LOK SAMVAD

APRIL 2007

EDITORIAL

Union Budget : 2007-2008

Under UPA Even Dogs Have Their Day, But Not The Poor!

By: Piyush Pant

Just look at two sets of data from India's Economic Survey 2006-07 and the scenario will be crystal clear. Para 1.1 under Macroeconomic overview states that growth of 9.0 per cent and 9.2 per cent in 2005-06 and 2006-07 respectively, by most account, surpassed expectations. Now Para 1.10 says that starting with a rate of 3.98 per cent, the inflation rate in 2006-07 has been on a general upward trend with intermittent decreases. However, average inflation in the 52 weeks ending on February 3, 2007 remained at 5 per cent (Whereas non-governmental sources reveal that inflation, driven mostly by higher food prices, for the week ended March 3, 2007 rose to 6.46 per cent from 6.10 per cent a week earlier and in February, it hit a two-year high of 6.7 per cent). Thus, both the economy as well as inflation are growing. But with a difference. While service-sector driven growth is filling the coffers of the rich- suppliers, corporates and their agents, the growing inflation is making the hole bigger in the pocket of the common man. There may be a number of factors (global rather than domestic)ascribed to the increasing rate of inflation but as it is mostly evident in the case of foodgrains , it is clearly a case of demand chasing the supply. The neo-liberal reforms being pursued by the UPA government has played havoc with the Indian agriculture. While inadequate price support by the government to the farmers has made agricultural production unviable for the farmers leading to disinterest in producing agriculture products, the allowing of forward trading in foodgrains has further pushed the prices of the food items. One can hardly forget that it was same P Chidambaram who, while contesting the parliament election, had asked the electorate in his home state of Tamil Nadu to vote for him promising them rice at Rs. 2 a kilo. Now, having won the seat and subsequently occupying the Finance Ministry the same Mr. Chidambaram has continuosly pursued economic policies which are anti-agriculture, anti-farmers and anti-people. Production of foodgrains have been continuously neglected in pursuance of New agriculture policy whose emphasis has been on export-oriented cash crops. This has resulted in shortfalls in wheat production. The situation is quite frightening with the rate of growth of food production falling below the rate of growth of population.The last nail in the coffin was put by allowing forward trading in foodgrains and essential items. And it's a common knowledge that this step was a brainchild of Mr.Chidambaram. Another important factor contributing to inflation is rise in money supply, particularly illegal recycled foreign funds coming into the economy, having been legitimized via the Participatory Note (PN) route. PNs are outside the purview of SEBI, and do not have to reveal their source of funds.Though Mr. Chidambaram was forewarned, from time to time by RBI, SEBI and Tarapore Committee to dispense with PNs but nothing has been done in this regard by FM in the Budget. It seems that the government is least interested in trying to identify and rectify the core of the problrm of inflation by

In This Issue

appeal Action Programme for People's Economics and Allied Literacy

reversing its policy to attract more and more FDI and FII.

The inflationary trend in the economy shows that it is growing in favour of rich while squeezing the earnings of ordinary people. Inflation has a direct impact on the lives of the people in the country, in that, people's capacity to buy goods and services is affected by the inflation rate.Yet nothing concrete has been done,in the Budget, to give relief to the prople Yes! Budget does increase the outlay on food-subsidy by 6.2 per cent but then it is lower than the increase in the Consumer Price Index and much lower than.the increase in the food prices.Even Rs.Ten thousand increase in threshold tax exemption limit given to the middle class is simply a cosmetic one.The increase in exemption limit which will provide a relief of Rs 1000 to Rs. 2000 will be partly neutralized by increase in education cess from 2 percent to 3 percent. Mr. Chidambaram's much touted Flagship Schemes of last year has got just 7 per cent rise in aggregate expenditure. Same is the case regarding the expenditure on social sector. While expenditure on higher education is to rise substantially(but to accommodate expansion of seats for the backward casts), elementary education has got too little. Even the allocation of less than Rs10,000 crore for the National Rural Health Mission is a peanut. How insensitive the UPA government can be to the plight of Aam Aadmi can be gauged from the fact that while nothing concrete has been done in the Budget to give relief to him from spiraling prices of essential items, biscuits and food meant for the dogs have been made cheaper.So under UPA regime even dogs stand a better chance than human beings!

Since budgetary exercise is now increasingly done under the shadow of business houses and corporates , it is getting more and more obsessed with growth and less concerned with the distribution. Nowadays budgets are being seen in terms of impacting the financial markets and not in terms of impacting the lives of people, particularly the poor. So all the resources at the disposal of the government are being diverted to make the coffers of those get heavier manifold who have more than enough to really bother about their bread and butter. This class finds pleasure in minting money here and there. Unfortunately it is this class that is ruling the roost. So when the entire economy is being galvinised to serve the class whose lust for wealth refuses to cease , how can it be expected that the government will serve those who are increasingly finding it difficult not only to earn their bread and butter but their survival itself.

The commitment for this class finds echo in the statement of our Finance Minister who said that inflation will not be controlled at the cost of the Development. Mr.Chidambaram and the likes of him who miss no opportunity to quote China's Economic Development should also spare few moments to pause and see what World Bank economists have to say. An analysis done by these economists has found that China's poor grew poorer at a time when the country was growing substantially wealthier. The analysis says that the real income of the poorest 10 per cent of China's 1.3 billion people fell by 2.4 per cent in the two years to 2003,a period when the economy was growing by nearly 10 per cent a year while over the same period the income of China's richest 10 per cent rose by more than 16 per cent.

The anti-people attitude of the government also permeates the budgetary allocation for agriculture sector. Though Mr. Chidambaram , in his budget speech, allocated 23 paras to agriculture he failed to address the real problems being faced by the farming community.Besides hardly increasing the Central Plan outlay for agriculture the Finance Minister also fails to notice the real cause of agrarian distress. The farming community is, today , in distress because the terms of trade have moved against the agriculture as farmers do not get remunerative prices and their input costs are ever increasing. Hence agriculture is increasingly getting unremunerative .On the other hand Food Processing sector is being granted many concessions and reliefs in order to make the operations of MNCs easier .

Though the Finance Minister claims that the government has exceeded, in terms of targets, the farm credit but it is not getting reflected in terms of improving condition of agriculture. That's why the phenomenon of suicides by India's farmers *Chaloo Aahe* !

Key Features of Budget 2007-2008

A Mid-Term Report Card on the Economy

- Improvement in GDP growth rate from 7.5% in 2004-05 to 9% (Quick Estimate) in 2005-06 and to 9.2% (Advance Estimate) in 2006-07; average growth rate in the three years of the UPA Government at 8.6%; growth target for the Tenth Plan of 8% will be nearly achieved; during three year period, acceleration in growth rate in manufacturing from 8.7% to 9.1% and further to 11.3%; and in services sector from 9.6% to 9.8% and further to 11.2%.
- Average growth in agriculture during Tenth Plan estimated at 2.3%.
- Income and Savings: Per capita income in 2005-06, in real terms, increased by 7.4%, savings rate estimated at 32.4% and the investment rate at 33.8%.
- Inflation: Growth in bank credit, year on year, by 29.6%; expansion in money supply (M3) by 21.3%; foreign exchange reserves at US$ 180 billion; pressure on domestic prices by global commodity prices; and supply constraints in some essential commodities - consequently, average inflation in 2006-07 estimated at between 5.2 and 5.4% vis-a-vis 4.4% last year.

Bharat Nirman and Flafship Programmes

- In 2006-07, additional irrigation potential of 2,400,000 hectares to be created; until December 2006 - drinking water provided to 55,512 habitations, 12,198 kilometres of rural roads completed and 783,000 rural houses constructed with 914,000 houses under construction; 19,758 villages covered so far under the Rajiv Gandhi Grameen Vidyutikaran Yojana; 15,054 villages provided with telephone against target of 20,000 villages, and balance to be covered by the end of the year.

Eleventh Five Year Plan

- *Objectives:* "Faster and More Inclusive Growth"; growth rate of approximately 10% by the end of plan period; growth of 4% in the agriculture sector, faster employment creation, reducing disparities across regions and ensuring access to basic physical infrastructure and health and education services to all.
- *Allocations for Major Sectors:* Increase in provision for Bharat Nirman by 31.6% from Rs.18,696 crore to Rs.24,603 crore, for education by 34.2% to Rs.32,352 crore and for health and family welfare by 21.9% to Rs.15,291 crore.
- *Sarva Shiksha Abhiyan (SSA) and Mid-day Meal Scheme:* Increase in allocation for school education by 35% from Rs.17,133 crore to Rs.23,142 crore, of which Rs.10,671 crore for SSA, provision for strengthening of teachers training institutions to be increased from Rs.162 crore to Rs.450 crore with 200,000 more teachers to be appointed and 500,000 more class rooms to be constructed. Mid-day Meal Scheme to be provided Rs.7,324 crore; children in upper primary classes in 3,427 educationally backward blocks to be also covered; transfer to Prarambhik Shiksha Kosh to increase from Rs.8,746 crore to Rs.10,393 crore; provision for secondary education to double from Rs.1,837 crore to Rs.3,794 crore.
- *Means-Cum-Merit Scholarships:* National Means-cum-Merit Scholarship Scheme to be introduced to arrest drop out ratio; selection through a national test from among students who have passed class VIII; each student to be given Rs.6,000 per year; 100,000 scholarships to be awarded every year; a corpus fund of Rs.750 crore to be created this year, and augmented by a like amount annually over the next three years.
- *Drinking Water and Sanitation:* Allocation for Rajiv Gandhi Drinking Water Mission to be increased from Rs.4,680 crore to Rs.5,850 crore and for Total Sanitation Campaign from Rs.720 crore to Rs.954 crore.
- *Health Sector; National Rural Health Mission:* All districts to complete preparation of District Health Action Plans by March 2007; major emphasis to be on mother and child care and on prevention and treatment of communicable diseases; convergence sought to be achieved among various programmes such as immunization, ante-natal care, nutrition and sanitation through Monthly Health Days (MHD) organised at Anganwadi centres; 320,000 Associated Social Health Activists (ASHAs) recruited with over 200,000 given orientation training; 90,000 link workers selected by the States; AYUSH systems being mainstreamed into health delivery system at all levels; increase in allocation for NRHM from Rs.8,207 crore to Rs.9,947 crore.
- *HIV/AIDS:* NACP-III, starting in 2007-08, to target high risk groups; access to condoms to be expanded and universal access to blood screening and safe blood to be ensured; more hospitals to provide treatment

to prevent transmission of HIV/AIDS from mother to child; provision for AIDS control programme to be Rs.969 crore.

- *Polio:* Number of polio rounds to be increased, monovalent vaccine to be introduced, with intensive coverage in the 20 high risk districts of Uttar Pradesh and 10 districts of Bihar; provision of Rs.1,290 crore in 2007-2008.
- *Integrated Child Development Services:* To cover all habitations and settlements during Eleventh Plan and to reach out to pregnant women, lactating mothers and all children below the age of six; allocation to be increased from Rs.4,087 crore to Rs.4,761 crore.
- *National Rural Employment Guarantee Scheme:* Allocation of Rs.12,000 crore for NREGS; coverage to expand from 200 districts to 330 districts; Rs.2,800 crore provided for Sampoorna Gramin Rozgar Yojana in districts not covered by NREGS; allocation for Swaranjayanti Gram Swarozgar Yojana to promote self employment among rural poor to increase from Rs.1,200 to Rs.1,800 crore.
- *Urban Unemployment:* Increase in allocation for Swarna Jayanti Shahari Rojgar Yojana from Rs.250 crore to Rs.344 crore.
- *Jawaharlal Nehru National Urban Renewal Mission:* 538 projects with a cost of Rs.23,950 crore sanctioned; allocation to increase from Rs.4,595 crore to Rs.4,987 crore.
- *Targeted PDS and Antyodaya Anna Yojana:* Scheme for evaluation, monitoring, management and strengthening of targeted PDS to be implemented, will include computerisation of PDS and an integrated information system in Food Corporation of India.
- *Scheduled Castes and Scheduled Tribes:* Allocation of Rs.3,271 crore in respect of schemes benefiting only SCs and STs and Rs.17,691 crore in respect of schemes with at least 20% of benefits earmarked for SCs and STs; increase in allocation for Rajiv Gandhi National Fellowship Programme from Rs.35 crore to Rs.88 crore; Post-Matric Scholarships: provision to be increased from Rs.440 crore to Rs.611 crore; a separate provision of Rs.91 crore proposed for similar scholarships to students belonging to socially and educationally backward classes.
- *Minorities:* Increase in share capital of National Minorities Development and Finance Corporation to Rs.63 crore; provision of Rs.108 crore for a multisector development programme in districts with a concentration of minorities; allocation for Pre-matric scholarships at Rs.72 crore, Post-matric scholarships at Rs.90 crore and Merit-cum-Means scholarships at graduate and postgraduate levels at Rs.48.60 crore.
- *Women:* Outlay for 100% women specific programmes is Rs.8,795 crore and for schemes where at least 30% allocation is for women specific programmes is Rs.22,382 crore.
- *North Eastern Region (NER):* Allocation increased from Rs.12,041 crore to Rs.14,365 crore; new industrial policy for NER, with suitable fiscal incentives, to be in place before March 31, 2007.
- *Supplement to GBS:* Allocations under Plan 'A' at Rs.205,100 crore; under Plan 'B' additional resources to the extent of Rs.7,000 crore to be found through better tax administration during the course of the year; under Plan 'C' resources available outside Budget to be leveraged for investment, especially in infrastructure.

Agriculture

- *Farm credit:* Target of Rs.225,000 crore for 2007-08 with an addition of 50 lakh new farmers to the banking system; provision of Rs.1,677 crore for 2% interest subvention for short-term crop loans; a special plan being implemented over a period of three years in 31 especially distressed districts in four States involving a total amount of Rs.16,979 crore; of this, about Rs.12,400 crore to be on water related schemes; special plan includes a scheme with proposed provision of Rs.153 crore for induction of high yielding milch animals and related activities.
- *Mission for Pulses:* Integrated Oilseeds, Oilpalm, Pulses and Maize Development programme to be expanded with sharper focus on scaling up the production of breeder, foundation and certified seeds; Government to fund the expansion of Indian Institute of Pulses Research, Kanpur, and offer other producers a capital grant or concessional financing to double production of certified seeds within a period of three years.
- *Plantation Sector:* Financial mechanisms for re-plantation and rejuvenation to be put in place for coffee, rubber, spices, cashew and coconut.
- *Accelerated Irrigation Benefit Programme:* 35 projects likely to be completed in 2006-07 and additional irrigation potential of 900,000 hectares to be created; outlay to be increased from Rs.7,121 crore to Rs.11,000

crore including grant component to State Governments of Rs.3,580 crore, an increase from Rs.2,350 crore.

- *Rainfed Area Development Programme:* Proposed allocation of Rs.100 crore for the new Rainfed Area Development Programme.
- *Water Resources Management: Restoring Water Bodies:* World Bank loan agreement signed with Tamil Nadu for Rs.2,182 crore to restore 5,763 water bodies having a command area of 400,000 hectares; agreement for Andhra Pradesh expected to be concluded in March 2007 to cover 3,000 water bodies with a command area of 250,000 hectares.
- *Ground Water Recharge:* 100% subsidy to small and marginal farmers and 50% subsidy to other farmers to be given to divert rain water into 'dug wells'; Rs.1,800 crore to be transferred to NABARD.
- *Training of Farmers:* Indian Council of Agricultural Research (ICAR) to set up one teaching-cum-demonstration model of water harvesting in each of 32 selected State Agricultural Universities and ICAR institutes; each institution to train 100 trainers and 1,000 farmers every year; interest free loan of Rs.3 crore to be provided to each institution to create a corpus fund.
- *Extension System:* New programme to be drawn up that will replicate earlier Training and Visit (T&V) programme; Agriculture Technology Management Agency (ATMA) now in place in 262 districts to be extended to another 300 districts; provision for ATMA to increase from Rs.50 crore to Rs.230 crore.
- *Fertiliser Subsidies:* Based on study to be conducted, a pilot programme to be implemented for delivering subsidy directly to farmer.
- *Agricultural Insurance:* National Agricultural Insurance Scheme to be continued for Kharif and Rabi 2007-08 with a provision of Rs.500 crore; a weather based crop insurance scheme to be started by Agricultural Insurance Corporation on a pilot basis as an alternative to NAIS; allocation of Rs.100 crore to be made in 2007-08.
- *National Bank for Agriculture and Rural Development:* To augment its resources for refinancing rural credit cooperatives, NABARD to issue Government guaranteed rural bonds to the extent of Rs.5,000 crore with suitable tax exemption.
- *Rural Infrastructure Development Fund:* Corpus of RIDF-XIII to be raised from Rs.10,000 crore to Rs.12,000 crore; separate window for rural roads to continue with a corpus of Rs.4,000 crore.
- *Social Security:* New scheme called 'Aam Admi Bima Yojana' to be introduced for death and disability insurance cover through LIC to rural landless households which enjoy no cover at all today; head of family or one earning member in family to be insured; Government to bear 50% of premium of Rs.200 per year per person; Rs.1,000 crore to be placed in a fund to be maintained by LIC.

Investment

- Gross domestic capital formation in 2005-06 grew by 23.7 per cent; in April- January, 2006-07, foreign direct investment amounted to US $12.5 billion and outpaced portfolio investment of US $6.8 billion; Central Public Sector Enterprises to invest Rs.165,053 crore through internal and extra budgetary resources in 2007-08; Government to provide equity support of Rs.16,361 crore and loans of Rs.2,970 crore.

Infrastructure

- *Power:* Seven more Ultra Mega Power Projects under process and at least two to be awarded by July, 2007; other initiatives include facilitating setting up of merchant power plants by private developers and private participation in transmission projects; Accelerated Power Development and Reforms Project being restructured to cover all district headquarters and towns with a population of more than 50,000; budgetary support for APDRP to increase from Rs.650 crore to Rs.800 crore; Rajiv Gandhi Grameen Vidyutikaran Yojana: allocation to increase from Rs.3,000 crore to Rs.3,983 crore.
- *Coal:* 26 coal blocks with reserves of 8,581 million tonnes and four lignite blocks with reserves of 755 million tonnes allotted to Government companies and approved end users; definition of specified end use to be enlarged to include underground coal gasification and coal liquefaction.
- *National Highways:* Provision for National Highway Development Programme to increase from Rs.9,945 crore to Rs.10,667 crore; road-cum rail bridge at Bogibeel, Assam, over Brahmaputra, to be taken up as a national project.
- *Public Private Partnership and Viability Gap Funding:* Revolving fund with a corpus of Rs.100 crore to be set up to quicken project preparation; fund to contribute up to 75% of preparatory expenditure in the

form of interest free loan to be recovered from the successful bidder.

Industry

- *Petroleum and Natural Gas:* 162 production sharing contracts awarded; investment of Rs.97,000 crore made in exploration; 23 coal bed methane blocks awarded for exploration.
- *Textiles:* Provision for Scheme for Integrated Textiles Parks to increase from Rs.189 crore to Rs.425 crore; Technology Upgradation Fund scheme to continue with provision of Rs.911 crore.
- *Handlooms:* Additional 100-150 clusters to be taken up in 2007-08; health insurance scheme to be extended to more weavers and also to be enlarged to include ancillary workers; allocation for the sector to be enhanced from Rs.241 crore to Rs.321 crore.
- *Small & Medium Enterprises:* Increase in outstanding credit from Rs.135,200 crore to Rs.173,460 crore at the end of December 2006.
- *Coir Industry:* Scheme for modernisation and technology upgradation with special emphasis to major coir producing States announced with a proposed provision of Rs.22.50 crore.

