee. Both Ficci and CII listed glaring inconsistencies between what the Doha mandate required members to accomplish and what was proposed in the revised text issued last month.

