LOK SAMVAD

APRIL 2008

EDITORIAL

Union Budget : 2008-2009

F. M. Plays The Political Tune (Trick)

By: Piyush Pant

This year's Budget is being touted as more of a political than a financial statement of UPA government, just because the Finance Minister has written off the agriculture loans worth 60,000 crore rupees taken by the farmers. It is being said that it is a political budget and is targeted at garnering the votes of aam adami. Of course, there is an attempt to send the message across that the government is moved by the plight of the farmers and genuinely wants to provide relief to them. Said Chidambaram while delivering the budget speech - Through the loan waiver scheme, "the country is discharging a deep debt and a sense of gratitude to farmers."

The rhetoric is fine but will one-time waiver of loans will give the required amount of relief to the farmers or for that matter will it ease the situation enough for the farmers not to resort to committing suicides? Fine, the one time loan waiver will certainly provide them immediate relief but what about the future? Agriculture is not once in a life-time activity, it is a seasonal activity. The farmer needs the required inputs every season for cultivation. And the neo-liberal economic policies being pursued by the government has rendered the agricultural production not only very costly but also less profitable and risk-prone. In this context the loan waiver can not be effective in automatically enhancing farmer's capacity to increase production and income. In fact, what will work in farmers' interest are those measures which raise output and give good price for production rather than more credit which, in the absence of viable agriculture, will again push them into a debt-trap. It is a well known fact, supported by the findings of several committees, that indebtedness is only a symptom and not the cause of widespread agrarian crisis. Therefore it must be addressed in its totality. Moreover, in the last one year alone several committees, commissions and working groups have examined the core issues and have given several recommendations for the revival of agriculture but the budget proposals have completely ignored these recommendations. For example, Radhakrishna Committee on indebtedness did mention that there was a credit problem, but it placed rural indebtedness within the much larger agrarian crisis in rural India. The committee called for a larger and integrated set of of short and long term measures to tackle this crisis. The experts feel that given the short-run and structural long-term problems in agriculture, the budget should have given a push to core issues like public investment in infrastructure, land and water management including rain water conservation and watershed development, research and extension, price stabilization etc. to make cultivation viable and profitable. There is no intent, in the budget, to strengthen the rural market systems which face danger due to globalised operations.

Another glaring mistake committed by the Finance Minister while presenting the budget was complete failure to provide for the measures preventing the inflationary trends in the economy especially with regard to food and fuel prices. The food subsidy is budgeted to increase by 3.5% over 2007-2008(RE), which actually entails a reduction in real food subsidy since the budget assumes an over 6% inflation rate. And now the inflation rate has touched a new high of 7.41 %. Since current inflation is mostly hovering around food articles, particularly

In This Issue

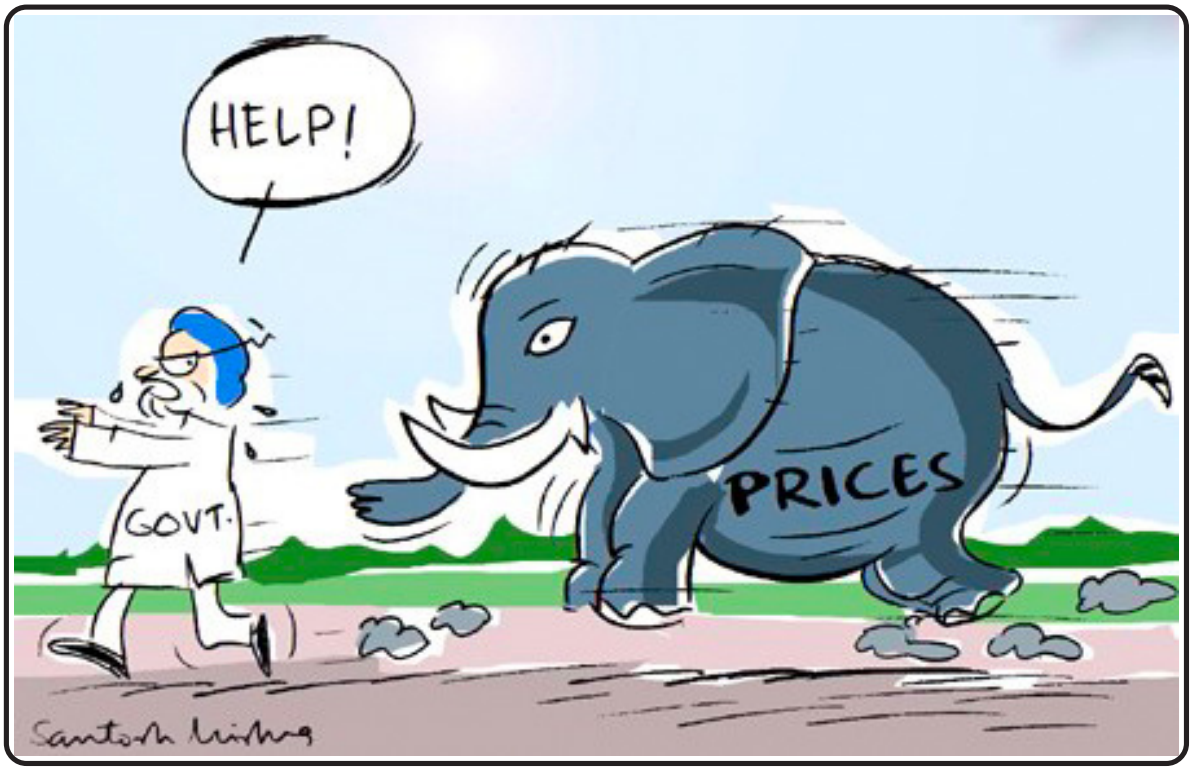
appeal Action Programme for People's Economics and Allied Literacy