Services Sector

- *Foreign Trade:* Merchandise exports expected to cross US $125 billion by the end of the current fiscal.
- *Tourism:* Provision for tourist infrastructure to increase from Rs.423 crore to Rs.520 crore.

Financial Sector

- *Banking:* Under Differential Rate of Interest scheme providing finance at a rate of 4% to weaker sections of the community engaged in gainful occupations, limit of loan to be raised from Rs.6,500 to Rs.15,000 and limit of housing loan to be raised from Rs.5,000 to Rs.20,000 per beneficiary.
- *Regional Rural Banks*: To open at least one branch in 80 uncovered districts in 2007-08; Securitisation and Reconstruction of Financial Assets and Enforcement of Securitisation of Interest (SARFAESI) Act to be extended to loans advanced by RRBs; to be permitted to accept NRE/FCNR deposits; and those which have a negative net worth to be recapitalized.
- *Housing Loans:* National Housing Bank to introduce 'reverse mortgage' under which a senior citizen who is owner of a house can avail of a monthly stream of income against mortgage of his/her house, while remaining the owner and occupying the house throughout his/her lifetime, without repayment or servicing of the loan; regulations to be put in place to allow creation of mortgage guarantee companies.
- *Insurance:* Exclusive health insurance scheme for senior citizens offered by National Insurance Company; other three public sector insurance companies to offer a similar product to senior citizens; Micro Financial Sector (Development and Regulation) Bill and a comprehensive Bill to amend insurance laws to be introduced in Budget Session.
- *Financial Inclusion:* A Financial Inclusion Fund to be established with NABARD for meeting cost of developmental and promotional interventions; a Financial Inclusion Technology Fund to be also established to meet costs of technology adoption; each fund to have an overall corpus of Rs.500 crore, with initial funding to be contributed by Government, RBI and NABARD.
- *Capital Markets:* PAN to be made sole identification number for all participants in securities market with an alpha-numeric prefix or suffix to distinguish a particular kind of account; idea of Self Regulating Organisations (SRO) to be taken forward for different market participants under regulations to be made by SEBI; mutual funds to be permitted to launch and operate dedicated infrastructure funds; individuals to be permitted to invest in overseas securities through Indian mutual funds; short selling settled by delivery, and securities lending and borrowing to facilitate delivery, by institutions to be allowed; enabling mechanism to be put in place to permit Indian companies to unlock a part of their holdings in group companies for meeting their financing requirements by issue of Exchangeable Bonds.
- *Innovative Financing for Infrastructure:* Funds from National Small Savings Fund may also now be borrowed by India Infrastructure Finance Company Limited; suggestions of Deepak Parekh Committee to be examined for establishment of two wholly-owned overseas subsidiaries of IIFCL with objectives to (i) borrow funds from RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and (ii) borrow funds from the RBI, invest such funds in highly rated collateral securities and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets.

Other Proposals

- *Defence Expenditure:* Allocation to increase to Rs.96,000 crore.
- *Information Technology:* Allocation for e-governance to increase from Rs.395 crore to Rs.719 crore and for e-governance action plans at State levels to increase from Rs.300 crore to Rs.500 crore; Rs.33 crore to be provided for a new scheme of manpower development for software export industry.
- *Backward Regions Grant Fund:* Allocation to increase from Rs.5,000 crore to Rs.5,800 crore.
- *Mumbai as a Financial Centre:* Report of High Powered Expert Committee to be placed in public domain to obtain feedback.
- *Vocational Education Mission:* An initial provision of Rs.50 crore proposed for beginning work on a Vocational Education Mission; approach to be based on public-private partnership.
- *Upgradation of ITIs:* 1,396 ITIs to be upgraded into centres of excellence in specific trades and skills under public-private partnership; Government to provide financial assistance by way of seed money; an interest free loan up to Rs.2.5 crore to be granted to each ITI for upgradation and revision of courses; Rs.750 crore set aside for this purpose.
- *Employment for Physically Challenged:* To incentivise employers in organised sector to provide regular employment to physically challenged persons, a scheme proposed to reimburse employer's contribution to Employees Provident Fund and Employees State Insurance for first three years; to support creation of about 100,000 jobs every year for physically challenged persons with a salary limit of Rs.25,000 per month; Rs.1,800 crore earmarked.
- *Debt Management Office:* An autonomous DMO to be set up with a Middle Office in first phase to facilitate transition to a full-fledged DMO.
- *Development Cooperation:* Activities relating to development cooperation to be brought under one umbrella; India International Development Cooperation Agency (IIDCA) to be set up.
- *Climate Change:* An expert committee to be appointed to study impact of climate change on India and identify measures to be taken.
- *Commonwealth Games:* Provision of Rs. 150 crore to Ministry of Youth Affairs and Sports and Rs.350 crore to Delhi Government for Commonwealth Games 2010 in Delhi and of Rs.50 crore for Commonwealth Youth Games 2008 to be held in Pune.
- *History and Culture:* Rs.30 crore to be provided for Sabarmati Ashram, Ahmedabad; Sevagram Ashram, Wardha; Bhandarkar Oriental Research Institute, Pune; and Rajendra Smriti Sanghrahalaya, Patna; Rs.20 crore to be provided to reposition Nehru Memorial Museum and Library, Delhi, as a major centre of intellectual activity; scholars from Indian and foreign institutions to be engaged to work on specific projects and an initial grant of Rs.5 crore to be made to encourage this effort.
- *Institutions of Excellence:* Special grant of Rs.50 crore each to be made to Govind Ballabh Pant University of Agriculture & Technology, Pantnagar and Tamil Nadu Agricultural University, Coimbatore.

Public Finance

- Rs.110,268 crore of States' debt has been consolidated; twenty States have availed of benefit of debt waiver of Rs.8,575 crore; States' share of taxes & duties to increase from Rs.120,377 crore to Rs.142,450 crore; grants & loans to States and UTs to increase from Rs.90,521 crore to Rs.106,987 crore.
- VAT, CST and a Roadmap towards GST: Agreement reached with State Governments to phase out CST; rate to be reduced from 4% to 3% with effect from April 1, 2007; Rs.5,495 crore provided for compensation for losses, if any, on account of VAT and also on account of CST; a roadmap for introducing a national level Goods and Services Tax (GST) with effect from April 1, 2010 to be prepared.

Budget Estimates for 2007-08

- Plan expenditure at Rs.205,100 crore; Non-Plan Expenditure (net of the SBI share acquisition) at Rs.435,421 crore with increase over 2006-07 of only 6.5%; Revenue deficit estimated at Rs.71,478 crore (1.5% of GDP) and fiscal deficit at Rs.150,948 crore (3.3% of GDP).

Tax Proposals

Indirect Taxes

Customs duties:

- Reduction in peak rate for non-agricultural products from 12.5% to 10%.

- Reduction in duty on most chemicals and plastics from 12.5% to 7.5%; on seconds and defectives of steel from 20% to 10%.
- All cooking coal irrespective of ash content to be fully exempt.
- Reduction in duty on polyester fibres and yarns from 10% to 7.5% and on raw-materials such as DMT, PTA and MEG from 10% to 7.5%; on cut and polished diamonds from 5% to 3%; on rough synthetic stones from 12.5% to 5%; and on unworked corals from 30% to 10%.
- Dredgers to be fully exempt from import duty.
- To augment irrigation facilities and processing of agricultural products, reduction in duty on drip irrigation systems, agricultural sprinklers and food processing machinery from 7.5% to 5%.
- Reduction in general rate of import duty on medical equipment to 7.5%.
- To make edible oils more affordable, crude and refined edible oils to be exempt from additional CV duty of 4%; reduction in duty on sunflower oil, both crude and refined, by 15 percentage points.
- Reduction in duty on pet foods from 30% to 20%; on watch dials and movements and umbrella parts from 12.5% to 5%; to promote research and development, concessional rate of 5% duty to be extended to all research institutions registered with the Directorate of Scientific and Industrial Research; reduction in duty from 7.5% to 5% on 15 specified machinery for pharmaceutical and biotechnology sector.
- Duty of 3% (WTO bound rate) to be levied on all private import of aircraft including helicopters; such import to also attract countervailing duty and additional customs duty.
- Duty of Rs.300 per metric tonne to be levied on export of iron ores and concentrates and Rs.2,000 per metric tonne on export of chrome ores and concentrates.

Excise Duties:

- Reduction in ad valorem component of excise duty on petrol and diesel from 8% to 6%.
- Relief to deserving cases especially job creating sectors: exemption limit for small scale industry (SSI) to be raised from Rs.1 crore to Rs.1.5 crore; to encourage food processing sector, biscuits whose retail sale price does not exceed Rs.50 per kilogram and all kinds of food mixes including instant mixes to be fully exempt; reduction in duty on umbrellas and parts of footwear from 16% to 8%; on plywood from 16% to 8%; biodiesel to be fully exempt.
- To provide access to pure drinking water, water purification devices operating on specified membrane based technologies and domestic water filters not using electricity to be fully exempt; exemption on pipes used for carrying water from a water supply plant to a storage facility to be extended to all pipes of diameter exceeding 200 mm used in water supply systems.
- Reduction in the rate of duty from Rs.400 per metric tonne to Rs.350 per metric tonne on cement sold in retail at not more than Rs.190 per bag; rate of Rs.600 per metric tonne on cement that has a higher MRP.
- Specific rates of duty on cigarettes to be increased by about 5%; duty (excluding cess) on biris to be raised from Rs.7 to Rs.11 per thousand for non-machine made biris and from Rs.17 to Rs.24 per thousand for machine made biris; duty on pan masala not containing tobacco to be reduced from 66% to 45%; withdrawal of exemption for pan masala containing tobacco and other tobacco products given to units in the North Eastern States.

Service tax :

- Exemption limit for small service providers to be raised from Rs.400,000 to Rs.800,000
- Extension of service tax to: services outsourced for mining of mineral, oil or gas; renting of immovable property for use in commerce or business (residential properties, vacant land used for agriculture and similar purposes, and land for sports, entertainment and parking purposes & immovable property for educational or religious purposes to be excluded); development and supply of content for use in telecom and advertising purposes; asset management services provided by individuals; design services; services involved in execution of a works contract with an optional composition scheme under which tax will be levied at only 2% of the total value of works contract.
- Exemption to: Services provided by Resident Welfare Associations to their members who contribute Rs.3000 or less per month for services rendered, services provided by technology business incubators, their incubatees whose annual business turnover does not exceed Rs.50 lakhs to be exempt for first three years; clinical trial of new drugs to make India a preferred destination for drug testing.

- Department of Telecommunications to constitute a committee to study the present structure of levies on telecom industry.

Direct Taxes

- Threshold limit of exemption in the case of all assessees to be increased by Rs.10,000 thus giving every assessee a relief of Rs.1,000; in the case of a woman assessee, threshold limit to be increased from Rs.135,000 to Rs.145,000 and in case of a senior citizen from Rs.185,000 to Rs.195,000 giving him or her a relief of Rs.2,000; deduction in respect of medical insurance premium under section 80D to be increased to a maximum of Rs.15,000 and, in case of a senior citizen, a maximum of Rs.20,000.
- Surcharge on income tax on all firms and companies with a taxable income of Rs.1 crore or less to be removed.
- Benefit of Section 36(1)(viii) to be available to cooperative banks; to be also allowed deduction in respect of provision for bad and doubtful debts under section 36(1)(viia); amalgamation and de-merger of banking companies is tax neutral - benefit to be extended to cooperative banks.
- Concessions under section 80IA for infrastructure facilities to be extended to cross country natural gas distribution network, including gas pipeline and storage facilities integrated to the network; and to navigation channel in the sea.
- To facilitate creation of urban infrastructure, issue of tax-free bonds through State Pooled Finance Entities formed for raising funds for a group of urban local bodies to be allowed.
- A benign assessment procedure to be introduced for assessees engaged in diamond manufacturing and trading who declare profits from such activities at 8% or more of turnover.
- A five year income tax holiday for two, three or four star hotels and for convention centres with a seating capacity of not less than 3,000; they should be completed and begin operations in National Capital Territory of Delhi or in the adjacent districts of Faridabad, Gurgaon, Ghaziabad or Gautam Budh Nagar during April 1, 2007 to March 31, 2010.
- Concession under section 35(2AB) to be extended for five more years until March 31, 2012.
- Tax holiday to undertakings in Jammu & Kashmir to be extended for another five years up to March 31, 2012.
- Minimum Alternate Tax (MAT) to be extended to income in respect of which deduction is claimed under sections 10A and 10B; deduction under section 36(1)(viii) to be restricted to 20% of profits each year.
- Pass-through status to be granted to venture capital funds only in respect of investments in venture capital undertakings in biotechnology; information technology relating to hardware and software development; nanotechnology; seed research and development; research and development of new chemical entities in the pharmaceutical sector; dairy industry; poultry industry; and production of bio-fuels, and hotel-cum-convention centres of a certain description and size.
- Limit of Rs.50 lakh per investor per year with respect to capital gains bonds issued by NHAI and REC under section 54EC to continue.
- Rate of dividend distribution tax to be raised from 12.5% to 15% on dividends distributed by companies; and to 25% on dividends paid by money market mutual funds and liquid mutual funds to all investors.
- Expenditure on free samples and on displays to be excluded from the scope of Fringe Benefit Tax (FBT); ESOPs to be brought under FBT.
- Cash withdrawals by Central and State Governments to be excluded from the scope of Banking Cash Transactions Tax (BCTT); exemption limit for individuals and HUFs to be raised from Rs.25,000 to Rs.50,000.
- An additional cess of 1% on all taxes to be levied to fund secondary education and higher education and the expansion of capacity by 54% for reservation for socially and educationally backward classes.
- List of declared goods under section 14 of the CST Act to be amended to cover all small aircraft with minimum take off mass of less than 40,000 kgs operated by scheduled airlines.

(Courtesy: Ministry of Finance, Govt. of India)

Promises in Budget 2006-07: How Much Delivered?

Promise	Implementation
Bharat Nirman Against Rs.12,160 Crore in 2005-06, Rs.18,696 Crore to be provided in 2006-07 for the programme, an increase of 54 per cent. The targets being construction of 1,500,000 rural houses, 73,120 habitations provided with drinking water supply and 20,000 villages with a telephone.	❖ Until December 2006, 12,198 kilometres of rural roads have been completed. ❖ 783,000 rural houses constructed up to December 2006 with 914,000 houses under construction. ❖ Drinking water has been provided to 55,512 habitations until December 2006 and 15,054 villages provided with a telephone.
Drinking Water and Sanitation Rajiv Gandhi National Drinking Water Mission to get Rs.4,680 Crore and Rural Sanitation Campaign to get Rs.720 Crore in 2006-07.	❖ 55,512 habitations and 34,000 schools provided drinking water supply till December 2006 under the Rajiv Gandhi Drinking Water Mission.
Indira Awaas Yojana (IAY) A targeted 15 lakh houses to be built during 2006-07.	❖ The target has been achieved during the said period.
Rajiv Gandhi Grameen Vidyutikaran Yojana An additional 40,000 villages were to be electrified in 2006-07. 15,000 Mw of additional power generation targeted by March 31, 2007.	❖ Only 19,758 villages were covered till early this year. Only 5,093 MW capacity has been added by December 2006.
National Rural Health Mission (NRHM) Outlay on NRHM has gone up by 23 per cent from Rs.6,731 Crore in 2005-06 (RE) to Rs.11,505 Crore in 2006-07 (BE). Under the National Rural Health Mission (NRHM), the Associated Social Health Activists (ASHA) is envisaged to be a trained female voluntary health worker (one for every 1000 population) in 18 high focus states and tribal and difficult areas of other states.	❖ Out of the total 3,346 CHCs in various States, 1141 are providing services on 24x7 basis. As on date, a total of 2.06 lakh ASHAs have been positioned in communities after orientation.
Sarva Shiksha Abhiyan (SSA) Creating 5 lakh classrooms and appointing 1.5 lakh teachers. An allocation of Rs. 10,041 Crore for 2006-07 made compared with Rs 7,156 Crore provided last year (2005-06).	❖ Only 2 lakh classrooms have been built and 75,000 teachers appointed. 19 per cent of schools in the country remain single-teacher schools. This is despite the finance ministry having allocated 40 per cent more money. The average pupil-teacher ratio in the country is 1:42.
Mid Day Meal Scheme (MDM) The cooking cost norm has been fixed at Rs. 2 per child per school day, with Rs. 1.80 as Central assistance for North East States and Rs. 1.50 for other States and UTs. Recognizing the need for appropriate infrastructure, assistance for construction of 94,500 kitchen-cum-stores was sanctioned for the first time to States in 2006-07(BE). Similarly, assistance to States has been provided at the rate of Rs. 5,000 per school to procure/repair kitchen devices. MDM was promised an allocation of Rs.4,813 Crore.	❖ There is no mention of the achievements made/ targets reached in MDM scheme.
Integrated Child Development Scheme (ICDS) Total allocation for ICDS increased from Rs.3,315 Crore to Rs.4,087 Crore in 2006-07.	❖ As on 31.01.2007, a total number of 6277 projects and 10.49 lakhs Anganwadi Centres have been sanctioned.
National Rural Employment Guarantee Scheme (NREGS) The Act will be implemented in 200 districts in the	❖ Rs. 6,714.98 Crore was released up to January 31, 2007. Since there is a legal guarantee of employment under the NREG Act, more funds will

first phase from February 2, 2006. Rs. 11,300 Crore allocated for NREGS in 2006-07 (BE).

be provided according to need.

Sampoorna Gramin Rozgar Yojana (SGRY)

The ongoing programmes of SGRY and National Food for Work programme will subsume with the National Rural Employment Guarantee Scheme in the 200 identified districts.

- In 2006-07 up to October 31, 2006, the number of person-days of employment generated under SGRY was 18.41 Crore while the Centre's contributions in terms of cash and food grains component up to December 31, 2006 were Rs. 2,762 Crore and 16.67 lakh tonnes, respectively. Under the special component, about 4.44 lakh tonnes of food grains have been released to calamity-hit States in the current year up to December 2006.

Swaranjayanti Gram Swarozgar Yojana (SGSY)

SGSY that came into effect from 1.4.1999 has been conceived as a holistic programme covering all aspects of self-employment. Within the target group, the guidelines for the Yojana provide that the SC/ST shall account for 50%, women for 40% and disabled persons for 3% of the target.

- Up to December 31, 2006, 24.38 lakh self-help groups (SHGs) have been formed and 73.25 lakh swarojgaries have been assisted with a total outlay of Rs.16,443.66 Crore.
- The figures do not give any idea about the composition of the beneficiaries to assess whether the guidelines have been followed.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

A target of 1.20 lakh set for the number of urban poor to be assisted for setting up micro/group enterprises. 1.50 lakh is the targeted number of urban poor to whom skill training would be imparted.

- The number of urban poor assisted for setting up micro/group enterprises was 0.53 lakh as on December 31, 2006. 0.72 lakh urban poor benefited from skill training up to December 31, 2006. Under Urban Wage Employment Programme (UWEP), the man-days of employment generated were 1.78 lakh in the current year till now.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

The allocation for JNNURM in 2006-07 is Rs. 4,595 Crore. Apart from the already existing four projects, including Mumbai metro rail and Bangalore metro rail, the projects under active consideration include projects in Maharashtra, Madhya Pradesh and Gujarat. Some projects are on the anvil in West Bengal and Karnataka.