foodgrains, the need is to have price control and supply management in the foodgrain market while creating demand in the non-food sectors. And controlling the prices of foodgrains demands increased government expenditure in the shape of food subsidy. But Budget 2008 has, instead, done the tightening of the government expenditure resulting into inadequate provision for food subsidies. It provides for a small increase in food subsidies from Rs.31,546 crore in 2007-08 (revised estimates) to Rs. 32,667 crore. So where is the election-year budget, as was being claimed by the Media? Had it been so then many decisive steps would have been taken in the budget, including provision for larger food subsidies and further strengthening and widening of the Public Distribution System(PDS) in order to protect the poor against galloping food prices. But the budget does nothing of this sort. Yes, if pleasing the middle and upper middle classes can be called populist then certainly the budget is so. Had FM taken some measures to reverse the on-going march of neo-liberal economic policies which are now proving to make the life of common man miserable then we could have said that the budget did attend to the concerns of the people. Instead, the budget carries forward the reforms agenda of the Government. While the increase in the rate of the short term capital gains from 10% to 15% and introducing commodity transaction tax are the positive aspects of the budget, at the same time a series of big concessions have been given to the big business which will prove counter- productive. These include across-the-board decrease in the CENVAT rate from 16% to 14% and unnecessary concessions like tax-holidays for private hotels. Other provisions related to reforms are- Foreign Institutional Investors have been exempted from the increase in the short-term capital gain tax, excise duty on small car has been lowered from 16 to 12% and the proposed move towards capital account convertibility.

Last but not the least, the so-called hike in allocations for social sector is only an eye-wash. The budget claims to make public health facilities more accessible to the poor but the allocations for the government hospitals have been highly reduced.While allocations for Safdarjung hospital has been reduced from 129 crores to 126 crores, for AIIMS it has been reduced from Rs. 470 crore to 452 crore. Even the National Rural Health Mission has been meted out such a treatment. Expenditure on it is supposed to go up by just 12% which means a decline in terms of share of GDP.

Similarly, much hyped increase in allocations for education is also deceptive. The most shocking is the reduced commitment to elementary education. The total proposed outlay on elementary education has increased by only Rs. 1,337 crore or around 7 per cent. Although the allocations for secondary and higher education has been increased but it lags far behind what is required.

Thus, a great juggler that he is, Mr.Chidambaram has successfully played his political tricks.



Key Features of Budget 2008-2009

The economy: an overview

- The Gross Domestic Product increased by 7.5 per cent, 9.4 per cent and 9.6 percent in first three years, of the UPA Government resulting in an unprecedented average growth rate of 8.8 per cent. The drivers of growth continue to be 'services' and 'manufacturing' which are estimated to grow at 10.7 per cent and 9.4 per cent respectively.
- Growth rate in agriculture for 2007-08 is estimated at 2.6 per cent.
- Food grain production in 2007-08, estimated at 219.32 million tonnes-an all time record. Rice production at 94.08 million tonnes, maize at 16.78 million tonnes, soya bean at 9.45 million tonnes, cotton at 23.38 million bales each, an all time record.
- Rashtriya Krishi Vikas Yojana launched with an outlay of Rs. 25,000 crore, National Food Security Mission with an outlay of Rs. 4,882 crore under National Policy for Farmers in the Eleventh Five Year Plan.

The growth story: faster and more inclusive

- Agricultural credit poised to reach Rs. 2,40,000 crore by March, 2008.
- 11.4 crore children covered under Mid Day Meal Scheme, the largest school lunch programme in the world.
- Under National Rural Health Mission 8,756 primary health centres have been made 24x7.
- 1,82,000 girls enrolled in residential schools under Kasturba Gandhi Balika Vidyalaya Scheme.

Bharat Nirman

- Bharat Nirman has made impressive progress in 2007-08 with 290 habitations provided with drinking water each day, 17 habitations connected through all weather road, 52 villages provided telephones, 42 villages electrified and 4,113 rural houses completed each day.

Eleventh five year plan: the crucial second year

- GBS 2008-09 at Rs.2,43,386 crore higher by Rs. 38,286 crore over 2007-08. Central Plan allocation at Rs.1,79,954 crore, an increase of 16 percent over 2007-08; Bharat Nirman to get Rs. 31,280 crore.
- *Sarva Shiksha Abhiyan (SSA):* Sarva Shiksha Abhiyan provided Rs.13,100 crore with the focus to shift from access and infrastructure at the primary level to enhancing retention and improving quality of learning. Mid-day Meal to get Rs. 8,000 crore; secondary education to get Rs. 4,554 crore.
- *Jawahar Navodaya Vidyalaya:* Rs. 130 crore provided in 2008-09, to establish Navodaya Vidyalaya in 20 districts having large concentration of Scheduled Castes & Scheduled Tribes.
- *Kasturba Gandhi Balika Vidyalaya:* Funds (as part of SSA) provided for additional 410 Vidyalayas in educationally backward areas. Rs. 80 crore allocated to set up new or upgrade existing hostels attached to Balika Vidyalaya.
- *National Means-cum-Merit Scholarship:* Rs. 750 crore allocated to build up a corpus of Rs.3,000 crore in four years. 1,00,000 Scholarships to be awarded beginning 2008-09.
- *Nehru Yuva Kendra:* Rs. 10 crore allocated in 2008-09 to set up a Kendra in 123 districts, and to cover recurring expenditure in the first year.
- *Mid Day Meal Scheme:* Extended to upper primary classes in Government and Government aided schools in all blocks which will benefit 2.5 crore children taking the total number of children covered under the scheme to 13.9 crore.
- *Institutes of Higher Education:* India to become a knowledge society, three IISERs at Mohali, Pune and Kolkata; and an IIT at Kanchipuram have started functioning.Government to set up 16 Central Universities in each of the hitherto uncovered states; three IITs in Andhra Pradesh, Bihar and Rajasthan; two IISERs at Bhopal and Tiruvananthapuram; and two Schools of Planning and Architecture at Bhopal and Vijayawada: Rs. 5 crore grant provided to Deccan College, Postgraduate and Research Institute, Pune.
- *Science and Technology:* Rs.85 crore allocated for Innovation in Science Pursuit for Inspired Research (INSPIRE); which will include scholarships for young learners (10-17 years), scholarships for continuing science education (17-22 years) and opportunities for research careers (22-32 years); Rs. 100 crore provided for establishing the National Knowledge Network.
- *Health Sector:* Rs.16,534 crore allocated for the sector marking an increase of 15% over 2007-08.
- *National Rural Health Mission (NRHM):* 462,000 Associated Social Health Activitists have been trained, 177,924 villages have sanitation committees functional and 323 district Hospitals have been taken up for upgradation. Allocation to NRHM has been increased to Rs. 12,050 crore.
- *HIV/AIDS:* The National Aids Control Programme provided Rs.993 crore.
- *Polio:* Drive to eradicate polio continues with revised strategy and focus on the high risk districts in Uttar

Pradesh and Bihar. Rs. 1,042 crore allocated in 2008-09.

- *Rashtriya Swasthya Bima Yojana:* Rashtriya Swasthya Bima Yojana to provide health cover of Rs.30,000 for every worker in the unorganised sector falling under the BPL category and his/her family. The Yojana will be launched in Delhi and in the States of Haryana and Rajasthan on April 1, 2008. Rs.205 crore provided as the Centre's share of the premia in 2008-09.
- *National Programme for the Elderly:* National Programme for the Elderly to be started in 2008-09 with a Plan outlay of Rs.400 crore. Two National Institutes of Ageing, eight regional centres, and a department for geriatric medical care in one medical college/tertiary level hospital in each State to be established during the Eleventh Plan period.
- *Integrated Child Development Services (ICDS):* Allocation for ICDS enhanced from Rs.5,293 crore in 2007-08 to Rs.6,300 crore in 2008-09; Remuneration of Anganwadi workers being increased from Rs.1,000 per month to Rs.1,500 per month; remuneration of Anganwadi Helpers increased from Rs.500 per month to Rs.750 per month; over 18 lakh Anganwadi workers and helpers to benefit; 5,959 ICDS projects and 932,000 Anganwadi and mini-Anganwadi centres functional under ICDS at the end of December 2007.