- Projects (137 in numbers) totaling to a cost of Rs.1045.44 Crore as against the allocated Rs.4,595 Crore have been approved in 2006-07 so far.

Gender Budgeting

Under this head, included schemes where 100 per cent of the allocations were for the benefit of women as well as schemes where at least 30 per cent of the allocation targeted towards women. The statement covered 24 demands for grants in 18 Ministries Departments and five Union Territories and schemes with an outlay of Rs.28,737 Crore.

- Errors in reporting had been noted in the Gender Budgeting Statement. However, 50 ministries' departments have set up gender budgeting cells.

Irrigation

The programme for repair, renovation and restoration of water bodies piloted in 23 districts in 13 States.

- Loan agreement with World Bank for just one state yet.

Accelerated Irrigation Benefit Programme (AIBP)

25 projects are expected to be completed before the end of the year. The outlay for 2006-07 has been increased to Rs.7,121 Crore with the Central Government supporting the programme through a grant of Rs.2,350 Crore.

- An amount of Rs.672.61Crore has been released up to January 31, 2007 and it is expected that another Rs.1000 Crore would be released by end 2006-07.
- There is no mention of the status of projects that were expected to be completed by 2006-07.

Rural Infrastructure Development Fund (RIDF)

The corpus of RIDF XII to be increased to Rs.10,000 Crore. Specified projects under the Public Private Partnership (PPP) model to be allowed to access RIDF funds. The rural roads component of Bharat Nirman requires large funds. A separate window under RIDF XII for rural roads set up with a corpus of Rs.4,000 Crore during 2006-07.

- NABARD has so far issued sanctions for Rs.8,440 Crore. As against the provision to set up a separate window for rural roads, projects for Rs.2,311 Crore have been sanctioned in 2006-07.

Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wasteland Development Programme (IWDP)

- Upto January 31, 2007, 3,076 new projects covering 15.38 lakh ha, 2,270 new projects covering 11.35 lakh ha and 463 new projects covering 21.08 lakh ha have been sanctioned under DPAP, DDP and IWDP, respectively.

Backward Regions Grant Fund (BRGF)

An allocation of Rs.5,000 Crore has been made in the Plan for 2005-06, and an equal amount will be allocated every year in the next four years. Consequent upon the establishment of the Fund, the existing Rashtriya Sam Vikas Yojana (RSVY), envisaged to end in 2006-07, will be wound up with suitable transition arrangements that will protect every district now covered under RSVY. BRGF to be unveiled in October 2006 and District Planning Committees (DPCs) to be constituted to avail the funds under BRGF by mid February 2007.

- BRGF was unveiled by the Prime Minister only on February 19, 2007. A sum of Rs.1,156 Crore has been disbursed so far in the current year to the districts identified as backward as well as under Rashtriya Sam Vikas Yojana (RSVY).

Pradhan Mantri Gram Sadak Yojana (PMGSY)

1.72 lakhs habitations are to be covered under this programme involving construction of 3,69,000 kms of roads.

- Up to December 2006, with cumulative expenditure of Rs. 18,281 Crore about 107,569 km of road works has been completed.

(Courtesy: Centre for Budget and Governance Accountability)

Venezuela Takes Over Refineries

Venezuela has said that it has taken control of the massive Orinoco Belt oil projects as part of President Hugo Chavez's nationalisation drive.

Many of the world's biggest oil companies agreed to transfer operational control to the government.

Bolivia's President Evo Morales said his country's takeover of gas fields one year ago had been "a blessing".

Mr Chavez has also said he wants to pull Venezuela out of the International Monetary Fund and the World Bank.

The president said he had ordered Finance Minister Rodrigo Cabezas to begin formal proceedings to withdraw from the two international bodies.

President Chavez has spoken of his ambition to set up what he calls a Bank of the South, backed by Venezuelan oil revenues, which would finance projects in South America.

Four projects taken over in the Orinoco Belt - which can refine about 600,000 barrels of crude oil a day - reverted to state control at midnight local time.

Mr Chavez told cheering workers that foreign oil companies had damaged Venezuela's national interests and that reclaiming them represented an historic victory.

"This is the true nationalisation of our natural resources," the president said during a ceremony at the Jose Oil processing plant.

"Today we are closing a perverse cycle."

Empty Stomachs and the Union Budget

By: Jean Drèze

Finance Minister P. Chidambaram's budget speech leaves no doubt about the priorities of economic policy in India today. The Minister endorses the 11th Plan's "declared goal" of "faster and more inclusive growth," but the fine print makes it clear that his main concern is with "faster." Human development is little more than a footnote, and is even invoked at the end of the speech to justify the single-minded focus on faster economic growth: "Our human and gender development indices are low not because of high growth but because growth is not high enough." This odd statement trivialises any possible dissent with the growth-centred strategy by equating such dissent with the foolish claim that India's human development indicators are low "because of high growth." The concluding sentence of the speech drives the last nail in the coffin of the critics by quoting Nobel Laureate Mohammad Yunus to the effect that there is "no other trick" than faster growth to achieve rapid poverty reduction.

A useful test of the government's commitment to "more inclusive growth" is the priority attached to the National Rural Employment Guarantee Act (NREGA), which came into force in February 2006 in the country's poorest 200 districts. Two years ago, the National Advisory Council (NAC) estimated that fair implementation of the Act in these 200 districts would require an annual expenditure of about Rs.20,000 crore, or Rs.100 crore per district on average. As it happens, expenditure levels in the better-performing districts are right on track. Rajasthan, for instance, has already spent Rs.600 crore in its six NREGA districts. But in the country as a whole, NREGA expenditure per district was barely Rs.30 crore by the end of January 2007 — about one third of the NAC benchmark.

The case of Dungarpur district in Rajasthan is particularly interesting because the findings of recent "social audits" conducted there give reasonable confidence that the money has reached the intended persons. For instance, large-scale verification of "muster rolls" uncovered little evidence of significant fudging. According to official data, NREGA expenditure in Dungarpur (a relatively small district) is already well over Rs.100 crore. Almost every rural household has a job card, and the average job cardholder had already worked for about 70 days under the NREGA by the end of January. This is an unprecedented achievement in the history of social security in India, which points to the enormous potential of the NREGA as a tool of "inclusive growth."

The positive experiences in Dungarpur and elsewhere also lend support to the hopes that have been placed in the potential achievements of the Act, whether it is in terms of enhancing food security, or reducing distress migration, or activating the Gram Sabhas, or empowering disadvantaged groups (notably women, Dalits, and Adivasis). The need of the hour is to extend these positive experiences across the country, and to raise NREGA expenditure levels much closer to the NAC projections.

Instead, the Finance Ministry continues its crusade against the Employment Guarantee Act. It is an open secret that the Ministry opposed the NREGA (the "expensive gravy train", in the words of a former Chief Economic Adviser) from the beginning. Indeed, it played a leading role in the attempted dilution of the NREGA draft prepared by the National Advisory Council. When this failed, the Finance Ministry insisted on the inclusion of a so-called "anti-corruption clause," which gives sweeping powers to the Central Government to discontinue NREGA funding on the flimsiest suspicion of "improper utilisation of funds." As the Act came into force, the Finance Ministry restricted the financial allocation for administrative expenses to two per cent of total costs, making it very hard to implement the NREGA in States that do not have readymade arrangements for implementing large-scale public works. And in the run-up to the Union budget 2007-08, the Finance Ministry opposed the Ministry of Rural Development's demand for extension of the NREGA to another 200 districts. As the Rural Development Minister, Raghuvansh Prasad Singh, politely said in an interview to Business Standard, "the Planning Commission and Finance Ministry are not showing interest in funding the programme." In more agitated moments he often castigates North Block as an "anti-rural, anti-poor lobby."

With a little help from the Prime Minister's Office, the Finance Ministry eventually agreed to extend the NREGA to an additional 130 districts. But there is a catch: the budget allocation is virtually unchanged (just over Rs.10,000 crore), on the grounds that last year's allocation was underspent. In effect, the Union budget 2007-08 takes last year's diminutive expenditure levels as a benchmark for this year, instead of waking up to the need for a drastic increase. And while the budget speech states that "the budget allocation [for the NREGA] would have to be supplemented according to need," it is a safe bet that nothing of the sort will actually happen. The sub-text is clear: The NREGA was successfully held up last year, and will be held up again this year.

Another useful test of the government's commitment to "inclusive growth" is the fate of the Integrated Child

Development Scheme (ICDS) — the only major national programme for children under the age of six years. The universalisation of the ICDS is one of the core commitments of the Common Minimum Programme. It is also required for compliance with Supreme Court orders, including the landmark judgment of December 13, 2006. In concrete terms, universalisation involves ensuring that every settlement has a functional anganwadi (child care centre), and that all ICDS services are extended to all children under six as well as to all eligible women. As things stand, barely one third of all children under six are covered, and the quality of ICDS services is also far from adequate.

Detailed recommendations to achieve "universalisation with quality" have recently been formulated by the National Advisory Council, the Commissioners of the Supreme Court, Citizens' Initiative for the Rights of Children Under Six, the Ministry of Women and Child Development's Working Group on Child Development, the Planning Commission's Working Group on Food and Nutrition Security, and the Working Group on Integrating Nutrition with Health, among others. In spite of minor differences, there is a remarkable consistency between these different sets of recommendations. The government has rarely been presented with such a clear road map to implement its own promises.

This material was consolidated in the Focus On Children Under Six (FOCUS) report, released on December 19, 2006, by Amartya Sen on the occasion of "Bal Adhikar Samvad," a public gathering on the rights of children under six. Montek S. Ahluwalia, Deputy Chairman of the Planning Commission, publicly welcomed the report and assured the audience that the government was committed to the implementation of the Supreme Court judgment on the ICDS. Similar assurances were received from the Prime Minister, Manmohan Singh, on the same day, and from Sonia Gandhi, Chairperson of the United Progressive Alliance, the next day.

Against this background, it is startling to find that the budget allocation for the ICDS in 2007-08 is virtually the same as in 2006-07. In fact, it is the same, as a proportion of GDP. This year, the Government of India will be spending less than Rs.5,000 crore to protect the well-being and rights of 160 million children under six. This compares with Rs.96,000 crore to be spent on defence — the figures speak for themselves.

The status quo on the ICDS would be easier to accept if the government had an alternative plan to tackle the country's disgraceful levels of child undernutrition and ill health. According to the recently released findings of the third National Family Health Survey, 46 per cent of Indian children are underweight - virtually the same figure as eight years ago. This is a stark indictment of aimless economic growth as a strategy for rapid improvements in health and nutrition. Yet the fixation with "faster growth" continues and direct intervention is limited to token programmes. In effect, hungry children are being told, "be patient, it's just a matter of another twenty or thirty years and everything will be fine."

Earning and Spending the Rupee

'Source' and 'Spending' of the total Budget outlay for 2007-08

Rupee Comes From		Rupee Goes To	
Source	Amount (in Paise)	Counts	Amount (in Paise
1. Corporation Tax	21	1. State & UT Plan Assistance	7
2. Income Tax	13	2. Central Plan	20
3. Customs	12	3. Interest	20
4. Excise	17	4. Defence	12
5. Service Tax & Other Taxes	7	5. Subsidies	7
6. Non-Tax Revenue	10	6. Other Non-Plan Expenditure	11
7. Non-Debt Capital Receipts	1	7. States' Share of Taxes and Duties	18
8. Borrowings and other Liabilities	19	8. Non-Plan Assistance to State and UT Governments	5
Total:	**100 Paise**	**Total:**	**100 {Paise)**

Contradictory Pulls of the Heart and the Mind

By: Arun Kumar

Introduction

The Congress party has lost two important State elections, for a while winds have been perceived to be blowing against the UPA Government. The government has crossed the halfway mark in its term; so it was expected that this Budget would cater to the common man who has been ignored in the earlier Budgets. This has been thought to be necessary to ensure a victory in the next general elections. However, it is clear that the Budget had been drafted before the results of the recent elections were out and could not have been changed in a day's time. However, the ruling party leaders were hoping for a Budget which would have got them the necessary economic and political dividends that they so badly need. Why this miss?

Perhaps, the government is a victim of its own propaganda that all is. well. It is basking in the glory of recognition internationally and from our corporate sector controlled media. Even after the election results came, the PM argued that the results were not a referendum on the Central Government's policies. While this is factually correct since the nation did not go to the polls and it is not that anyone issue determined the results, what is true is that inflation- and unemployment have played an important role in the voters' minds. For these two issues, the Centre's policies are far more critical determinants than anything the States can do. So the Centre would have to take the bulk of the blame.

The Budget was framed in the light of the excellent economic performance and had a lot of resources to spend. When one spends more than Rs 6.5 lakh crores, there are bound to be plenty of good schemes. This Budget has no dearth of these. Some those that deserve special mention are - scheme of scholarships to students to continue studies, the various proposals for the farming sector and rural areas or the proposal for the employment of the handicapped. One may also appreciate the extension of MAT, FBT on ESOPs, no reduction in corporation tax rates, use of foreign exchange reserves for infrastructure, etc.

Resource Raising

Of course, more resources have been available to the government due to the rising rate of growth of the economy and this is reflected in last year's (2006-07) resource mobilisation (five per cent more than expected). Usually, Budgets are not able to raise as much resources (Revised Estimates) as planned (Budget Estimates). However, last year the revenue has exceeded the planned amount. This could have been further supplemented by checking the rapidly rising black economy. Given that on the back of rapid growth the well-off in the economy have also been getting large increase in incomes, not only could their white incomes have been tapped through taxation but also could their black incomes have been tapped through additional measures without their feeling threatened that their incomes would fall. This was one measure that needed to be taken up urgently given the deleterious effects of the black economy on the rest of the economy. Unfortunately, the Finance Minister has been timid in tackling this menace by not initiating any new steps to check the growing black economy.

The black economy thrives on the services sector which has been growing rapidly in the last 15 years and more. The recent spurt in the real estate prices and stock market indices has further fuelled its growth. The liberalisation of the financial markets and the growth - of trade also aid its growth. Since these too have been buoyant, the black economy is thriving. It in fact also fuels inflation by promoting speculation; so that needs to be checked as well.

Unemplpyment Will Not Be Dented

The Economic Survey that came out just a day before the Budget is an important document reflecting the government's perceptions; it had emphasised the problems associated with employment generation. It pointed to rising levels of unemployment and this on top of the backlog of unemployment in the economy. What is clear is that the rising rate of growth of the economy has not dented the unemployment problem since it is in the nature of our growth that unemployment is being generated. In other words, unemployment is due to the nature of growth and more of this kind of growth will result in more unemployment. The government has not shown the will to tackle this problem frontally.

The growth path has to be modified so that a proper mix of technology will prevail in the economy and not just the modern capital intensive technology, as at present. For instance, a lot more resources need to be spent on the creation of jobs at the lowest levels of technology through the NREG scheme. However, on this front there is a paltry increase with only a promise of more. It is being expanded to more districts but without additional resources it is unlikely to be effective. For instance, consider that in the past we claimed that we have extended the PDS but since the issue of foodgrains did not increase, most of the new shops that opened hardly benefited the poor people. The government is clearly unsure of being able to expand the NREG programme. It is also clear that this is not due to lack of resources but perhaps the government's inability to handle such a complex programme.

Farmers Neglect Continues

The other key problem which has concerned all analysts

and politicians in the last few years is that of the farmers as reflected in the large numbers of suicides amongst them. With a buoyant economy, the problems of this community should have declined but in spite of the packages announced by the government (like the PM in Vidarbha) and the doubling of credit availability (as the FM claimed in his speech) farmers' suicides are not coming under control. Again like in the case of unemployment, as pointed out above, the problem is in the nature of the growth path the economy is on.

The FM has devoted several pages for enumerating the schemes meant for the farmers and many see in this a focus on the farm sector. The FM said: "Agriculture must top the agenda of the policy-makers .and must hold the first charge on our resources." Under Bharat Nirman, he has announced additional irrigation schemes, building of houses, electrification and telephones. The Sarva Shiksha Abhiyan may also be counted as for the rural areas. He has talked of funds for health, reduction in agriculture indebtedness, mission for pulses, rainfed area deployment, ground water recharge, training of farmers, extension system which had become defunct, fertilizer subsidies to farmers directly, social security to farmers, etc. To heighten the effect, he ended with a quote from his favourite sage, Saint Tiruvalluvar.

After all, this one would have believed that the farmers will now finally turn the corner. But is this very different from what was said in the last year's Budget speech of the FM? If the FM really meant what he said, should not the Central Plan allocation for agriculture and rural development have doubled or tripled? But this goes up by a mere 13 per cent-just about keeping pace with the growth of the nominal economy. Of course, one also has to look at the non-Plan part and what the States will spend. But the Plan part of the Central Budget is an indication of the will of the Central Government. In comparison, industry and minerals rise in the Central Plan outlay by 33 per cent. The total outlay itself rises by about 28 per cent and the rural sector gets not even this much of a rise, not to talk of a higher priority. Where is the priority reflected? What would Saint Tiruvalluvar say? Would the Saint feel that he is being misused by a clever FM.

What did the farmers need? Not SEZs but better purchasing power of the poor who would buy more of their produce and prevent prices from falling, better infrastructure in the villages and check on mindless globalisation, better technology and education. The fate of the farmers is critically linked to the nature of the globalisation and the low living standards of the vast mass of the population. It is admitted by the FM that the extension work started in the country during the Green Revolution had almost become defunct. It is to be now revived. This is important since the farmers have poor or no education and cannot absorb technology easily. However, there is little effort in this direction. The heart of the Finance Minister is not in any of these since this is not his constituency.

What is the Intention?

There are many mindless proposals, like enhancing the status of the IITs. This is a laudable step. But can it just be willed? The question is: where are the teachers to achieve this upgradation? It is known that even the IITs do not find adequate teaching staff; so how would the IITs get them so suddenly? Now that the IITs have to expand by 54 per cent the shortage is likely to be aggravated rather than matters becoming easier. It is likely that, if anything, all round standards would decline. Only if the teacl,1ers' salaries can be tripled will more talent flow into teaching in these subjects. But for this the education budget at all levels has to be at least doubled. Thus, many of the proposals are merely for effect and will not achieve the results expected.

In this category of mindless proposals, one may mention many of the small proposals that were listed in the FM's speech. These were perhaps for window-dressing requirements. All sections of the society have to be mentioned somewhere or the other. This is perhaps politically sound. However, granting of relief to import of food for cats and dogs was not very politically savvy specially when the poor are suffering due to inflation, etc. This offers a window into the mindset of the team behind the PM. They want to cater to the elite crowd and show cleverness. The PM also smiled at the proposal; but later he may have rued his smile since he got a lot of brickbats for it.

Education

As discussed above, the increase in the Budget for the education sector, though seemingly considerable, is actually inadequate for what the government wishes to achieve. For the 54 per cent expansion in higher education that is proposed from July to give reservations to the OBCs, the funds requirement is much larger than budgeted, if quality has to be maintained. In a different sphere of education, the children, let us take the example of Delhi Government schools. Recently there have been a spate of cases in Delhi courts and many judgments and orders have been passed on the conditions of the schools-lack of sanitation, toilets, drinking water, teachers, etc. Clearly, if this is the situation in the Capital city which has the highest per capita income in the country and an active national press, what would be the situation in most other places and specially the villages? The expenditure increases required are clearly much more than budgeted for. Further, delivery has to be ensured.

The mid-day meal scheme is often included in the

education budget but it is really a nutrition scheme and should not be counted as part of education budget. It is true that it may help get students to the schools but that is still not education since what would they do in the school if facilities do not exist or teachers are used to cooking and not teaching? One must re-look at this allocation as a part of the education budget.

Inflation

The most important political issue today is the serious rise in the rate of inflation. The government has finally acceded to the demand of many that forward trading in commodities be checked. Wheat and rice futures are being curtailed. This is welcome. It will check speculation. However, this will not be enough if liquidity is made available through banks or through the black economy. Hence the need to act on these two sources of funds as well. However, even this will not be enough. To check the prices of essentials, the government has to increase supply in the markets directly to the consumers. This means strengthening of the PDS and supply at subsidised prices. If the PDS supplies goods at the market prices or close to the market prices then prices would not be moderated and the purpose would be defeated. The government needs to have the will to enhance subsidies on food considerably but does the FM have the heart in the right place to do so? Clearly not.

The decline in the duties on petrol and diesel will not moderate inflation since that is meant for the producers and distributors and not consumers. Actually, the FM in his opening paras itself acknowledged that the opening of the economy is part of the problem. Since he is not willing to ' act on that, it is unlikely that inflation will come under control in a hurry given the kind of Budget that we have.

A part of the reason for the inflation rate rising is that infrastructure shortages are looming large. A rapidly growing modern urban sector based economy needs huge amounts of infrastructure. For instance, there is energy shortage and within that power shortages which are getting aggravated. The government has been trying to pamper the private sector in the hope that that might ease the situation.

For instance, Reliance has been given massive concessions in Delhi and Orissa. Now a huge tract of land has been allotted in Dadri, UP. But the power situation in these places has not improved. Inadequate public expenditures and corruption lie at the heart of the problem. These are not being tackled by the policy-makers. For every problem it is argued now that the private sector will solve the problem and the public sector has to retreat. Roads, airports, water, etc. are being privatised rapidly. This is the mind-set since 1991. However, in a country where 80 per cent of the population is forced to survive with less than $ 2 per day and considered poor by the World Bark yardstick, the private sector can only solve the problem to a limited extent and that too for the well-off but it only increases the problem for the marginalized sections. That is why the rate of growth has risen but the condition of the common man has also aggravated.

Conclusion

The growth that we are witnessing is pro-rich for the top three per cent and the corporates and that is the reason why the common man and the poor are suffering. It is not that it is in spite of the growth but because of the growth. This needs to be recognised. It is not difficult to imagine that for the sake of the politics of the coming elections, the PM could have changed track through the Union Budget 2007-08 and aimed for a pro-poor growth.

Today, the policy-maker is egged on in his one-sided actions by a media which is largely controlled by the corporate sector. They are moving him in a direction which is highly iniquitous - growth without worrying about distribution. The programmes on the Budget in the print and the electronic media reflect this. Comments are mostly sought from the businessmen or their economists and few from economic experts who could take a holistic view. The businessmen mainly talk of the impact on their industry and financial markets, etc.

These very corporates are taking the public for a ride and increasing their hold on their companies at the expense of the hapless small investors. There is no remedy for the common man in today's corporate led policy framework. They are using their clout and cash to get hold of assets like wanting to buy huge parcels of land as SEZs.

Pro-poor growth need not be less than the present rate of growth. It need not be at the expense of the corporate and the well-off. The FM has missed the opportunity because of the pressure from his constituency which is exceedingly shortsighted. The dominant economic policy-makers' mind (that of the PM, FM and Deputy Chairperson, Planning Commission) is pulling in a direction different from what their corporate sector laced heart allows them. Hence the confusion and the missed opportunities in spite of the good resource position of the economy.

(Dr Arun Kumar is a Professor at Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, New Delhi.)

Courtesy: Mainstream

By: C. P. Chandrasekhar

Being an instrument that serves to manage the pace of growth and the distribution of its benefits, the annual Budget of the Union government is influenced more by the ideological inclinations of those in power than by current circumstances. Those inclinations are obviously significant. By changing both the tax-cum-subsidy regime and the level and pattern of expenditures, budgets can be crucial determinants of incremental outcomes in terms of growth and distribution.

When Finance Minister P. Chidambaram rose to present his Budget this year, a number of features of the current economic situation are likely to have influenced his thinking. The first of these is that he, along with Prime Minister Manmohan Singh, is seen as being one of the architects of India's liberalisation and reform drive. This is an image he wanted to retain, as reflected in his statement that "the UPA [United Progressive Alliance] government has remained committed to economic reform, fiscal prudence and monetary stability." But given the prevailing circumstances this was not the commitment that mattered.

A second feature of the current scene is the extreme imbalance in growth. While the overall gross domestic product (GDP) growth has been high and is accelerating, for some years now Indian agriculture has been in a severe crisis and the peasantry across the country is distressed. Finally, while growth in the Indian economy is high, there are clear signs that it is threatened by an inflationary crisis affecting, among other commodities, food articles. Inflation, by transferring incomes to producers of the commodities concerned, increases profits at the expense of the real incomes of net purchasers of these commodities. It implies, therefore, that imbalances in the distribution of the benefits of growth are not merely sectoral but also visible in the distribution of incomes across different sections of the population.

Given these circumstances, both the rhetoric of inclusive growth and the results of recent elections required that the Finance Minister make an effort to correct these imbalances through both his tax and expenditure proposals. What is striking from the "report card", which serves as the preamble to the Budget speech, is that while the Finance Minister seemed to be conscious of these elements of his context, he was in a mode of partial denial. In his view, these were not challenges to confront but factors that he had already addressed in his past Budgets. To quote the Finance Minister, while growth had rendered revenues buoyant, he had "put to good use these revenues to promote inclusive growth, equity and social justice". Therefore if the task is already under way, doing more of same should serve his purpose. Not surprisingly, the Budget stays with what he has done. A wrong reading, influenced more by inclination than fact, has meant that the Finance Minister has left unexploited what was a moment of opportunity.

In fact, the combination of high growth and inflation offered the Finance Minister an unusual opportunity. If growth is accompanied by inflation, revenues are bound to be unduly buoyant. Inflation, as noted earlier, increases profits even while it squeezes the revenues of the ordinary citizen, a fact reflected in the balance sheets of the corporations. This provides an opportunity to skim off a part of the surplus delivered by growth and inflation to the more well-to-do in the population. This opportunity offered by growth and inflation was visible in the ability of the Finance Minister to realise the rather optimistic projections he had made in his Budget for 2006-07. That Budget assumed a high level of buoyancy in tax revenues, and seemed optimistic at the time. However, gross tax revenues rose (with some help from the collection of past arrears) by 27 per cent in 2006-07 relative to 2005-06. Revenues exceeded budget estimates in every area of taxation except excise duties, with the increase being most marked in the case of corporation and service taxes, the two areas that benefit most from the current pattern of growth.

If the Finance Minister had decided to build on this success and tax away a part of the increase in surpluses, revenues next year should rise even more than they did in 2006-07. Since the government believes that non-agricultural growth would more or less take care of itself (fuelled by the high level of corporate savings and investment), these additional revenues could have been used to support the peasantry experiencing a crisis, to compensate the ordinary citizen for the ravages of inflation, to spend more on generating rural employment and to outlay more on social sectors such as education and health.

Part A of the Finance Minister's speech seemed to suggest that this was what he was going to do. The focus of the Budget, he said, was agriculture; rural employment was to be strengthened by extending the National Rural Employment Guarantee Scheme (NREGS) to 330 districts from 200 districts; inflation was to be contained; and the social sectors were to be emphasised. By the end of Part B of the speech, however, it was clear that the Finance Minister did not plan either to garner additional revenues or to

spend them in ways that justified his rhetoric.

It hardly bears stating that a big push of the kind required in the current context would imply that government expenditure would rise relative to GDP. This is the first area where the Budget proves a disappointment. Total expenditure is budgeted to rise by 17 per cent in 2007-08. While this is higher than the 15 per cent recorded in 2006-07, it is not very much more than the likely 16 per cent increase in nominal GDP, assuming a growth rate of 9 per cent and inflation of around 7 per cent.

Moreover, the claim that the focus of this Budget is on the agricultural sector, which is in the midst of a crisis, is clearly not justified. The Central Plan outlay on agriculture has hardly increased as a proportion of GDP. Even to the extent that agriculture is being supported, it is through measures that are expected to increase productivity. One such is irrigation. But medium- to long-term measures such as investments in irrigation, strengthening of extension services and more research and development, while welcome if implemented, are not going to provide immediate relief to a farming community in distress. That requires restoring the viability of farming by ensuring that prices received by farmers are higher than their costs of production. One way of doing this would have been to strengthen and extend price support to farmers. However, no effort has been made to provide such support. On the contrary, as part of the import liberalisation thrust, customs duties on a range of agricultural goods have been reduced and this will further depress agricultural prices and farmers' incomes. The reduction in customs duties is being defended as a measure that will help moderate inflation. In sum, the Finance Minister is choosing to combat inflation by adversely affecting the livelihoods and incomes of the farming community.

While livelihoods will indeed be affected, inflation is unlikely to be curbed by these means. Dealing with inflation and moderating its adverse effects on real incomes require curbing speculation, strengthening the public distribution system (PDS) and increasing food subsidies. In this connection, the decision to ban forward trading in foodgrains is indeed welcome, but it is unclear whether this alone will do the job. On the other hand, there is no mention of strengthening the PDS and the budgeted outlays on food subsidies for 2007-08 reflect an increase of just 6.2 per cent - lower than the increase in the consumer price index and much lower than the increase in food prices.

With food remaining expensive, a source of succour to the poor would have been enhanced employment that puts purchasing power in their hands. An important means of delivering this is extending and strengthening the national rural employment scheme. The Finance Minister does promise to ensure this by, among other things, extending the NREGS from 200 to 330 districts. But the budget papers do not provide evidence of anywhere near adequate allocation of resources for this. Spending on the NREGS is to rise from Rs.11,300 crore in 2006-07 to just Rs.12,000 crore. The total expenditure on rural employment is budgeted to rise by just 3.5 per cent. Even the aggregate expenditure on the three flagship schemes - NREGS, Sampoorna Grameen Rozgar Yojana (SGRY) and Swaranjayanti Gram Swarojgar Yojana (SGSY) - is to rise by just 7 per cent, which amounts to stagnation in real terms.

For those looking for any real evidence of a commitment to "inclusive growth", what remains are social sector expenditures. On this front too the Budget disappoints. The expenditure on higher education is budgeted to rise significantly to accommodate the expansion in seats needed to implement enhanced reservation for backward classes. However, elementary education is to receive little support. The allocation for the National Rural Health Mission (less than Rs.10,000 crore) is grossly inadequate. The total expenditure on health has indeed increased by Rs.3,925 crore, which is well below what is required to meet the National Common Minimum Programme (NCMP) commitments. And despite the Supreme Court direction to universalise the Integrated Child Development Services, the allocation for ICDS has been increased by only Rs.674 crore to Rs.4,761 crore.

This divergence between allocations and rhetoric is inevitable, given the Finance Minister's unwillingness to garner additional resources except for implementing a modified Minimum Alternate Tax that would touch firms in areas such as the booming IT and IT-enabled Services sectors. In the event, as noted earlier, gross tax revenues are not expected to rise much faster than GDP. When this failure to mobilise much by way of additional resources is combined with the Minister's desire as a "reformer" to meet the Fiscal Responsibility and Budget Management Act (FRBMA) targets, expenditure increases have to be curtailed. This implies that very little can be done to address the imbalances accompanying high growth in the country.

In fact, there are signs that these imbalances could worsen. One area where this could happen is the development of the poorer States. The Finance Minister has made much of his decision to increase the Central Plan outlay, which is projected to increase by 22.5 per cent. But this he has done without supporting the States. Central Assistance to State

Plans is expected to rise by just 8 per cent. Even in terms of their shares in Central taxes and loans and grants from the Centre to the States, the States' receipts are expected to rise only by 16.7 and 13.1 per cent respectively, which is less than the projected increase in nominal GDP.

These are not the only ways in which the effects of a neoliberal reform agenda pervade the Budget. In a measure ostensibly aimed at using India's foreign exchange reserves, estimated at $180 billion, to finance infrastructure projects, the Budget proposes to use funds flowing into finance (volatile) portfolio investments in the country for infrastructure projects. To realise this the India Infrastructure Finance Company Limited (IIFCL) is to be allowed to borrow foreign exchange funds from the Reserve Bank of India (RBI) in ways that are seen as not putting the Central bank at risk while improving returns from its investment. To that end the Budget recommends that IIFCL be allowed to set up two overseas subsidiaries that would be provided with foreign exchange credit by the RBI. Loans to one of these subsidiaries would be guaranteed by the government, which absorbs the risk. The resources borrowed from the RBI would then be on lent by the subsidiary to infrastructure projects in the country. In the case of the second subsidiary, the money borrowed from the RBI would be invested in highly rated securities, which would then be offered (presumably for a fee) as the collateral for borrowing by infrastructure projects in the country from international markets.

In sum, the risk associated with lending to infrastructure projects would be absorbed by the government or IIFCL. Since the borrowing in foreign exchange is meant for financing capital expenditures in areas that would produce infrastructure services, the risk of using up foreign exchange reserves that can in principle flow out of the country at short notice would of course be borne by the nation. In this era of emphasis on private investment and public-private partnerships, it may be presumed that these investments in infrastructure are likely to be undertaken by the private sector. That is, to ease borrowing to finance private sector investments in infrastructure, the risk is to be transferred either to the government or to the nation.

Brinkmanship of this kind is not surprising from a Budget that also seeks to push ahead with capital account convertibility, by allowing resident individuals to invest in overseas securities through mutual funds. While the details of these schemes are yet to be clarified, they are bound to increase the fragility generated by the unsustainable boom in India's stock markets consequent to increased foreign institutional investment. Unfortunately, similar courage is not in sight when it comes to providing some relief to the poor or redressing the glaring imbalances that characterise India's recent high-growth performance.

Inflation Rises Again to 6.46%

Annual inflation rose again to 6.46 per cent on 3 March 2007 from 6.10 per cent in the preceding week. After scaling to a two-year high of 6.73 per cent on 3 February 2007, inflation had fallen to 6.05 per cent in the fortnight ended 17 February 2007. However, it started rising again thereafter. The current inflation level is way above the upper limit of the inflation tolerance band (5.0-5.5 per cent) projected by the RBI for 2006-07.

The week-on-week rise in inflation on 3 March 2007 was seen across all heads. Inflation in primary articles went up to 11.97 per cent from 11.06 per cent on 24 February 2007, mainly reflecting the rise in prices of fruits & vegetables, eggs, meat & fish and oilseeds.

Inflation in manufactured products also increased to 6.40 per cent from 6.17 per cent on 24 February 2007. The major contributors in this rise were - food products, leather & leather products, non-metallic mineral products, machinery, basic metals and transport equipments. A few manufactured products such as papers & paper products, chemicals and rubber & rubber products, saw a decline in inflation during the same week. Overall, inflation in manufactured products has been rising for almost a year. From 1.9 per cent on 1 April 2006, it has reached its current level (6.40 per cent on 3 March 2007).

Inflation in fuel group also rose a tad to 1.53 per cent on 3 March 2007, after falling steadily to an eight-year low of 1.33 per cent on 27 February 2007 from 3.7 per cent on 13 January 2007.

Compared to the year-ago level, headline inflation in the week ended 3 March 2007 was up by 260 basis points. It was measured at 3.86 per cent in the week ended 4 March 2006.

DOHA ROUND: Dangers in the Dark Alleys

By: Bhagirath Lal Das

The Doha round of negotiations of the World Trade Organisation has recently been resumed. Developing countries need to exercise caution during the negotiations in agriculture, non-agricultural market access and services.

After hectic meetings and consultations among nearly 30 trade ministers in Davos (Switzerland) during the last week of January 2007, the director general of the World Trade Organisation (WTO) has announced full resumption of negotiations on the Doha Work Programme of the WTO. The talks in Davos on the sidelines of the annual meeting of the World Economic Forum were preceded by intense bilateral talks within the G-6 countries (US, EU, Australia, Japan, India and Brazil) following the collapse of negotiations in the WTO in the last week of July 2006. Some reports indicate that the US and EU would have liked the negotiations to continue within a small group of countries which would then be brought to larger groups in the WTO when some concrete results were achieved. But developing countries preferred an inclusive and transparent multilateral format of negotiation in Geneva. Talks have now been resumed in the various negotiating groups, though a parallel process of negotiations in small groups is also reportedly continuing.

The speed of the negotiation is conditioned by the trade promotion authority (TPA) of the US (commonly called the "fast track authority" which enables the US executive to conclude a trade agreement and place it before the Congress for a "yes" or "no" vote without any amendments) that expires on June 30, 2007. If the agreements are not reached by then and if the TPA is not renewed by the Congress, the US executive will find it impractical to continue with the negotiation. And if the US does not participate in the negotiation, the EU will find little incentive to continue. With the US and EU out of the negotiation, other countries will have hardly much interest in it. Hence, the time of expiry of the TPA is of critical importance. Already the US president has called upon the Congress to renew it but the Congress, in its new form, may not be quite obliging. Reports from the US indicate that some important Congress members are suggesting inclusion of labour standards and environmental protection in the trade deals which will be highly provocative to developing countries. They see such measures as new forms of protectionism.

Risks of Hurry

With the uncertainty over the renewal of the TPA, it is likely that attempts may be made to rush through the negotiations in the WTO to hammer out a deal by the end of June 2007 enabling the US executive to present it to the Congress before the expiry of the TPA. The pre-Davos activities within the G-6, intense though subterranean, are pointers towards such an outcome. For example, the director general of the WTO is reported to have said during his visit to Delhi in January 2007 that something was being cooked by the US and EU and India needed to put in some spice. It is likely that developing countries may soon be faced with a boiling pot of results, cooked mainly by the US and EU with the addition of Indian spice and Brazilian flavour. And developing countries may be hurried into quick assent on the plea that any more delay might result in total disruption of the talks for several years. It may then become politically difficult for developing countries to say "no".

But such hurried efforts are usually not beneficial to developing countries. The past experience of collapse in General Agreement on Tariffs and Trade (GATT)/ WTO negotiation has been that it is normally followed by results which are detrimental to developing countries. The collapse in Montreal (1988) was followed by the inclusion of intellectual property standards in the Uruguay round negotiations, in Seattle by inclusion of the new issues in the WTO agenda in Doha and more recently the Cancun collapse was followed by the July 2004 framework where the concerns of developing countries were almost totally ignored and those of developed countries almost totally included. There lies the need for caution and vigilance so that the collapse of July 2006 is not followed by the emergence of yet another set of angerous results for developing countries.

As a defence against such possible danger, it is important that developing countries come out at this stage with their clear stand on what "must be" and what "must not be" in any emerging result. This should follow from an analysis of where the talks were when they broke down in July 2006.

Recent Feelers

The final collapse reportedly took place when the US was not prepared to give a better offer in reduction of the total trade distorting subsidy (TDS) in agriculture which is the sum of the amber box, blue box and de minimis subsidies.3 The US' offer was $ 23 billion against the demand of $ 12 billion by the G-20 (a group of developing countries having come together in agriculture negotiation to seek reduction of subsidies and tariff in the developed countries).