Flagship programmes

- *National Rural Employment Guarantee Scheme (NREGS):* NREGS to be rolled out to all 596 rural districts in India with provision of Rs.16,000 crore; More money will be provided to meet the legal guarantee of employment as demand rises.
- *Jawaharlal Nehru National Urban Renewal Mission (JNNURM):* Allocation for JNNURM increased to Rs.6,866 crore in 2008-09 from Rs.5,482 crore in 2007-08.
- *Rajiv Gandhi Drinking Water Mission:* Allocation for Rajiv Gandhi Drinking Water Mission enhanced to Rs.7,300 crore in 2008-09 as against Rs.6,500 crore in 2007-08;
- *Total Sanitation Campaign* to be provided Rs.1,200 crore in 2008-09.
- *Desalination Plant near Chennai:* Rs.300 crore in 2008-09 for a desalination plant near Chennai to be set up under public private partnership.
- *North Eastern Region (NER):* Ministry of Development of North Eastern Region to be provided Rs. 1,455 crore. Including this amount, total Budget allocation for NER, to increase to Rs.16,447 crore in 2008-09 from Rs.14,365 crore in 2007-08.
- *Development and Finance Corporations:* Additional equity contributions proposed for National Minorities Development and Finance Corporation Rs. 75.00 crore, National Finance and Development Corporations for weaker sections comprising Safai Karamcharis, Scheduled Castes and Backward Classes. Rs. 106.50 crore, National/State Scheduled Tribes Finance and Development Corporations Rs. 50.00 crore, National Handicapped Development Corporation Rs. 9.00 crore.
- *Scholarships:* Pre- and post-matric scholarship programmes announced in previous Budgets for SC, ST, OBC and minorities to get further funds in 2008-09: Scheduled Castes (Rs.804 crore), Scheduled Tribes (Rs.195 crore), Other Backward Classes (Rs.164 crore) and Minorities (post-matric) (Rs.100 crore).
- *Rajiv Gandhi National Fellowship Programme* supporting SC and ST students pursuing M.Phil and PhD courses allocated Rs.75 crore in 2008-09.
- *Minorities:* Allocation to the Ministry of Minority Affairs increased from Rs.500 crore in 2007-08 to Rs.1,000 crore in 2008-09; Report of the Justice Rajindar Sachar Committee taken up for speedy implementation.

Women and Children

- Rs, 11,460 crore has been provided for 100% women specific programmes and Rs. 16,202 crore for schemes where at least 30 per cent allocation is for women specified programmes.
- Allocation for Ministry of Women & Child Development enhanced by 24% to Rs.7,200 crore in 2008-09.

Self Help Groups

- Life Insurance Corporation of India being asked to scale up Janashree Bima Yojana scheme to cover all women self help groups that are credit-linked to the banks; of Rs. 500 crore proposed to be contributed to the corpus of the Social Security Fund with annual contributions to be made as the scheme is scaled up.

Supplement to GBS

- Rs.8,365 crore provided as additional funds for Plan 'B' through two supplementaries in 2007-08; additional resources to the tune of Rs.10,000 crore to be mobilized under Plan 'B' for Plan Capital expenditure in 2008-09 also.

Agricultural credit:

- Growth of agricultural credit set to exceed target set for 2007-08. For 2008-09, target set at Rs.280,000

crore, with short-term crop loans continued to be disbursed at 7 per cent per annum; initial provision of Rs.1,600 crore made for interest subvention in 2008-09.

Investment in agriculture:

- Gross Capital Formation (GCF) in agriculture as a proportion of GDP in the agriculture sector improves from a low of 10.2 per cent in 2003-04 to 12.5 per cent in 2006-07; Target to raise it to 16 per cent during the Eleventh Plan to achieve the growth rate of 4 per cent.

Water resources:

- *Accelerated Irrigation Benefit Programme (AIBP):* 24 major and medium irrigation projects and 753 minor irrigation schemes to be completed in 2007-08, creating additional irrigation potential of 500,000 hectare; Outlay for 2008-09 increased to Rs. 20,000 crore, from Rs.11,000 crore in 2007-08.
- *Rainfed Area Development Programme* finalised and to be implemented in 2008-09 with an allocation of Rs.348 crore. Priority to those areas that have not been beneficiaries of watershed development schemes.
- *Centrally Sponsored Scheme on Micro Irrigation:* Rs.500 crore being allocated in 2008-09 with a target of covering 400,000 hectare.
- *Water bodies:* Agreements for a total sum of US$738 million signed with the World Bank by the Governments of Tamil Nadu, Andhra Pradesh and Karnataka to repair, renovate and restore water bodies. Similar agreements to be signed between the World Bank and the Governments of Orissa, West Bengal and some other States.
- *Irrigation and Water Resources Finance Corporation:* 14 irrigation projects approved as National Projects by Government; Irrigation and Water Resources Finance Corporation (IWRFC) proposed to be set up with initial capital of Rs.100 crore contributed by the Central Government, to fund long-gestation major and medium irrigation projects.
- *National Horticulture Mission (NHM):* NHM covering 340 districts in 18 States and two Union Territories, provided Rs.1,100 crore in 2008-09.
- *Soil testing:* 500 soil testing laboratories to be set up during the Eleventh Plan with Government assistance of Rs.30 lakh per laboratory; one-time allocation of Rs.75 crore to the Ministry of Agriculture in order to provide one fully-fitted mobile soil testing laboratory each to 250 districts of the country.
- *Plantation Crops:* Special Purpose Tea Fund for re-plantation and rejuvenation to be provided Rs.40 crore in 2008-09; similar support to cardamom, rubber and coffee; crop insurance scheme for tea, rubber, tobacco, chilli, ginger, turmeric, pepper and cardamom to be introduced.
- *National Plant Protection Training Institute* at Hyderabad to be converted and upgraded into an autonomous National Institute of Plant Health Management.
- *Crop Insurance:* National Agriculture Insurance Scheme (NAIS) to be continued in its present form for Kharif and Rabi 2008-09. Rs.644 crore provided for the scheme.
- *Weather Based Crop Insurance Scheme* implemented as a pilot scheme in selected areas of five States to be continued; Rs.50 crore provided for this purpose in 2008-09.
- *Subsidy for Fertilizers:* Government to continue to provide fertilisers to farmers at subsidized prices; Proposals to move to a nutrient based subsidy regime and alternative methods of delivery being examined.
- *Cooperative Credit Structure:* Prof. Vaidyanathan Committee's report on reviving the short-term cooperative credit structure under implementation in 17 states. Rs. 1185 crore has been released so far by the Central Government to four States. Central Government and State Governments have reached an agreement to implement the report on reviving the long term cooperative credit structure. Central Government's share will be Rs. 2,642 crore or 86 per cent of the total burden.
- *Scheme of Debt Waiver and Debt Relief for farmers:*
  - Scheme to cover all loans disbursed by scheduled commercial banks, regional rural banks and cooperative credit institutions up to March 31, 2007 and overdue as on December 31, 2007 are covered under the scheme;
  - Complete waiver of all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008 for marginal farmers and small farmers;
  - one time settlement (OTS) scheme in respect of other farmers for all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008; Rebate of 25 per cent against payment of the balance of 75 per cent under OTS;
  - Agricultural loans restructured and rescheduled by banks in 2004 and 2006 through special packages also eligible, either for a waiver or an OTS on the same pattern;
  - Implementation of the debt waiver and debt relief scheme to be completed by June 30, 2008; Farmers

availing the relief would be entitled to fresh agricultural loans from banks in accordance with normal rules.

- About 3 crore small and marginal farmers and about one crore other farmers to benefit from the scheme; Total value of overdue loans being waived estimated at Rs.50,000 crore and the OTS relief estimated at Rs.10,000 crore.

Investment, infrastructure, industry and trade

- Saving rate and investment rate estimated to be 35.6 per cent and 36.3 per cent, respectively, by the end of 2007-08; between April- December 2007-2008. FDI amounted to US$ 12.7 billion and FII to US$ 18 billion.
- Support to Central Public Sector Enterprises (CPSEs): Government to provide Rs.16,436 crore as equity support and Rs.3,003 crore as loans to CPSEs in 2008- 09; 44 CPSEs listed as on date; Government policy is to list more CPSEs in order to unlock their true value and improve corporate governance.

Rural Infrastructure Development Fund

- Corpus of RIDF-XIV to be raised in 2008-09 to Rs.14,000 crore, with a separate window for rural roads.

Manufacturing Sector

- Growth in capital goods still very high at 20.2 per cent. Goal to take manufacturing growth rate to double digit through more reforms.

Power

- Against Eleventh Plan target for additional power generation capacity of 78,577 MW Commercial Operation Date (COD) on about 10,000 MW to be achieved by end March 2008.
- Ultra Mega Power Project (UMPP): Fourth UMPP at Tilaiya to be awarded shortly; Chhattisgarh, Karnataka, Maharashtra, Orissa and Tamilnadu urged to bring five more UMPPs to the bidding stage by extending the required support.
- Rajiv Gandhi Grameen Vidyutikaran Yojana to be continued during the Eleventh Plan period with a capital subsidy of Rs.28,000 crore; allocation of Rs.5,500 crore for 2008-09.
- Accelerated Power Development and Reforms Project: Rs.800 crore to be provided in 2008-09, A National Fund for transmission and distribution reform to be created.