Now in the background of the recently resurrected talks, some reports indicate that the US may be prepared to offer a level of $ 15 billion. The EU, through the EC, has already appeared flexible on its tariff reduction, France's stiff and loud opposition notwithstanding. Its offer of TDS reduction during end July 2006 was already close to G-20's proposal. Now it is reported to have said in Geneva that it would be prepared to offer a tariff reduction in agriculture by 53 per cent against its earlier offer of 39 per cent.

So the pressure will now be on developing countries, particularly India and Brazil, the two developing countries in the G-6, to make commitments on heavy reduction of industrial tariff, significant opening up their services import and softening the stand on special products (SP, to be explained later) in agriculture. The US and EU do not let any multilateral or bilateral event pass without emphasising that developing countries have to reduce their industrial tariff and liberalise their services import to facilitate liberalisation of agriculture in developed countries. The latest reiteration of this stand has come on the occasion of the meeting of the finance ministers of seven developed countries in Essen (Germany).

Against this background, developing countries have to work out their "must be" and "must not be". Most of the former are in the area of agriculture and most of the latter in the area of industrial tariff (formally called non-agricultural market access, NAMA). The area of services will have a mix of the two. The following sections discuss in brief the risks and options in these three areas.

Agriculture

In agriculture, the negotiation has narrowed down to TDS and tariff. The base levels of TDS in the US and EU are $ 48 billion and euro 110 billion respectively (year 2000, the last year of notification). In July 2006 they had offered to reduce the levels to $ 23 billion and euro 33 billion respectively. The G-20 had proposed reduction by 70-80 per cent which would bring these levels to $ 12 billion and euro 27 billion respectively. There were expectations that the EU might be flexible. Now with the indication that the US might consider a level of $ 15 billion, the gap is not large. Tariff, in any case, has not been a hard issue as the EU has been the main target of attention in this regard and the EC, on behalf of the EU, has shown willingness to go up to a 53 per cent reduction. The proposals of the G-20 and the US in this regard are for a 54 per cent and 66 per cent reduction. Slightly more flexibility on the part of the EC appears likely.

Thus, the gap between the demand and offer has considerably narrowed down. The point to ponder over is whether this convergence will benefit developing countries in terms of protection of their farmers in the domestic market and expansion of their export prospects outside. The fear is that neither of these two objectives will be attained since a vast loophole and a wide escape route has not yet caught the full attention of developing countries. The US and EU may reduce their tariffs and TDS and, at the same time, increase their green box subsidy without limit, thus neutralising the effects of reduction of TDS and tariff.

This fear is real as is evident from the post-1995 practices of the US and EU. They fulfilled their obligations of reduction of reducible subsidies, i e, the categories of subsidy they were obliged to reduce in agriculture but enhanced the subsidies that were immune from reduction. There is no reason to believe that they will not do the same again and use the loopholes and escape routes available in the newly emerging agreement to their advantage. In case of the EU, the common agriculture policy (CAP) of 2003 would shift a large bulk (about 75 per cent) of the blue box subsidy to the green box. The latest five-year farm bill of the US stipulates additional payments (about $ 5.5 billion over a 10-year period) through the green box. Reports from the US indicate that this move is partially aimed at avoiding challenges in the WTO.

The green box subsidy is immune from reduction in the WTO as it is presumed to be non-trade-distorting. This presumption is a mistake as the subsidy, even though not strictly in the form of direct market intervention, enhances the staying capacity of the farmer in agriculture by its wealth effect and by assisting the farmer to take risk. It encourages and supports unviable agricultural production and thereby distorts agricultural trade.

A recent analytical and quantitative study by the United Nations Centre for Trade and Development (UNCTAD) India office shows the following four results without the green box subsidies in the major developed countries:

(a) Agricultural exports of the US and EU will decrease by 39 and 45 per cent respectively, while the exports of developing countries will increase by 22 per cent;

(b) Agricultural production of the US and EU will decrease by $ 20.9 billion and $ 53.8 billion respectively, while the production in developing countries will increase by $ 41.9 billion;

(c) Agricultural employment will decrease in the US and EU by 2.4 and 5.8 per cent respectively, while it will increase by 4 per cent in developing countries; and

(d) Cost of production will rise in the US by 15 per cent and in the EU by 17 per cent.

It is thus necessary that developing countries firmly cast aside the myth that the green box subsidies are non-trade distortive and set about having them eliminated or minimised. The July 2004 framework (WTO general council decision of August 1, 2004, Annex A, paragraph 16) which elaborates the mandate of the negotiation under the Doha Work Programme calls for a review and clarification of the criteria of the green box subsidy with a view to ensure that "they have no, or at most minimal, trade-distorting effects or effects on production". The G-20 has given some proposals on this but the proposals are not specific in terms of quantitative targets as those on TDS and tariff. Further, the G-20 has so far not insisted on integrating the green box criteria in the mainstream negotiation on agriculture. In fact, the G-20 members in the G-6, i e, India and Brazil, appear to have allowed the G-6 negotiation on agriculture to be centred around tariff and TDS without bringing in the green box criteria as an essential and compulsory part. It is important to insist that the green box is brought into the mainstream agriculture negotiation and given the same priority and importance as the tariff and TDS.

While major developed countries are firmly defending their green box, they are trying to weaken the provisions for SP that addresses the food security, livelihood security and rural development needs of developing countries. Reports from Davos indicate that there were pressures on developing countries to dilute their stand on SP but the G-33 (a group of 45 developing countries that have been actively championing special products and special safeguard mechanism), with active roles played by Indonesia, India and China, issued a firm warning in Davos that any such dilution would not be acceptable.9 Developing countries must continue to remain firm on two essential elements in SP: adequate coverage of the SP and adequate protection for them. The G-33 has given specific proposals which need to be pursued with full determination.

Non-Agricultural Market Access

In the area of NAMA, developing countries are feeling strong pressure from the major developed countries for drastic reduction of industrial tariff. They have already made a significant concession in the Hong Kong ministerial conference in December 2005 by accepting the Swiss formula which will result in tariff reduction on each product, a significant departure from the past practice of reducing only the average of industrial tariff whereby developing countries retained the flexibility to spread the average over the whole range of tariffs in consonance with their respective development needs. The Swiss formula connects the initial and final tariffs by a coefficient in such a way that adoption of a lower coefficient results in greater tariff reduction. Further, all final tariffs are lower than the coefficient. The EC has proposed a coefficient of 15 for developing countries. There are some suggestions for 10 as the coefficient for developed countries. There were some reports in the intense phase of the negotiation within the G-6 during end July 2006 that the coefficients for developing and developed countries would be 30 and 10 respectively. It is relevant to examine the implication of these coefficients in terms of tariff reduction.

Taking 30 as the coefficient for developing countries, their tariff of 28, which is their average tariff, will be reduced to 14, which represents a 50 per cent reduction (from 28 to 14). Taking a coefficient of 10 for developed countries, their tariff of 4, which is their average tariff, will be reduced to 3, representing a reduction of only 25 per cent (from 4 to 3). This is clearly a reversal of the agreed principle of "less than full reciprocity" for developing countries and will be extremely unfair.

It is unfortunate that developing countries have allowed the negotiation to be centred around the coefficient of the Swiss formula. The negotiation should, instead, be on the respective reduction of tariffs by developed and developing countries and then the appropriate coefficients should be calculated to achieve the agreed levels of reduction.

Adhering to the agreed principle of "less than full reciprocity" for developing countries, one alternative is to have an appropriate differential with respect to tariff numbers. For example, if developed countries reduce the tariff from 10 to 4 (thus having a reduction of 6 in the absolute tariff number), developing countries could reduce their tariff from 35 to 31 (thus having a reduction of 4 in the absolute tariff number). The respective coefficients in the Swiss formula for developed and developing countries then work out to be 6.7 and 271.

A second alternative may be to have differential rates of tariff reduction for developing and developed countries. For example, developed and developing countries may reduce their tariffs by 60 per cent and 40 per cent respectively. In order to have such a reduction in their respective tariffs of 4 and 30 (which are near their respective average industrial-tariff levels), the coefficients for developed and developing countries respectively should be 2.7 and 45.

These examples show that the pairing of coefficients as 15-10 or even as 30-10 (for developing and developed countries respectively) is totally

inappropriate and grossly unfair. The negotiation must be reoriented in a basic way. The primary focus should not be the coefficients in the Swiss formula; rather, it should be the reduction in absolute tariff numbers or the percentage reduction in tariffs. Then appropriate coefficients should be worked out in order to have the desired reduction.

Services

In services too, developing countries have lost a lot of ground in the Hong Kong ministerial conference. The decision of this conference has fixed the base levels for liberalisation across the board in all sectors. It stipulates that there will be commitments at existing levels of market access in mode 1 (supply of service by the service provider of a country to a consumer located in another country) and mode 2 (supply of service in a country to a consumer coming from another country). Further, it calls for enhanced levels of foreign equity participation and elimination/ substantial reduction of necessity criteria with respect to mode 3 (supply of service through the commercial presence of a foreign firm). This decision has taken away the current flexibility available to developing countries in the General Agreement on Trade in Services (GATS) which permits developing countries to choose the services sectors to be liberalised and also to impose conditions and limitations on market access and national treatment in these sectors. In particular, the GATS stipulates that developing countries shall have the flexibility to liberalise fewer sectors and fewer transactions.

The main interest of developing countries in the services area is in liberalisation in mode 4 (supply of service by movement of persons) and in respect of qualification and quality standards in developed countries. It is important for them to ensure that they get commensurate benefits in these two areas to balance their commitments which benefit developed countries. It is useful for them to establish a echanism for assessing such a balance, taking into account both tracks of services negotiations, i e, the request-offer track and plurilateral track.

Conclusion

In conclusion, developing countries should remain vigilant and cautious against being hurried into unfavourable and unfair agreements. In agriculture, the green box criteria should be brought into mainstream negotiation along with TDS and tariff and provisions for SP should be effective and useful. In NAMA, the negotiation should shift from the coefficient in the formula to the targets of tariff reduction in developed and developing countries. In services, there should be a careful balancing of benefits to developing countries with the obligations they undertake.

(Courtesy: Economic and Political Weekly)

Forest survey for Jindal steel plot

Staff Reporter: The Telegraph

Calcutta, April 18: The land and land reforms department will conduct a joint survey with the forest department to verify its claim that the plot earmarked for the Jindal steel plant in Salboni includes 1,900 acres of forest.

The decision was taken today at a meeting chaired by land minister Abdur Rezzak Mollah, where forest officials said that of the 1,900 acres, around 500 acres form a notified forest, while the remaining had been allotted by the government for social forestry (creating a forest).

Additional chief secretary, forest, Kalyani Chowdhury, commissioner-general of land reforms A.K. Patnaik, commerce and industries secretary Sabyasachi Sen and West Midnapore officials were among those who attended the meeting.

The government had earlier thought of redrawing the map of the proposed plant to spare 200 acres covered by shrubs. But if today's claim by the forest department proves correct, the government might find it difficult to locate contiguous plots after leaving such a large chunk out.

The state will find it difficult to obtain the Centre's nod to acquire the green patch as it has already got an ultimatum for not compensating the loss of 577 acres of forest during construction of the Bakreswar power plant.

The Union environment ministry has threatened to revoke the approval it had granted to the acquisition of the forest as the state has neither allotted land in lieu of it nor granted money to plant trees. All this was promised in 2001.

Role of Satyagraha

By: Rajindar Sachar

The issue arising out of the people's movement going on at Singur in West Bengal against acquisition of land for Tata Motors is becoming more and more curious. I had thought that the real issue was to the human right aspect of displacing the project affected families without their consent and also without providing an equitable alternative rehabilitation plan for as mandated by International Human Right law. Even World Bank has had to yield under international pressure to mandatory require as a condition precedent to giving loanee comply with these international covenants.

But recently, a more dangerous perversion of the understanding of the theory of protest against Government's action is being put forth by seemingly new supporters of West Bengal Government by suggesting "the citizen who lives under a system that assures him not only voting right but extensive guarantees for the inviolability of his person and property, and who accepts the protection of the state in the enjoyment of these rights, owes to the state at least a high measure of respect and forbearance in those instances where he may not find himself in agreement with its politics." and therefore Satyagraha or peaceful resistance as is being done at Singur is undemocratic, monstrous and will spell the end of any prospect of a peaceful change in the social relations of the society. This view is so undemocratic that it has been even lambasted as back as 1960 in Dr. Lohia's case wherein this argument was repelled, thus "It is said that in a democratic set up there is no scope for agitational approach and that if a law is bad the only course is to get it modified by democratic process and that any instigation to break the law is in itself a disturbance of the public order. If this argument without obvious limitations be accepted, it would destroy the right to freedom of speech which is the very foundation of democratic way of life. "Is it not ironic that notwithstanding the settled law, this outdated jurisprudence of calling Satyagraha as undemocratic should be put forth and more so, when the country is celebrating the centenary of Satyagraha as a humble tribute to Gandhiji.

Carl Cohen-Civil Disobedience 1971, Columbia University Press said "vigorous dissent must be protected and even encouraged; its substantive merit must be judged not merely by those in office but by the governing electorate in the long-term operation of their political process. In a word, genuine democracy demands dissent, thrives on protest."

The view that Satyagraha or civil disobedience is outmoded in a parliamentary democratic state, is rejected by the most well known jurist John Rawls who in his Theory of justice propounds it as under:

"Since I assume that a state of near justice requires a democratic regime, theory concerns the role and the appropriateness of civil disobedience to legitimately established democratic authority.

Those who use civil disobedience as a tool to protest against unjust laws are not prepared to desist should the courts eventually disagree with them however, pleased they might have been with the opposite decision.

To engage in violent acts likely to injure and to hurt is incompatible with civil disobedience as a mode of address.

"Rawls further says that by engaging in civil disobedience one intends, then, to address the sense of justice of the majority and to serve fair notice that in one's sincere and considered opinion the conditions of free cooperation are being violated. We are appealing to others to reconsider, to put themselves in our position, and to recognize that they can not expect us to acquiesce indefinitely in the terms they impose on us." He says that this mode of resistance is morally correct of maintaining a constitutional regime.

Rawls has no hesitation in supporting civil disobedience, which by the very nature of it is peaceful and non-violent. He recognized that there is no way to avoid entirely the danger of divisive strife, any more than one can rule out the possibility of profound scientific controversy but still holds that even if civil disobedience seems to threaten civic concord, the responsibility falls not upon those who protest but upon those whose abuse of authority and power justifies such opposition. For, to employ the coercive apparatus of the state in order to maintain manifestly unjust institutions is itself a form of illegitimate force that men in due course have a right to resist.

Dissent by different non-violent non-corporation has a long respectable presence. Thoreau defied against the raising of taxes by American Government because even though it was constitutional law, it was unjust. He was only echoing Tolstoy who wrote 'I can not be silent' when indiscriminate execution of workers was taking place in Russia. In the circumstances when gross human rights are being violated, 'it is a duty to dissent and a sin to be silent'. That is the essence of Satyagraha.

The last word of Satyagraha must necessarily belong to apostle of peace and originator of Satyagraha - Mahatama Gandhi. "On the political field, the struggle on behalf of the people mostly consists in opposing error in the shape of unjust laws. When you have failed to bring the error home to the law - giver by way of petitions and the like, the only remedy open to you, if you do not wish to submit to it, is to compel him to retrace his steps by suffering in your own person, i.e. by inviting the penalty for the breach of the law. Hence, Satyagraha largely appears to the politic as civil disobedience or civil resistance. It is civil in the sense that it is not criminal".

By: Latha Jinshnu & Feroz Ahmed

It was in 1965 the first Export Processing Zone (EPZ) was started at Kandla, Gujarat. So far there are only 14 EPZs in India . Very little is heard about their contributions to promoting Indian economy so far, except for the wage slavery for workers there and the riches made by a few out of them. Now with WTO calling for opening up trade in all its forms and extending liberalisation to all fields, its darling in India, commerce minister Kamalnath with blessing of Sonia-Manmohan Singh gang has launched a new fantastic offensive to start almost 650 Special Economic Zones (SEZs) by 2007 end with a target to touch a record 1,000 in few years. A bill for SEZs was moved in Lok Sabha in early 2005. It was passed unanimously in both houses of parliament within two days and got signed by the president in a few days. It is under this **SEZ Act, 2005** this whole project is launched.

What is happening under this project is the biggest land grab since 1947. The draconian **Land Acquisition Act, 1894** is utilised for this land grab. At present for the already sanctioned SEZs a total of 1.25 lakhs hectares of prime agricultural land are being acquired. The next phase involves almost same area.

In Punjab where almost entire area is irrigated and under double crop or more, even violating the SEZ Act land is acquired. Farmers are already agitating against it in Barnala and Amritsar . In Himachal Pradesh about 35,000 hectares in Kangra Valley is planned for an SEZ. In Jhajjar in Haryana near Delhi , 10,000 hectares of double cropped land, larger than Gurgaon, is taken over for SEZ. In Mangalore, Karnataka, 2200 hectares of double and triple cropped land is being taken over for setting up SEZ. In Orissa at Gopalpur land was originally acquired by state government for a paltry sum and handed over to Tata for a steel plant. But the plant did not come up and farmers wanted the land back. There Tata is building SEZ. 1600 hectares handed over to POSCO to build a steel plant is also converted into SEZ. The pattern of land acquisition for the SEZ boom is almost similar all over the country.

Though Kamalnath repeats about China 's SEZs, he is resorting to Goebelsian methods. So far in China only six SEZs are set up—Shenzhen, Shantou , Xiamen , Zhuhai, Hainan and Pudong. These are all built in public sector and in waste lands. Still major opposition against the working conditions in these SEZs are reported from China. All over the world there are only some 400 SEZs so far. Why Congress-led UPA government and all state governments are in such a hurry to build large number of these foreign colonies within the country?

Some Features of SEZs in India

- SEZ for gems & jewellery, IT-ITES-BPOs and bio-technology would require a minimum 10 hectare of built-up area. (Later notifications said that the land-area may be reduced to 40,000 square metre or 4 hectare in special cases). Multi-product SEZs must have an area of 1,000 hectare, while multi-services and sector specific SEZs should have a minimum area of 100 hectare. (1 hectare = 2.5 acres, approximately).
- Only in India , the task of developing SEZs is totally transferred to private hands. In other countries these tasks, in most of the cases, were performed by the government itself.
- The processing area in SEZs would be mere 35%`! In the remaining 65% housing projects, hotels, restaurants, hospitals, amusement centres, multiplexes, malls, playgrounds, golf courses can be built !
- SEZ will be a duty-free enclave and considered foreign territory within the state. If you buy goods from an SEZ, you have to pay import duties. Example: Reliance industries set up a new refinery in Jamnagar (Gujarat) that "could end up 'exporting' bulk of its output in India ". (Business Line, 22.01.2006) !
- Generally, the government will provide land to private companies that develop SEZs. Thus, SEZ developers will have access to precious land at throwaway prices (with the help of government muscle), cleansed of all title and litigation issues.
- There will be no elected local government/civic authorities. A development commissioner will govern it.
- So lucrative are the tax-holidays & other concessions offered in these SEZs that there are strong possibilities of older units to relocate in the SEZs to avail the bonanza. There are 6,500 companies located in 47 Software technology Parks (STPs) all over India enjoying fabulous tax-breaks and are making super-profits from export-earnings. Now Nasscom, the national association of the software companies want SEZ status for these STPs ! The craze may be explained from the following facts: "So much so, that of the 237 proposals given final clearance so far, 148 (i.e., 62%) are for setting up IT SEZs. Further, of the 160-odd proposals given in-principle nod, about half are from this sector."
- In these SEZs all the units/enterprises will be declared as 'public utilities' where existing labour laws do not act.

SEZs: Sovereign States?

On a number of critical matters (environment, labour and electricity, among others) that are state subjects or fall in the concurrent list of powers shared by the central and state governments, the states give free rein to developers of SEZs. States such as Maharashtra , Andhra Pradesh and Uttar Pradesh have their own SEZ policies and different sets of rules governing their pieces

of legislation. Just one example; while the Congress dropped the initial provision for granting flexibility in labour laws and thus bought peace with its Left allies, some of the states went ahead and amended various laws such as the Contract Act, Industrial Dispute Act, etc., since labour is a state subject.

Congress-ruled Maharashtra has been in the vanguard of this 'revolution', having tossed a number of unwieldy provisions of some laws out the SEZ ambit. It has exempted these zones from the purview of section 10(2) of the Contract Labour Act, which means temporary workers can be employed as contract labour permanently. It has also declared that all industries and establishments in the SEZs will be deemed public utilities, which means that strikes are outlawed. Even the left-ruled Bengal government declared the IT/ITES/ BPO sector as "public utilities" those are still out of SEZs.

There are more dramatic examples of SEZs being granted most favoured nation status. Environmental clearance is one. State governments are promising developers and their clients a quick, trouble-free process by exempting industries from the environmental impact assessment (EIA). This is normally a cumbersome exercise, but essential for understanding how to minimise the adverse impact of development on the environment. Now, some states have decreed that environmental approval will be given by the development commissioner of the SEZs in consultation with an officer of the state pollution control board posted in the zone.

Among other drawbacks, SEZs will not be subject to any town planning or supervision by the municipality, thus negating the 75th Amendment of the Constitution which ensures people's participation in local government.

What is most worrying in the SEZ Act is Section 49, which empowers the government to exempt any or all SEZs from the operation of any central law through a notification. It puts SEZs, theoretically at least, outside the pale of the Constitution.

After all, the world over, SEZs are set up precisely so that they can avoid the rigidity of domestic law and rely on smoother functioning without bureaucratic hassles. The rub here is that the SEZs are being developed by the private sector. India is, perhaps, the only country to have promoted private SEZs — or at least in such numbers. Fuelling the popular distrust is the speed at which the zones are being approved by the Ministry of Commerce. Around 20-40 on an average are being cleared every other week, bringing the tally so far to 263, plus another 169 that have got in-principle approval.

And, there is also the Godzilla factor — the sheer size of some SEZs. Although these are small by global standards, some have the making of a mega enterprise. Reliance Industries' twin block in Mumbai is scheduled to cover 14,000 hectares or 140 sq. km. This may be just a third of China 's Shenzhen economic zone (326 sq. km), but large enough to throw up some discomfitting questions in the Indian context. For reference, Jamshedpur, the steel city run by the Tatas, is just 64 sq. km and Chandigarh's real estate, including its rural periphery, adds up to just 112 sq. km. More to the point, Reliance expects to house one million residents and play host to two million others who would commute daily to their SEZs.

The question, therefore, is what happens when large SEZs eventually become townships whose population could run into millions. There is, to start with, the constitutional tenability of private monopolies running local government for sizable cluster of the urban population without being elected. Would the SEZs thus, turn into sovereign states accountable to none? Or, would there be some checks and balances?

What the law lays down is an SEZ Development Authority (SDA) headed by the developer's representative and run by a development commissioner (DC) appointed by the state government — a super bureaucrat vested with enormous powers. Since SEZs are being designated industrial townships by the status, the DC would work independently with no municipality or the third rung of governance to oversee his functioning.

In other words, all functions undertaken by the civic authorities and some of those provided by the state government (water supply, tax collection, law and order) would devolve on the SDA. Several states have laid down detailed norms for the SDA. From providing birth and death certificates, maintaining cremation/burial grounds (all municipal functions listed in 12th Schedule of the Constitution) to laying out public streets, building bridges and culverts, and fighting epidemics, the SDA would be doing it all. No penalties, though, have been spelt out for dereliction of duties.

Also, unlike a municipality, the developer is not obliged to provide services to all citizens. How then would a resident deprived of such services seek to enforce such a right? In fact, there are doubts whether many of the SEZs would indeed be able to provide such services, given the squeeze on their profitability.

There are related issues like law and order and the judicial process. Although the police force will be provided by the state, internal security will be the responsibility of the developer. But legally, this could open up a Pandora's Box if the jurisdiction of the security force is challenged. Similarly, SEZs are to be provided with a separate fast track judicial system to ensure comfort to foreign investors in SEZs. But this will be a Government of India function whether designated courts operates within or outside the special zones.

Courtesy:: Business World website, November 2006

Since February 2006, the Government has booked, in all, 5.5 million tonnes of wheat imports at an estimated cost of $1.13 billion, or over Rs 5,000 crore. Further, private parties have reportedly booked an estimated 0.75 million tonnes in addition to the above. These are India's largest cereals imports in the last three decades, and are equivalent to about nine per cent of domestic wheat production. India has suddenly emerged as the world's second largest importer of wheat, after Egypt, and its purchases have had a tangible effect of increasing prices on the world market.

The Government's alibi is its concern for the Indian consumer. Union Minister for Food and Agriculture Sharad Pawar declared: "As Agriculture Minister, I am not happy [to import wheat] but as the Food Minister, it is done to protect consumers' interests and keep buffer stocks to face any eventuality". And "The government cannot compromise on India's food security".

This is false. As we shall see, the wheat imports are part of a broader policy which will further degrade India's "food security" and serve the interests of foreign and domestic big capital:

1. India's production of foodgrains is being allowed to stagnate. That is, production per head is falling. This will create a large market here for imports of foodgrains (particularly wheat) from multinational corporations of the US, Europe and Australia.
2. Step by step the Food Corporation of India is being dismantled; the system of minimum support prices (MSPs) is being surreptitiously scrapped; the warehousing system is being privatised; and multinational grain firms are being allowed a free hand to purchase directly from peasants (in the absence of any state intervention). These corporations, besides, will be allowed massive speculation in foodgrains, at the expense of Indian consumers.
3. **More land is being diverted to horticultural crops for export or for the urban elite. With the entry of giant multinational retail firms like Wal-Mart and Indian corporations like Reliance, such crops will be produced increasingly by contract farming.**

In this larger process, millions of Indian peasants – already in the throes of a profound agrarian crisis – would be displaced by imports, bankrupted and dispossessed of their land. At the same time the food security of the vast majority of people would be made the plaything of speculators and multinational corporations.

No doubt the area sown to wheat has increased as a consequence of the high prices reigning, and the 2007 wheat crop is likely to be larger than the 2006 crop. However, we show below that the wheat imports this year were not a chance occurrence or a passing phenomenon, but the outcome of policy. And so the longer-term direction is set.

We also show how the wheat imports are one aspect of the re-shaping of India's agriculture – the sector which employs the majority of the country's workforce – to imperialist requirements. It is in this frame that we examine the recent developments.

Since Aspects has repeatedly covered these issues in the past, there will be some repetition of points made earlier; this is unavoidable, and we ask our readers to bear with us.

I. India – Global Leader in Malnutrition

As part of their effort to dismantle the food procurement and public distribution system, the country's rulers are playing down the extent of malnutrition in India, and thus playing down the need for cereal production. Briefly,2 we should note that the National Institute of Nutrition (NIN)'s normative cereals requirement is 157 kg per capita per year, whereas the National Sample Survey of January-June 2004 shows a rural consumption of 149 kg per capita and an all-India consumption of 142 kg per capita. These are averages: thus vast numbers are consuming far less than the minimum requirement. Moreover, as the Committee on Long Term Grain Policy (CLTGP) notes, "NIN norms assume a more varied diet than is actually consumed in India at present, and therefore the norm for cereals may be on the lower side."

This concern is borne out in nutritional outcomes, as depicted in the following tables. The proportion of children in India who are underweight (low weight for age, indicating both chronic and acute malnutrition), stunting (low height for age, indicating chronic malnutrition) and wasting (low weight for height, indicating acute malnutrition in the period before the survey) is among the worst in the third world.

Table 1: India: Percentage of children under three, by different measures of malnutrition

	Mild	Moderate	Severe
Underweight	73	47	18
Stunting	68	45	23
Wasting	46	15	3

Source: National Family Health Survey, 1998

Table 2:Underweight, stunting and wasting, by global region, 2000 % of under-fives suffering from

	Underweight	Stunting	Wasting
Latin. Am. & Caribbean	6	14	2
Africa	24	35	8
Asia	28	30	9
India	47	45	16
All developing countries	22-27	28-32	7-9

Source: United Nations, 2004. Fifth Report on the World Nutrition Situation:Nutrition for Improved Development Outcomes; cited in India's Undernourished Children: A Call for Reform and Action, Michele Gragnolati, Meera Shekar, Monica Das Gupta, Caryn Bredenkamp and Yi-Kyoung Lee, August 2005, World Bank

Little wonder the United Nations Special Rapporteur on the Right to Food, Jean Ziegler, raised the alarm to the UN Human Rights Council in a September 2006 report titled "The Extent of Chronic Hunger and Malnutrition in India". Ziegler says his report was "motivated by the fact that India has the largest number of undernourished people in the world and one of the highest levels of child malnutrition".

Preliminary state-wise results of the latest National Family Health Survey (2005-06) show only slight improvement in the above state of affairs; indeed, certain indicators show a deterioration. (Results from certain states, such as Bihar and Jharkhand, are not yet available.) This despite the fact that the economy was experiencing a much-celebrated "boom" that year.

Cereals (such as wheat and rice) play a critical role in India's overall food security, accounting for 58-65 per cent of total calories and proteins consumed in 1999-2000. It is unlikely that the calorie share of cereals will reduce below 50 per cent by 2020. They will remain particularly important for the poor, accounting for 70 per cent of their nutrient intake.

Protein and energy deficiencies cast a pall on the entire future of India's children and even the future of generations to come. Children who are underweight or stunted face a greater risk of illness or mortality, poor physical and mental development, poor school performance and reduced adult size and capacity for work. Protein-energy malnutrition weakens immune response and aggravates the effects of infection, exposing children to more severe bouts of diarrhea and a higher risk of pneumonia. Underweight and stunted women are at greater risk of obstetric complications (because of smaller pelvic size) and low birth weight deliveries. Low birth weight infants tend as adults to remain shorter than those of normal birth weight; the result is a cycle of malnutrition carried over to the next generation.

It is a different matter that the very sections who are malnourished are the ones who perform strenuous manual labour, and gain the kinds of knowledge and capability that the over-nourished never will achieve. But that is the product of their grim struggle to survive and better their conditions – individually and collectively.

It is against the background of this large-scale malnutrition that we must look at the recent developments in the foodgrains sector.

II. How the Wheat Crisis of 2006 Was Created

Let us briefly recapitulate our earlier account5 of how the Government managed to hand over the vast stock of foodgrains to private interests. In July 2002 the Food Corporation of India's (FCI) foodstocks were 63 million tonnes (of which wheat stocks were 41.1 million tonnes) as against a minimum foodgrains buffer stock norm for July 1 of 24.3 million tonnes (14.3 million tonnes for wheat alone).

Even if we took the value of these stocks very conservatively at Rs 6/kg, they would be worth Rs 378 billion. Much of this huge capital could have been used as wages in food-for-work schemes to create rural assets – thus increasing the country's productive base, its storage of farm products, its rural roads, and its education and health infrastructure. However, only a small portion of the total was used in such a fashion. Instead, the Government did the following:

(i) Subsidised exports: Between 2000-01 and 2004-05, 29.9 million tonnes of the FCI's foodgrains stocks was exported at a heavy subsidy. During November 2000 to February 2004, the FCI subsidised wheat and rice exports by Rs 141.35 billion.6 In fact, from 2000-01 to 2003-04, the grains were exported at considerably below the Minimum Support Price paid to the peasants. The beneficiaries were giant foreign agricultural traders such as Cargill and large domestic trading firms who bought the grain for export.

(ii) Handed over to traders at a subsidy: Further, a huge quantity of wheat and rice – 18.7 million tonnes – was sold, largely at subsidised prices, to domestic traders under the open market sales scheme (OMSS) between 1999-2000 and 2003-04.

(iii)Plundered with official collusion: Finally, giant quantities appear to have been stolen, in an operation that could only have been organised at the top levels. Between April 2002 and October 2003, 14.7 million tonnes simply disappeared from the FCI's foodgrain stocks and are unaccounted for.7 If we value these stocks at Rs 6/kg, the loss on this account is Rs 88 billion.

Since the UPA government came into office on the back of massive rural discontent, it has had to revive, to some extent, the rural employment schemes and welfare schemes, which were in a coma during the preceding years. As a result the offtake of foodgrain

for these schemes has picked up somewhat, requiring higher foodgrain stocks with FCI.

For all these reasons the stocks drew down rapidly, as the result of conscious policy. Wheat stocks as on April 1 (ie before procurement) fell from 26 million tonnes in 2002 to 15.6 million tonnes in 2003 to 6.9 million tonnes in 2004 to 4 million tonnes in 2005. The figure for April 1, 2005, was thus 0.1 million tonnes below the buffer stock norm for that date.

Deliberate under-procurement in April-May 2005

Given the increased requirements of the PDS, welfare schemes, and food-for-work schemes, the Government was aware in April 2005 itself that it needed at least around 18.5 million tonnes of wheat for distribution through the following year.

Thus it was crystal clear at the start of the procurement that the Government would need to energetically carry out procurement. Nevertheless, it procured only 14.7 million tonnes in the 2005-06 marketing season (April-May 2005).

The Government has made out that this merely "happened", as if by accident. Union Food Secretary, S.K. Tuteja, "hedged questions on why procurement was less this year, saying there is no procurement target and the government is quite happy if private players are paying farmers more than the minimum support price. After all, he said, the objective of the procurement exercise is to ensure farmers get the MSP and the government can meet its welfare commitments."

Tuteja's statement is false in two respects: first, the shortfall in procurement was deliberate; and secondly, peasants received less than the MSP. The shortfall occurred for two reasons.

The Government tells peasants: "Reduce your grain production"

First, the Government adopted a policy of keeping the Minimum Support Price low in order to reduce food procurement.9 The Economic Survey states that in recent years the Government deliberately restrained increases in the MSPs: "the price policy for rabi and kharif crops announced modest price increases in the past five years. The Government's policy of restraint in announcing hike in MSP of principal cereals in the last four seasons is likely to address the problems associated with excessive concentration on production of two crops, namely, wheat and rice." That is, the Government was deliberately getting peasants to shift away from wheat and rice to other crops.

This has been the explicit policy of the Government for some time now. In March 2001 then Prime Minister Vajpayee told peasants at a meeting in Haryana to "Look beyond wheat and paddy" and to switch to "horticulture, floriculture, oilseeds and vegetable production and have a good export potential." With the removal of restrictions on imports under the World Trade Organisation, he said, Indian farmers would have to grow less food and more of other crops. Thus it became official Government policy to discourage foodgrains growth and thus ensure dependence on imports.

This policy was also defended by falsely claiming that Indian peasants were growing too much grain, more than Indian consumers could consume. The Food and Agriculture Minister, Sharad Pawar, declared on February 20, 2005, (almost exactly a year before deciding to import wheat) that "the days of importing foodgrains were over." He boasted: "Punjab, Haryana and parts of U.P. are satisfying the country's hunger. I want Punjab and Haryana to reduce their production of wheat and rice, which is in abundance." (emphasis added) He said this on the occasion of announcing a Rs 150 billion National Horticulture Mission, underlining the new direction that the Government wants peasants to take. Most of the little increase in the allocation to agriculture in the 2005-06 and 2006-07 Union Budgets has been devoted to horticulture and micro-irrigation (the latter largely for horticulture).

Government freezes Minimum Support Price

As can be seen from Table 4, between 2000-01 and 2005-06, the MSP has increased by just 6.6 per cent. In fact, during 2001-02 to 2004-05 the Wholesale Price Index for all commodities rose 4.7 per cent per year, whereas wholesale prices of wheat rose rose by just 1.1 per cent per year.

This virtual freezing of MSPs was intended to dampen wheat production and procurement. Consequently, as can be seen from col. 4, procurement fell sharply between 2000-01 and 2004-05, by 5.84 million tonnes; as a percentage of the crop (col. 5), procurement fell by 9 percentage points.

Government tells FCI: don't procure

However, the near-freezing of MSPs in wheat was not enough to depress procurement to the extent the Government wished. Therefore, in April 2005, instructions were issued to the FCI not to procure in Uttar Pradesh. U.P. might have been chosen because peasants there have been less organised and militant than those in Punjab and Haryana. We have seen in recent years militant rail rokos and other protests by Punjab peasants specifically on procurement, forcing the Government to procure.

None other than the Union Secretary for Agriculture, Radha Singh, confirmed that such instructions were issued by the FCI. She stated that "Procurement [in the 2005-06 marketing season] has declined mainly because government agencies did not make requisite purchases in states like UP." She said wheat output in U.P. was estimated at nearly 25 million tonnes, making it the largest producer of the crop in the country. Yet

the government procurement in the state was a dismal 0.56 million tonnes, as against a normal 2.5 million tonnes. "Nothing stops government-run agencies like FCI from procuring wheat in UP. If procurement in UP would have been in proportion to the output, the stock position would have been much more comfortable." On the other hand, she noted, "Private players including multinationals are estimated to have purchased around 4-5 million tonnes of wheat in Uttar Pradesh."10 This demolishes Food Secretary Tuteja's claim that the shortfall in procurement occurred spontaneously.

The Commission for Agricultural Costs and Prices (CACP) called attention to the dangerous consequences of this withdrawal by the state agencies. It noted that corporate groups had been staying out of procurement in Punjab and Haryana because of restrictions on licensing, payment of tax, etc, but

The removal of restrictions in some other states has seen the entry of corporate groups and large trading companies like ITC and Cargill entering business of the purchase and sale of wheat and wheat flour. In Uttar Pradesh, the corporate bodies have been allowed to directly purchase from farmers at any price above MSP.

Meanwhile, the domestic market is poised to witness further changes with possible entry of international agencies. The Australian Wheat Board (AWB) has received Government of India's permission to set up a wholly owned subsidiary in India. The Board intends to purchase and sell wheat, rice, maize and other permitted agricultural commodities. The AWB also perceives India as a prospective market for Australian wheat in the medium term and is certain that India would start importing wheat in future.

Corporate groups enter the market with the profit motive which determine their operations. They purchase such produce for which they foresee a ready market. During a visit to Madhya Pradesh, the members of the Commission observed that ITC purchases at e-chaupal were restricted to Lok-1 variety of wheat. Durum wheat was quoted at prices less than MSP because of poor local demand. At local level, the existence of a corporate purchaser lulled the state government into believing that all wheat would be purchased by private entities. In a scenario, where buying and trading in grain is witnessing the entry of new players, the Commission feels that government, both at central and state levels, have to be vigilant to ensure that farmers get remunerative prices for their produce.