Roads

- National Highway Development Programme (NHDP): Allocation for NHDP enhanced to Rs.12,966 crore in 2008-09 from Rs.10,867 crore in 2007-08; Completion rate in the Golden Quadrilateral is 96.48 per cent and in the North South, East West Corridor project is 23.36 per cent; Special attention being paid to SARDP-NE; programme devised for the North Eastern region; 180 kms of roads completed in 2007-08 and 300 kms. of road targetted for completion in 2008-09.

Oil and Gas

- Seventh round of bidding under the New Exploration Licensing Policy; bids invited for 57 exploration blocks; estimated to attract investment of the order of US$3.5 billion to US$8 billion for exploration and discovery.

Coal

- 53 coal blocks with reserves of 13,842 million tonnes allotted during April-January 2007-08 to Government and private sector companies; new Coal Distribution Policy notified in October 2007; coal regulator to be appointed.

Information Technology

- Allocation to the Department of Information Technology enhanced to Rs.1,680 crore in 2008-09 from Rs.1,500 crore in 2007-08; Two Schemes for establishing 100,000 broadband internet-enabled Common Service Centres in rural areas and State Wide Area Networks (SWAN) with Central assistance under implementation; new scheme for State Data Centres also approved; Rs.75 crore provided for the common service centres; Rs.450 crore provided for SWAN and Rs.275 crore for the State Data Centres.

Textiles

- Schemes for Integrated Textile Parks (SITP) and the Technology Upgradation Fund (TUF) to be continued in the Eleventh Plan period; Provision for SITP being maintained at Rs.450 crore in 2008-09; Provision for TUF to be increased to Rs.1,090 crore in 2008-09 from Rs.911 crore in 2007-08.
- Handloom sector: 250 clusters being developed and 443 yarn banks established under the cluster approach to the development of the handloom sector; Over 17 lakh families of weavers to be covered under the health insurance scheme by March 2008; Allocation being increased to Rs.340 crore in 2008-09; Infrastructure and production being scaled up by taking up six centres for development as megaclusters;

Varanasi and Sibsagar to be taken up for handlooms, Bhiwandi and Erode for powerlooms, and Narsapur and Moradabad for handicrafts; Each mega-cluster to require about Rs.70 crore; Initial provision of Rs.100 crore made in 2008-09.

Micro, Small and Medium Enterprises

- A risk capital fund being created in the Small Industries and Development Bank of India (SIDBI); Credit Guarantee Trust with SIDBI had extended guarantees to 89,129 units for an amount of Rs.2,479 crore as on January 31, 2008; SIDBI to reduce the guarantee fee from 1.5 per cent to 1 per cent and the annual service fee from 0.75 per cent to 0.5 per cent for loans up to Rs.5 lakhs.

Foreign Trade

- Relief given to exporters in three tranches amounting to over Rs.8,000 crore; Interest cost of sterilization through market stabilization bonds (MSS), which is in a sense, subsidy to the export sector, estimated at Rs.8,351 crore for the year 2007-08.

Financial sector

- *Financial Inclusion:* Two recommendations of the Committee on Financial Inclusion proposed to be accepted viz (i) to advise commercial banks, including RRBs, to add at least 250 rural household accounts every year at each of their rural and semi-urban branches; and (ii) to allow individuals such as retired bank officers, ex-servicemen etc to be appointed as business facilitator or business correspondent or credit counselor; banks to be encouraged to embrace concept of Total Financial Inclusion; Government to request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, income generation activities, social needs like housing, education, marriage etc., and debt swapping.
  (i) Fund of Rs.5,000 crore to be created in NABARD to enhance its refinance operations to short term cooperative credit institutions;
  (ii) Two funds of Rs.2,000 crore each to be created in SIDBI - one for risk capital financing and other for enhancing refinance capability to the MSME sector.
  (iii) Fund of Rs.1,200 crore to be created in NHB to enhance its refinance operations in the rural housing sector.

  These funds are to be governed by the general guidelines that are now applicable to RIDF with some modifications.
- *Differential Rate of Interest (DRI) scheme:* Borrower's eligibility criteria for loan under the DRI scheme to the weaker sections of the community engaged in gainful occupations enhanced.

Capital Markets

- Measures to expand the market for corporate bonds: Exchange-traded currency and interest rate futures to be launched and transparent credit derivatives market to be developed with appropriate safeguards; Tradability of domestic convertible bonds to be enhanced through the mechanism of enabling investors to separate the embedded equity option from the convertible bond, and trade it separately; Development of a market-based system for classifying financial instruments based on their complexity and implicit risks to be encouraged.
- *Permanent Account Number (PAN):* Requirement of PAN extended to all transactions in the financial market subject to suitable threshold exemption limits.
- *National market for securities:* Empowered Committee of State Finance Ministers to be requested to work with the Central Government to create pan Indian market for securities that will expand the market base and enhance the revenues of the State Governments.

Other proposals

- *Skill Development Mission:* A non-profit corporation to be established with the entrusted mission to address the challenge of imparting the skills required by a growing economy; Rs.15,000 crore proposed to be garnered as capital from Governments, public and private sector, and bilateral/multilateral sources; Government's equity in the proposed non-profit corporation to be Rs.1,000 crore to begin with.
- *Industrial Training Institutes:* 238 ITIs being upgraded under the World Bank assisted scheme; Under the PPP scheme, 309 ITIs have been identified in 29 States with corresponding industry partners and agreements signed in 244 cases; Rs.750 crore set apart in 2008-09 in anticipation of upgrading 300 more ITIs.
- *Sainik Schools:* Rs.44 crore allocated to the 22 Sainik Schools at the rate of Rs.2 crore each, for immediate improvement of infrastructure including classrooms, laboratories, libraries and facilities for physical education.

- *Public Distribution System:* Rs.32,667 crore being provided next year for food subsidy under PDS and other welfare programmes; State of Haryana and the Union Territory of Chandigarh to introduce, on a pilot basis, a smart card based delivery system to deliver food grains under the PDS.
- *Unorganised Sector Workers:* In anticipation of the Unorganised Sector Workers' Social Security Bill, 2007 being made into law, three schemes designed to provide social security to workers in unorganised sector in a phased manner introduced;
  (i) Aam Admi Bima Yojana to provide insurance cover to poor households; in the first year of the Yojana, LIC to cover one crore landless households by September 30, 2008; Rs.1,500 crore placed with LIC; Additional sum of Rs.1,000 crore to be placed with LIC in 2008-09 to cover another one crore poor households in the second year;
  (ii) Rashtriya Swasthya Bima Yojana to be implemented with effect from April 1, 2008; Indira Gandhi National Old Age Pension Scheme enlarged with effect from November 19, 2007 to include all persons over 65 years falling under the BPL category expanding beneficiary cover from 87 lakh to 157 lakh; Rs. 3,443 crore being allocated in 2008-09 as against Rs.2,392 crore in 2007-08.
- *Housing for the Poor:* 41.13 lakh houses constructed up to December 2007 under Indira Awas Yojana (IAY) against a target of 60 lakh houses; Cumulative number of houses constructed under IAY to be 51.77 lakh by end March 2008; Subsidy per unit in respect of new houses sanctioned after April 1, 2008 to be enhanced from Rs.25,000 to Rs.35,000 in plain areas and from Rs.27,500 to Rs.38,500 in hill/difficult areas to reflect the higher cost of construction; Subsidy for upgradation of houses to be increased from Rs.12,500 per unit to Rs.15,000; Public sector banks to be advised to include IAY houses under the differential rate of interest (DRI) scheme and lend up to Rs.20,000 per unit at an interest rate of 4 per cent.
- *Defence:* Allocation for Defence to be increased by 10 per cent from Rs.96,000 crore to Rs.105,600 crore.
- *Backward Regions Grant Fund:* Allocation for 2008-09 kept at same level as current year at Rs.5,800 crore; 45 per cent of the amount likely to be allocated to the States of Bihar, Orissa and Uttar Pradesh.
- *Climate Change:* Permanent institutional mechanism to be established for development and coordination role in exploration and implementation of ideas.
- *Sixth Central Pay Commission:* to submit its report by March 31, 2008.
- *Commonwealth Games:* to be provided Rs.624 crore in 2008-09.
- *Institutions of Excellence:* Special grant of Rs.100 crore awarded to three institutions of excellence for 2008-09
  (i) Mahatma Phule Krishi Vidyapeeth, Rahuri, Maharashtra;
  (ii) University of Mysore, Mysore; and
  (iii) Delhi University, Delhi.
- *India's Soft Power:* Rs.75 crore grant to Indian Council of Cultural Relations to design and implement a programme to achieve the objective of projecting the 'soft power' of India in music, literature, dance, art, cuisine and especially films.
- *Tiger Protection:* One time grant of Rs.50 crore to the National Tiger Conservation Authority to redouble efforts to protect the tiger; Bulk of grant to be used to raise, arm and deploy a special Tiger Protection Force.
- *Monitoring and Evaluation:* Central Plan Schemes' Monitoring System (CPSMS) to be put in place and implemented as Plan scheme; a comprehensive Decision Support System and Management Information System also to be established to generate and monitor scheme-wise and State-wise releases for about 1,000 Central Plan and centrally sponsored schemes in 2008-09; Concurrent evaluation started by some ministries to be supplemented by independent evaluations conducted by research institutions.