The Commission further remarked on the failure to procure in U.P., resulting in lower prices for the peasant and lower procurement:

In Uttar Pradesh also, the procurement in the marketing year 2005-06 was around one-fourth of the past three years average procurement. One possible reason for this subdued performance of procurement could be the market reform in the state, enabling corporates to purchase directly from farmers with the incentive of market fee exemption, provided these purchases were made at a price not lower than MSP. However, in several markets of the state, prices ruled below MSP. There were some reports that these corporates did not adhere to their commitment of paying MSP to farmers for their purchase of wheat. In Madhya Pradesh also, there were instances of prices of wheat quoted at less than MSP for certain varieties, which required MSP intervention by the state. However, due to lack of vigil on the part of state agencies, the farmers lost on the price front while the procurement also remained subdued. (emphases added)

Thus the evidence is clear: There was a decision to procure less, and to leave the field open for the multinational corporations and other grain speculators, at the expense of both peasants and consumers. It is worth noting that the amount of shortfall in procurement from U.P. – two million tonnes – is roughly the same as the shortfall in the buffer stocks on April 1, 2006.

III. Government Plans to Dismantle the FCI

There is a systematic plan to dismantle the Food Corporation of India. The representatives of multinational grain companies – those from whom the Government wants to attract "private investment in agricultural marketing channels" – told the official Committee on Long-Term Grain Policy (CLTGP) that they would not make large investments in grain trading in India unless "the potential threat posed by high stock levels is removed."12 The "high stock levels" referred to here are the procurement and stocks for Public Distribution carried out by the Government; these stocks pose a "threat" to the super-profits the multinationals wish to make in India. The FCI's purchases and sales prevent the peasant's price from sinking too low or the consumer's price from rising too high. The multinationals can only make monopoly super-profits if the FCI gets out of the market.

For example, of the wheat crop, about one-half is kept by the peasants for their own consumption; one-quarter is ordinarily procured by the FCI; and one quarter is purchased by private traders. In other words, of the marketed surplus grains, the FCI normally buys about half, and sometimes more; it thus can control the market. However, as seen in col. 6 of Table 4, procurement as a percentage of the wheat crop fell sharply – from 29.6 per cent in 2000-01 (marketing year 2001-02) to 13.3 per cent in 2004-05 (marketing year 2005-06).

The FCI set a target for procurement of wheat in the

2006-07 marketing season (April-May 2006) of a mere 16.2 million tonnes. This was 0.6 million tonnes less than that achieved in 2004-05, and far less than that achieved in earlier years (see Table 4, col. 4). Even a procurement of 18-18.75 million tonnes would barely have met the current requirements of the PDS, the welfare schemes, and the food-for-work programmes. Given that the Government claimed to be planning an expansion of the food-for-work programme each year, the requirements would be higher.13 Moreover, according to the Government's buffer stock norms, the stocks themselves needed to be replenished by 2.5 million tonnes. So the Government's own projections and norms would require a procurement target of 21 million tonnes or so of wheat (18.5 million tonnes + 2.5 million tonnes). Yet the FCI fixed a target five million tonnes lower. That is, the Government was planning either to (i) starve the PDS, (ii) lower the allocation to welfare schemes and food-for-work programmes, or (iii) import; or a combination of the above.

There are now at least four schemes being discussed by the Government as preparations to shut down the FCI: (i) Provision of food stamps; (ii) Making direct cash payments to targeted families; (ii) Booking purchases on the "futures market" instead of physically procuring the grain; (iii) Outsourcing all major operations of FCI, and maintaining a skeletal staff.

(i) Food Stamps: The Ministry of Finance paper, Central Government Subsidies (December 2004) makes the following recommendations regarding reducing food subsidy: 1. lower the MSP; 2. stop open-ended purchases of grain (ie the Government will not pick up all the grain offered at the MSP); 3. price the grain uniformly for all households at the Above Poverty Line (APL) rate, and then provide additional food coupons to the poor households.

Wherever food coupons/stamps have been introduced worldwide, they have been a means of reducing the coverage of food distribution schemes and reducing the real value of the food subsidy. Governments tend not to issue coupons regularly; retail stores often do not accept the stamps, since getting reimbursement is a further hassle; consumers are burdened with collecting stamps at regular intervals, and storing them carefully. And with price rise, the amount that can be bought with the food stamp declines.

(ii) Cash payments: The Chief Economic Adviser to the Finance Ministry, Ashok Lahiri, is preparing a blueprint for a new food subsidy system of cash payments for below poverty line (BPL) families instead of going through the PDS. A senior official told the Business Standard that "A system of cash payments can provide a choice to the beneficiary families who need not use the fair price shops for purchasing wheat and rice alone". In that case, procurement by the FCI would not be required. The official said that "We propose to look at alternatives [to procurement] in the coming days", said the official.15 As with food stamps, as prices rise, the value of cash falls, and the consumer gets less grain.

(iii) Commodity Futures Markets: Labanyendu Mansingh, Union Consumer Affairs Secretary, says "We have proposed the use of futures exchange platform by the Government to buy its grain requirements, rather than procuring them and incurring huge storage costs. I think it is a very workable proposal.... The Government could take positions in the futures exchanges for the month in which it needs grains for running the PDS, equivalent to the quantity of its requirements, and on the due date, ask for delivery. It should take a position at a price that it feels is remunerative for the farmers and pay it at the time of delivery, he said. This would ensure that the government would not even need to fix the minimum support price for wheat and rice. The Government would not have to incur huge storage and transportation costs... Against the price at which the government would have agreed to take position in wheat and rice futures, farmers would store their grains in accredited warehouses and use the receipts to get credit from financial institutions... The government is already working on a legislation to make warehousing receipts a negotiable instrument [ie like bills, against which one can obtain credit from banks]... The warehouses will be accredited by independent agencies..."

In commodity futures exchanges, the contract is to buy or sell a commodity such as wheat on a particular date for a particular price. The contracts are for standardised amounts, that is, for the same quality and identical amounts of the commodity (eg, one tonne of a particular variety and quality of wheat).

The party who has agreed to buy, let us say, one tonne of April 2007 wheat at Rs 8,000 then can re-sell this contract to others. If others in the commodity exchange feel that the market price of wheat might rise to more than Rs 8,000 by April 2007, they would be willing to buy the contract from the original buyer. The new buyer might then re-sell this contract to another, and so on, the price rising or falling depending on traders' expectations, and on the amount of cash floating about in the market.

Traders buy and sell depending on what they expect the price of the contract to be the next day. The commodity futures contract becomes exactly like a share on the stock exchange, a piece of paper on which speculators gamble vast sums on their expectation of a rise or fall of the price of the share. There need not be any physical delivery; the gamblers may square their accounts finally in cash. The peasant does not get any benefit from this, since he/she is not in a position to

speculate on these commodity exchanges. Nor can he/she really make up his/her mind on what crop to grow on the basis of the prices on these exchanges, since the prices fluctuate violently as the gamblers lay out huge bets backing either a fall or a rise.

Hardly any of the parties trading on these exchanges is interested in buying the commodity for use. For example, in April 2005, the little-known commodity guarseed (used for gums and medicines) saw trading on such a huge scale and such wild fluctuations that the authorities had to step in to check it. Trading on the commodity exchanges has grown from Rs 670 billion in 2002-03 to Rs 5.71 trillion in 2004-05 and more than tripled again to Rs 21.34 trillion in 2005-06. It has gone up further steeply in 2006.

Since the gamblers can drive prices both up and down in the exchanges, leaving the fate of peasants and consumers to these gamblers portends catastrophe. Futures trading in various commodities earlier existed in India, but over the years the Government was forced to ban it in one commodity after the other in order to check acute speculation. Such bans in regard to most commodities were first instituted by the British during the Second World War, and continued thereafter. During the period 1962-70, the ban was extended to another 13 commodities, including cotton, oilseeds, jute, etc.

Now, the speculators on the commodity exchanges are not just our local seths; they include multinational firms, with even greater financial muscle. Foreign institutional investors (FIIs), mutual funds, and other speculators too want to get in on the action, and are lobbying for a change in rules to allow this.

Replacing public procurement with commodity futures bodes ill for the Indian peasantry and consumers. In the absence of physical procurement by the Government, the peasant would sell his crop to traders/trading firms at whatever price he can get, with no guaranteed minimum. And the consumer would be left helpless before the speculative activities of commodities futures traders.

(iv) Outsourcing: The Food Ministry has hired McKinsey, the US-based consultancy, to draw up a plan to "re-structure" the FCI. It has recommended slashing expenditure, including capital expenditure (ie purchase of lasting assets) by Rs 23 billion over a two-year period; further, it says that the FCI should outsource (ie contract out) its key operations like foodgrains procurement, handling, transportation, and distribution. The FCI's role is to be reduced to an agency for storage of buffer stocks for PDS. McKinsey wants 8,000-10,000 employees to be sent out by "voluntary" retirement schemes.17 The FCI staff has already been reduced by 9,000, or one-third, through Voluntary Retirement Schemes, in which many senior staff too left. A further reduction of this order will reduce it to a skeletal level. It is not a "re-structuring" programme, but a dismembering programme.

Reportedly, a Steering Committee chaired by the Secretary, Food and Public Distribution, R.N. Das, has already approved major recommendations of the McKinsey report. FCI Chairman-cum-MD V.K. Malhotra is also a member of the panel.

Already we can see the McKinsey recommendations being implemented. The minimum buffer stock norms for rice have been revised downward, and the Food Ministry has set a target of procuring just 23 million tonnes of rice for 2005-06 (compared to 24.7 million tonnes procured in 2004-05). The FCI is already engaging private parties in certain areas to carry out procurement. For example, one "National Collateral Management Services Limited" (NCMSL) has been hired by FCI to procure rice from Balaghat in MP and five districts in Orissa. The operations will be extended to wheat in the coming rabi season, said the company.

No doubt, on December 15, 2005, Sharad Pawar rejected the suggestion that the FCI should be scrapped. As a noted journalist once said, "Believe nothing until it is officially denied."

VI. The Wheat Production Crisis

As a result of the pressure of mass discontent, and anxieties about state elections, the Government has also been forced to take a few hurried steps to increase production of wheat in 2006-07 (to be marketed in April-May 2007). It has increased the procurement price to Rs 750, and announced the price early, to encourage additional sowing of wheat. It has also announced a Rs 8.41 billion action plan over the next three years to boost wheat productivity in a selected 138 districts of nine states. This would include restoring the micronutrients and minerals in the soil, introducing improved techniques, supplying improved seeds, and subsidising diesel for irrigation. It is reported that, attracted by higher prices, peasants have sown a much larger area under wheat this year, which should result in higher production.

However, given the depth of the wheat production crisis, these measures are at most palliatives and at worst are meant to mislead the public. The "action plan" amounts to a mere Rs 2.6 billion a year, for one of the two staple crops of the country. And a larger area sown to wheat means land has been diverted from another crop, which in turn might necessitate imports of that crop.

The underlying problem is of the stagnant yields of wheat. Table 7 is a striking illustration of what the current economic policies have done to Indian agriculture.

Table: Yield Profile of Wheat: Yield growth rate

State	Avge yield 2004-05*, kg per hectare	1985-86 to 1995-96	1995-96 to 2004-05	Percentage share in acreage 2004-05*
Punjab	4209	2.07	0.76	13.18
Haryana	3963	2.70	0.74	8.83
U.P.	2601	2.41	0.43	36.39
M.P.	1659	4.04	-0.46	15.23
Rajasthan	2783	1.49	1.20	7.56
Bihar	1765	3.07	-2.61	8.23
All India	2642	2.61	0.56	100.00

* for the three-year period ending 2004-05

Source: CACP, Profile of Rabi Crops under Price Support of 2006

As can be seen from col. 2 of the Table, the range of yields is very wide. Yields range from 1,659 and 1,765 kg per hectare in M.P. and Bihar to 3,963 and 4,209 kg per hectare in Haryana and Punjab. Uttar Pradesh, which accounts for more than one-third the all-India area under wheat, has an average yield of just 2,601 kg per hectare. Had all-India yields averaged even 3,000 kg per hectare, production would have been 78 to 81 million tonnes (from 26 to 27 million hectares). Whereas the actual production in 2005-06 was 69.5 million tonnes or less.

As can be seen from col.s 3 and 4, there was a dramatic slowdown in yield growth during the last decade. Yields grew at an annual rate of 2.61 per cent from the mid-1980s to the mid-1990s; then growth slowed sharply, to 0.56 per cent, from the mid-1990s to the present, this being the period of the World Trade Organisation (WTO) and agricultural 'liberalisation'.

The picture is even starker in the case of Madhya Pradesh and Bihar, where yields fell at annual rates of 0.46 and 2.61 per cent respectively. These were the very states which saw rapid yield growth in the previous decade, at 4.04 and 3.07 per cent a year respectively. The slowdown in U.P. yield growth too was sharp, from 2.41 per cent in the first period to 0.43 per cent in the second. These three states account for almost 60 per cent of the area under wheat all-India. The gap between these states and Punjab-Haryana has widened instead of narrowing.

Had yield growth continued in these three states during the "WTO decade" at the same rate as in the previous period, production would have been much higher, and there would have been no excuse for imports. Instead, during this period investment in agriculture continued to fall; state governments, in the grips of a fiscal crisis created by the Centre, wound up their meagre agricultural extension activities; bank credit to agriculture slid to low levels; and agricultural prices fell to unremunerative levels. Production of cereals in most of eastern India declined. Noting that the rate of yield growth of the 1980s was not sustained in the 1990s, the Committee on Long Term Grain Policy (CLTGP) said: "Although reduced public investment and setbacks in technology extension are causes, the behaviour of producer prices is also important.... In this context, it should be emphasised that producer prices in many parts of Bihar, Orissa, Uttar Pradesh and West Bengal are currently below full costs of production."

In fact, as can be seen from the Table below, wheat production has actually been falling in absolute terms. After reaching a peak of over 76 million tonnes in 1999-2000, it has never matched that figure in subsequent years.

Table: Wheat Production (million tonnes)

1996-97	69.35
1997-98	66.35
1998-99	71.29
1999-2000	76.37
2000-01	69.68
2001-02	72.77
2002-03	65.76
2003-04	72.15
2004-05	68.64
2005-06	69.48

It is true that, for environmental reasons, it may be advisable to reduce the area under wheat and paddy in Punjab and Haryana, and replace it with other crops. However, if this is done along the lines of neo-liberal policy, it can lead to disaster. (i) If the Government attempts to shift Punjab-Haryana to other crops without providing a guarantee of public procurement for those other crops, peasants will not willingly shift to growing them, for they know that they will suffer instability and declining incomes. (ii) Secondly, if the Government attempts to bring about this shift of crops in Punjab and Haryana without in advance increasing yields in the other wheat-growing areas to much higher levels, national food security will be shattered. As the CLTGP points out, overall national food security "still depends very largely on FCI moving about 80 per cent of the surplus grain of this region [Punjab and Haryana] to meet 25 per cent of consumption in deficit regions."

Government policy to strengthen private corporate control of agriculture

However, no such rational shift in grain crops is on the cards. Rather, the Government's plan is to bring about the shift by, on the one hand, reducing procurement operations of FCI and all other public sector activities related to agriculture, and, on the other, promoting the entry of the corporate sector in all these activities. This will undermine, even wreck, the present peasant economy of Punjab-Haryana without spurring cereal production in other states. This is what is being done under the heading of 'diversification'.

Meanwhile, to encourage corporate control of agriculture and all related activities, the Centre is in the process of changing a number of legislations.

(i) The Essential Commodities Act (ECA) of 1955 restricts trade in food products to licensed traders. Also under the ECA limits can be set on stock holding. Since 2002, however, the ECA has been diluted and its scope narrowed.

(ii) Food processing was earlier reserved for the small-scale sector, at least on paper. Now all such reservations are being scrapped. The new Value-Added Tax (VAT) too will consolidate corporate control: Since small units do not pay VAT, retailers will be unable to claim tax credit on their purchases from small units, and so such small units will no longer be able to compete with large firms.

(iii) Step by step, foreign direct investment (FDI) is being permitted into the retail sector. Foreign firms such as Wal-Mart will tie peasants into contract farming according to their requirements. Wal-Mart has already begun procuring substantial supplies from India of November 2006, it announced its entry under a joint venture with the Indian corporation Bharti. For the time being, Bharti is to own the chain of front-end retail stores, while the two firms will have an equal share in a firm that will engage in wholesale, logistics, supply chain and sourcing activities.

(iv) A proposed Warehouse Receipt Act will make warehouse receipts a negotiable instrument, against which banks can lend. Although this is being introduced in the name of facilitating bank credit to peasants, the real beneficiaries are to be speculators on the commodities futures market. For once warehouse receipts are negotiable instruments, speculators can more easily get bank credit against them to gamble on the commodities futures markets. In October 2006, the Planning Commission proposed that the Banking Regulation Act, 1949, be amended so that banks can lend money to speculators in the commodities and futures markets. The Planning Commission also wants amendments to the SEBI Act to enable mutual funds to invest in commodity markets.

(v) Most importantly, the Agricultural Produce Marketing Committee (APMC) Act, which required that farm produce be sold only at the designated marketplace through registered intermediaries, is being replaced. The Centre has drafted a model APMC Act (since this falls in the sphere of state legislation), which some states have already adopted, and most are in the process of adopting. The new Acts permit "private yards/private markets not regulated by the market committee." Further, "it will not be necessary to bring agricultural produce covered under contract farming to the market yard/private yard and it may be directly sold to contract farming sponsor from farmers' fields." Under the "model contract farming" corporations appear as "contract farming sponsors". There is no provision compelling these "sponsors" from buying the entire output of those producing on contract. In case of a dispute regarding such contracts, the farmer is barred from filing civil suits except on a complaint made by collector or office-bearer of the market committee.

Along these lines, ITC, the Indian subsidiary of the multinational British American Tobacco (BAT), has over the last several years set up a network of what they call "e-choupals" to procure agricultural products directly from peasants, as well as sell them inputs. According to the chief executive of ITC Foods, the company was not worried about the rise in wheat prices, as direct purchases through its e-choupal network had "proved handy"; these, presumably, were at lower prices.

Reliance Retail has signed a Memorandum of Understanding with the Punjab government to build and operate a chain of "rural hubs" across the state; it has similar plans for Haryana, U.P., Uttaranchal, Himachal Pradesh, and West Bengal. These "hubs" would serve as procurement areas for a chain of giant retail malls ("hyper" and "super" malls) it proposes to open across the country. Other activities of the "hubs" would include farm extension services (that is, guidance and assistance to farmers), warehousing and processing points, and veterinary services.37 These are precisely the activities hitherto carried out by the public sector.

What often seems mere bureaucratic stupidity turns out, on examination, to be part of a systematic policy. Take the abysmal state of the Indian Council for Agricultural Research (ICAR), which is meant to be the key all-India institution in agricultural research, education, demonstration of new technologies, and consultancies: In 2005, it had 1,970 vacancies for scientists and 762 vacancies in technical posts. Another 156 posts for scientists were abolished as part of the Government directive to reduce manpower by 10 per cent.

The public sector in agricultural R & D is to be dismantled in this way so that the peasant has no choice but to depend on the private sector. This strategy is ringingly endorsed by the Prime Minister himself. Inaugurating a research and development (R & D) centre of Fieldfresh, a joint venture between the Bharti group and the global financial services company Rothschild, at Ladhowal, Punjab, Manmohan Singh "called upon the corporate sector to play a key role in enhancing productivity and in the diversification of the farm sector". The corporate sector's involvement would usher in "a new era of green revolution", and

the Fieldfresh R& D "could go a long way in banishing poverty from the countryside".

Both peasants and consumers will suffer as FCI recedes

The Agriculture Minister, as we saw earlier, defended wheat imports on the ground of protecting consumers from price rise. But he also defended the fact that private traders bought up the wheat, exacerbating the price rise, on the ground of benefiting farmers: "We are happy that this has helped farmers get better prices for their produce".

However, just as import dependence does not help consumers, the retreat of public procurement and greater freedom for private trade, do not help the peasants. This is because, in the absence of a guarantee of procurement at a minimum support price, peasants get left to the mercy of private trade. As the CACP itself points out, both peasants and consumers would suffer: "In periods of plentiful supplies, the market may tend to depress resulting into low prices realisation by the farmers. When demand oversteps supplies, the private trade may attempt to control supplies, as witnessed during the 2006-07 marketing season."

As the Government retreats completely from procurement, peasants would suffer huge financial losses. The CLTGP estimated in 2002, when minimum support prices were Rs 610 for wheat and Rs 510-540 for paddy, "without price support, farm level prices are unlikely to exceed Rs 350 per quintal for either paddy or wheat, much less than what almost all farmers actually received last year and also less than full production cost (including imputed costs for family labour, land and capital) in most states". According to the CLTGP, the immediate loss to wheat and rice farmers in 2001 would have been over Rs 300 billion, and as much as Rs 400 billion.

As we noted above, producer prices are now below the cost of production in many parts of Eastern India where price support operations are absent, and this is one of the important reasons why grain output in Eastern India shrank in per capita terms during the period of "reform". If prices were similarly depressed in the main grain surplus states, output too, which is already stagnating, would fall. A giant market would be created for the imperialist countries' grain. At the same time, with the Government out of the market, consumers would be left to the monopolistic manipulations of the foreign firms, and would wind up paying much more, or reducing their consumption.

The fact is, it is dishonest to counterpose peasants and consumers. First, peasants are also consumers, and indeed the bulk of the grain is consumed in the rural areas. A reduction in prices brought about by a reduction in peasant income, in a country where the majority of the population are peasants, is retrogressive. Secondly, as shown by the experience of other third world countries, once large private firms control the grain trade, even if the peasant gets lower prices for his/her grain, the consumer winds up paying much higher prices than before. (See Appendix) As the CLTGP notes, in 1999 Indian farmers received about 30 per cent more for wheat than US farmers while Indian urban consumers paid only a fourth for a loaf of bread as their US counterparts.

In this entire chain of events, the country's rulers depict each development separately, as it were a series of accidents: the adoption of policies which stifle agricultural investment and growth; the liberalisation of agricultural trade which permits hoarding and price rise; the squandering of the large grain stocks; the under-procurement in 2005, and again in 2006.

In line with this, this year's massive imports are depicted as merely a short-term measure taken to meet a temporary shortage. Whereas this is a standard method used in other third world countries too to push through the creation of import dependence, as illustrated by the cases of Mexico and the Philippines..

As these imports enter the market, large numbers of peasants would lose their livelihood. Many, bankrupted, would be forced to part with their land at low rates. Sections of peasants might seek to hang on to their land by signing long-term contracts for farming under foreign and domestic corporations, which could then dictate terms. Either way, the terms on which the peasantry would labour would worsen.

The existing unevenness and distortions in India's agricultural development are likely to worsen with the entry of private corporations, as we plan to elaborate in a future issue. Foreign and domestic corporations dealing in agricultural output would concentrate on islands of capital-intensive agriculture. This is for two reasons. (i) Most of Indian agriculture has low returns, and improving returns would require substantial investments with long gestation periods40; whereas corporate investors, and in particular foreign investors, require high returns – indeed, they seek to recover their capital within a few years at most. (ii) The markets for corporate agriculture – foreign markets, and India's urban areas – are limited. Importers in imperialist countries develop a number of suppliers, in order to ensure a permanent state of over-supply and thus keep down prices. And in the Indian cities, only the middle and upper classes constitute an attractive market for the corporate sector.

Hence only a portion of Indian agriculture can be oriented to cater to these markets. The bulk of the cropped area and agricultural workforce will remain outside such investment as the corporate sector makes in agriculture. As the State leaves agricultural investment and development of agricultural market infrastructure to private investors, the bulk of agriculture would continue to stagnate or retrogress.

(Courtesy: Aspects of India's Economy, Dec. 2006)

Europe

Strike closes Bulgarian-Greek border checkpoint

A strike by Greek agricultural workers closed the Kulata border checkpoint between Bulgaria and Greece for a number of hours on March 10.

During the protest, all traffic was redirected through the Ilinden checkpoint.

Paris strike shuts down French film production

Film production workers in Paris went on strike on March 7, shutting down work on a dozen French movies but leaving foreign shoots unaffected.

The striking film workers held a rally outside the Centre National de la Cinematographie to voice their opposition to industry attempts to cut pay and invoke partial wage deferrals.

France's film workers are paid the minimum wage set under a longstanding collective bargaining agreement that has been renewed but never signed by some of the country's largest movie companies; some producers get around the legal regulations by paying fixed fees rather than hourly wages. This prompted suggestions last year by French business to lower of minimum wage to reflect industry practices.

A dresser on a French film reportedly earns about US $19.70 per hour (US $787 a week) on a typical 12-week shoot.

Cypriot airport workers threaten strike

Staff at the two main airports in Cyprus called a two-hour strike on March 13 to protest the government's failure to give permanent contracts to airport vets, who are currently paid by the hour.

The veterinary officials, who operate under the wing of civil aviation, claim they have yet to be made permanent despite a cabinet decision to the effect in July 2005.

Cyprus Mail quoted a union announcement: "The workers condemn the actions of the civil aviation not to implement the decision fully to hire the temporary workers. The department has many times stated that they face dangers and costs because they are short staffed."

Irish nurses protest for better deal

The Irish Independent reported March 13 that nurses held their first meeting with the government's industrial relations arbiter, the National Implementation Body (NIB), over their postponed national strike.

Upto 40,000 members of the Irish Nurses Organisation and the Psychiatric Nurses Organisation have mounted lunchtime demonstrations in recent weeks in Dublin, Cork, Galway and Limerick. They are demanding a 35-hour week, increased pay and a bonus for working in Dublin to cover higher living costs in the capital.

Middle East

Strike at Baghdad's Sheraton Hotel

Around 250 workers at the Sheraton hotel in Baghdad organised a strike on March 3 and 4 calling for the payment of overdue wages and other benefits amounting to around 200,000 Iraqi dinars (equivalent to US $140) in addition to other arrears.

Management agreed to the workers' demands, and the strike was ended. The salaries of the workers of Sheraton, Merdian, and Baghdad hotels and many others were frozen when occupancy of the hotels suffered a dramatic drop as a result of the recent upsurge in violence in the city.

Iraqi power workers take strike action

On March 13, workers and technicians at Taza Electricity Plant 15K, outside Kirkuk, carried out a one-day strike calling on the local authorities to improve protection from attacks that are endangering and killing many workers. The strikers also called for a pay increase.

On the same day, workers at Baghdad's main electricity plant protested the Minister of Electricity's decision to abolish their allowances.

Migrant Indian catering workers strike in Kuwait City

About 200 workers at a catering company in Kuwait City went on strike on March 12 over underpayment of wages.

The workers, who are staying at the company camp in Riggai, told the Arab Times that they were brought to Kuwait by the company four months ago after extensive interviews conducted in India. One of the workers claimed that at the interviews in Kerala, in south India, they were promised a salary of KD60 plus overtime: "The Egyptian managers had personally come for the interviews. But from Bombay airport we were told that for the first three months, the probation period, we would only be paid KD26."

Angry workers allege that the catering company's agent in Bombay colluded with management to ensnare them.

Bank of Israel workers strike over wages

A year-long wage dispute between the Bank of Israel, its workers and the Finance Ministry came to a head March 12 when 800 employees took industrial action.

In the following days, the bank staff stepped up their

action, as no wage agreement has been signed and because Ministry of Finance Director of Wages has ordered bank employees to return excess salary and benefits payments.

The Israeli media speculated that Bank of Israel Governor Stanley Fischer had made a last-minute decision not to resign, after he cancelled a press conference hours before it was scheduled to take place. The Tel Aviv Stock Exchange's benchmark TA-25 index fell as much as 1.4 percent on news of the scheduled press conference.

The strike followed a letter from Fischer on March 11 to Finance Minister Avraham Hirchson, Eli Cohen, the ministry's director of wages, and Rimona Leibowitz, chairman of the central bank's workers union, that claimed the year-long wage dispute could damage the central bank's international reputation and the country's economy.

Bank representatives told the Jerusalem Post that they were making arrangements for continued customer service and that the strike would have no impact on their business, so customers need not worry about cash shortages.

Africa

South African gold miners on strike against "apartheid" managers

Around 480 gold miners at the Primrose Gold Mine in Germiston, South Africa, have been on strike since March 1, against a management style that National Union of Mineworkers (NUM) regional secretary Mluleki Senene called "reminiscent of [the] apartheid-era."

The strikers' demands include management's recognition of the NUM, resumption of pay bargaining, and the cessation of edicts cutting pay. Senene said that the management had reneged on an agreement that led to the suspension of a previous strike in December.

Sudanese translators on strike over non-payment of wages

More than 150 translators working for the African Union (AU) in the Darfur region of Sudan have gone on strike to protest not being paid for the last three months. The translators are also demanding a pay increase and a danger allowance.

Those on strike are responsible for translating between Sudan's official language, Arabic, and the non-Arabic languages spoken in the Darfur region. An AU official denied that it was three months since the translators were paid, but admitted that they had not been paid since January.

Striking Ghanaian health workers threatened with dismissal

Striking health workers in Ghana were told that unless they returned to work by March 6 they should consider themselves dismissed. The threat was contained in a letter sent out by the Ministry of Health, in spite of the fact that the strike had been taking place for only a few days at the time.

A work to rule was initiated some weeks ago by the Health Workers Group (HWG), to protest against anomalies in the salary structure. The participants were working to rule from 8 a.m. until 5 p.m. from Monday to Friday only. At the end of February, some of the workers in the Greater Accra Region decided to escalate their action into a strike. This was deemed illegal by the National Labour Commission.

Latin America

Tens of thousands repudiate US-Costa Rica free trade agreement

On February 26 an estimated 50,000 workers, peasants and students marched and rallied in San José, Costa Rica to protest a draft free-trade treaty with the United States. Smaller demonstrations took place in other cities. In the city of Siquirres, in Limón province, protesters blocked a highway. Six people were arrested in confrontations with the police.

The size of the march surpassed expectations and exceeded previous protests against the treaty. The demonstrators are demanding that President Oscar Arias remove the treaty from consideration by the nation's congress. The Costa Rican unions threatened to launch a national strike if the agreement is not removed.

Academic critics of the proposed agreement indicate that it may exacerbate economic and social inequality in Costa Rica, benefiting the ruling oligarchy and disrupting the lives of agricultural workers. Proponents of the treaty denounced the marchers for "refusing to engage in a debate on the issue." While the opposite is the case, both President Arias and the National Assembly have refused an open debate.

Strike by Brazilian refinery workers

Employees of the sprawling Petrobras refinery near Rio de Janeiro went on strike on March 8. The issue is a wage increase. The 8,000 strikers are employed by private firms that subcontract work with Petrobras. They provide engineering, maintenance and construction services.

A Petrobras spokesperson claimed that the strikers are demanding wage hikes that range between 50 and 493 percent.

Argentina: Airline employees on strike

Maintenance workers employed by LAN Argentina, an international airline that serves the southern cone and that also flies to the US, walked off their jobs On

March 9. The Labor Ministry stepped in and imposed binding arbitration on the workers.

Workers are protesting the firing by LAN management of a LAN dispatcher in the Iguiazú airport in northeastern Argentina.

United States

Mississippi shipyard paralyzed by strike

About 8,000 workers walked out on strike March 8 against the Northrop Grumman Ship Systems Ingalls operations in Pascagoula, Mississippi demanding more pay and opposing hikes in health insurance. Workers voted down the company's most recent offer this week by an 8-to-1 margin.

Management has indicated it has no plans to reopen negotiations with the Pascagoula Metal Trades Council (PMTC), which represents the various crafts that comprise the Ingalls shipyard's workforce. A leader of pipe fitters' union told the Sun Herald that the company told negotiators, "They don't plan on going back to the table any time soon. It might be a month, three weeks or longer."

The hardships resulting from Hurricane Katrina have played a role in the determination of workers to hold out for a better agreement. National Metal Trades Department President Ron Ault explained that 18 months after the storm the quality of life has sharply declined.

"What we are seeing here is something like post-traumatic stress in combat troops. They are fed up with what they see as abandonment and neglect of this region. Our members are the world's best shipbuilders, living in one of the nation's most devastated areas. Something has got to give."

West Virginia governor, labor bureaucracy, seek to quell teacher dissatisfaction

West Virginia Governor Joe Manchin signed a bill providing for a 3.5 percent pay increase to teachers. The pay increase was upped from 2.5 percent in the wake of a sickout by teachers in Monongalia County that shut down the school system on March 6 and widespread sentiment among teachers for a state-wide one-day general strike.

More fuel was added to the fire over the weekend when the West Virginia Senate voted to increase their pay by 33 percent. Middle school teacher Shelley Garlitz told WBOY News 12, " I'm just astonished that after all this time saying 'we can't find money for this or that,' that in the end, they found money to give themselves a raise." Ultimately, amidst the tumult, the West Virginia House refused to introduce the legislative pay raise.

On March 10, teachers rallied on the steps of the West Virginia capital. But AFT President Judy Hale opposed the call for a one-day strike. Jackie Long of the West Virginia School Service Personnel told the rally their union would not "participate in a one-day walkout. That's not our style."

Asia

Indian apparel workers on indefinite strike

Around 10,000 apparel workers in Tirupur in the south Indian state of Tamilnadu remain on indefinite strike. The workers walked out on February 26 in support of a 30 percent increase in stitching rates, which have not been revised for four years. There are around 600 stitching units in Tirupur employing between 15,000 to 18,000 workers.

Negotiations have stalled with owners now demanding a 30 percent increase from the companies that buy their finished garments. They claim that input costs, including labour charges, thread, needles, power and rent, have increased sharply. Even if the companies get the increase it would not automatically be passed on to workers.

Indian port workers strike over discriminatory work sharing

Cargo handling workers at Beypore port in Kozhikode, Kerala have been on strike since February 24. They are demanding the introduction of a system to ensure the equal division of all available cargo work.

The workers allege that Center of Indian Trade Unions (CITU) officials discriminate in favour of their members when sharing out work. Of the 166 workers at the port, 85 are affiliated to the CITU with the remainder belonging to Swathanthra Thozhilali Union and the Indian National Trade Union Centre.

Since the strike began, four vessels and a barge have left Beypore without unloading their cargo. Another barge from Gujarat, scheduled to berth at the port on March 4, changed course and is proceeding to Kochi. A meeting on March 1 called by the district administration to solve the dispute ended in deadlock.

Colombo council workers demand allowances

Road and health workers at the Colombo Municipal Council in Sri Lanka demonstrated in front of the council building in the city centre on March 7 over the non-payment of health allowances. Workers from fire fighting and electricity departments protesting the non-payment of a risk allowance joined them.

In a separate dispute, assistant teachers from schools in the country's Western Province picketed the chief minister's office on the same day demanding confirmation of ongoing employment.

Strikes hit two plants in Vietnam

Strikes involving 10,000 workers have erupted at two Japanese-owned companies in Bien Hoa 2 Industrial Zone in Vietnam's southern Dong Nai Province.

On March 3, around 3,600 workers walked out at Mabuchi Motor, a wholly Japanese-owned firm. The

remaining 3,500 employees at the company joined the strikers in the afternoon.

The workers, whose average monthly salary is currently just $US62 or a little higher than the US$52 minimum wage, are demanding more than the 8 percent annual rise normally offered by the company. They also want an improvement in the food provided at the company cafeteria.

In a separate dispute, around 3,000 workers at Viet Tuong Company went on strike on March 3, over bonuses and the repressive work regime.

There have been strikes at several companies in southern Vietnam over pay and conditions this year.

Australia and the Pacific

Tyre workers strike for pay increase

About 500 maintenance and production workers at the Bridgestone tyre plant in Salisbury, South Australia began a campaign of four-hour rolling stoppages on March 8, after rejecting a company pay offer of 6 percent over 4 years. The workers want a four percent increase each year. For the past six years they have received annual pay rises of just 3 percent, well below the inflation rate.

New Zealand newspaper workers strike over pay

News workers at the APN-owned Oamaru Mail went on strike on March 6 in support of a 5 percent pay rise. It was the third time members of the Engineering, Printing and Manufacturing Union (EPMU) at the newspaper have walked out since pay negotiations broke down last month.

Workers voted to strike after APN withdrew a previous 3.5 percent offer and tried to stall attempts at mediation. A union spokesman said the workers were "fed up with being mucked around" and claimed that they were "barely making more than the minimum wage". The union said it would end the strike if the company made a "serious" offer.

The EPMU is currently pursuing legal action against the Oamaru Mail for using strikebreakers during last month's industrial action.

WA hospital workers strike over staff shortages

Cleaners, caterers and orderlies at Port Hedland Regional Hospital, in Western Australia, went on strike on April 16 and April 18 over staff shortages. For months, the workers have been asking management to fill vacancies and employ casuals to address the problem of increased workloads. The hospital is the main emergency medical centre in the Pilbara mining region.

A spokesperson for the Liquor, Hospitality and Miscellaneous Workers Union, which covers the hospital workers, said there was "a pretty serious understaffing issue going on at Port Hedland hospital" and "we think there's been some pretty serious mismanagement".

A management spokesman said the hospital was "dealing with the concerns about rostering and staff shortages". But nothing has been done, except to hold a series of meetings and discussions that failed to resolve the issue.

Manufacturing workers strike over compulsory overtime

Around 50 workers, members of the Australian Manufacturing Workers Union, went on strike for 24 hours on April 13 against plans by P&H MinePro Services in Bassendean, Western Australia to impose a 46-hour working week.

The company wants an agreement that compels workers to perform eight hours compulsory overtime each week, on any day determined by the employer. The workers say they are not prepared to give up family and leisure time. Around 86 percent of the workforce agreed to a hold secret ballot on the agreement but this was rejected by the company.

David Polgaze, a machinist at P&H, said workers were concerned that the development could lead to the eventual scraping of the current 38-hour week, forcing them to work more than 46 hours weekly.

Strike notice served on Air New Zealand-owned company

Workers at Air Nelson have issued a 14-day notice of strike after the Air New Zealand-owned company repeatedly refused to offer a decent pay rise. A series of four 3-day strikes are also planned.

Engineering, Printing and Manufacturing Union (EPMU) national secretary Andrew Little said the breakdown of negotiations at Air Nelson was a sign of "wider industry problems". He claimed the country's aviation industry was dominated by Air NZ, which was "on the warpath to erode the terms and conditions of its workers".

However, Little and the EPMU have worked closely with Air NZ to enforce its demands, including agreeing to the destruction of jobs and hard-won working conditions. Air Nelson provides regional link services to Napier, Palmerston North, New Plymouth, Tauranga and Nelson.

PRIVATE CIRCULATION ONLY

If Undelivered, please return to:

APPEAL

F-93 (Ist Floor), Katwaria Sarai, New Delhi 110 016

Telefax : 26968121 & 26858940 # E-mail : peaceact@vsnl.com