Budget estimates

- Plan Expenditure estimated at Rs.243,386 crore.
- Non-Plan Expenditure estimated at Rs.507,499 crore.
- Revenue deficit for 2007-08 to be 1.4 per cent (against a BE of 1.5 per cent) and the fiscal deficit to be 3.1 per cent (against a BE of 3.3 per cent); Revenue receipts of Central Government for 2008-09 projected at Rs.602, 935 crore and revenue expenditure at Rs.658,119 crore; Revenue deficit for 2008-09 estimated at Rs.55,184 crore, which amounts to 1.0 per cent of GDP; Fiscal deficit for 2008-09 estimated at Rs.133,287 crore which is 2.5 per cent of GDP; elimination of Revenue Deficit may need one more year; because of the conscious shift in expenditure in favour of health, education and the social sector.

- Thirteenth Finance Commission to be requested to revisit the roadmap for fiscal adjustment and suggest a suitably revised roadmap, after the obligations on account of the Sixth Central Pay Commission become clear.

Tax proposals

- Tax to GDP ratio that was 9.2 per cent in 2003-04, set to rise to 12.5 per cent at the end of 2007-08.
- Set to achieve the Budget Estimates of indirect taxes and exceed the Budget Estimates of direct taxes.

Indirect Taxes

Customs duties

- No change in the peak rate of customs duty.
- Customs duty on Project Imports to reduce from 7.5 per cent to 5 per cent; 4 per cent special CVD to be imposed on a few specified projects in the power sector.
- Customs duty being reduced on steel melting scrap and aluminium scrap from 5 per cent to nil.
- Customs duty to be reduced from 10 per cent to 5 per cent on certain specified life saving drugs and on the bulk drugs used for the manufacture of such drugs. They are also being exempted from excise duty or countervailing duty.
- Customs duty is being reduced on vitamin premixes and mineral mixtures from 30 per cent to 20 per cent and on phosphoric acid from 7.5 per cent to 5 per cent to reduce cost of manufacture of dairy and poultry feeds
- Customs duty being reduced on bactofuges from 7.5 per cent to nil for the benefit of dairy industry and to increase shelf life of milk.
- Specified parts of set top boxes and specified raw materials for use in the IT/electronic hardware industry to be exempted from customs duty.
- Customs duty on convergence products to be reduced from 10 per cent to 5 per cent to establish parity between devices used in the information/ communication sector and the entertainment sector
- Customs duty being reduced on specified machinery from 7.5 per cent to 5 per cent to provide fillip to the manufacture of sports goods; duty also being exempted on specified raw materials for sports goods.
- Customs duty to be exempted on rough cubic zirconia and being reduced on polished cubic zirconia from 10 per cent to 5 per cent, in order to encourage value addition and exports by gem and jewellery industry; Customs duty on rough coral being reduced from 10 per cent to 5 per cent.
- Customs duty removed on helicopter simulators to facilitate training of helicopter pilots
- Customs duty reduced on crude and unrefined sulphur from 5 per cent to 2 per cent, in order to support domestic fertiliser production
- Customs duty exemption is proposed to be withdrawn on naphtha for use in the manufacture of polymers in order to correct price distortions and revenue losses. Naphtha for use in the manufacture of polymers will be subjected to normal rate of 5 per cent. Naphtha imported for the production of fertilisers will continue to be exempt from import duty.
- Export duty on chrome being increased from Rs.2,000 per metric tonne to Rs.3,000 per metric tonne in order to conserve and make it available for value added manufacture in India.

Excise duty

- General CENVAT rate on all goods reduced from 16 per cent to 14 per cent to give a stimulus to the manufacturing sector.
- Excise duty on all goods produced in the pharmaceutical sector reduced from 16 per cent to 8 per cent.
- Excise duty reduced on buses and their chassis from 16 per cent to 12 per cent.
- Excise duty reduced on small cars from 16 per cent to 12 per cent and on hybrid cars from 24 per cent to the general revised rate of 14 per cent.
- Excise duty reduced on two wheelers and three wheelers from 16 per cent to 12 per cent.
- Excise duty to be reduced on paper, paper board and articles made therefrom manufactured out of non-conventional raw materials by units not having an attached bamboo/wood pulp making plant from 12 per cent to 8 per cent with a further reduction on clearances up to 3,500 MT from 8 per cent to nil. Excise duty on certain varieties of writing, printing and packing paper is to be reduced from 12 per cent to 8 per cent.
- Excise duty is to be reduced from 16 per cent to nil on a few mass consumption items including composting machines, wireless data cards, packaged coconut water, tea and coffee mixes, and puffed rice.
- Excise duty reduction from 16 per cent to 8 per cent on a few more items including water purification devices, veneers and flush doors, sterile dressing pads etc, specified packaging material and breakfast

cereals.

- Anti-AIDS drug, Atazanavir, as well as bulk drugs for its manufacture are to be exempted from excise duty.
- Excise duty being exempted on end-use basis, on refrigeration equipment (consisting of compressor, condenser units, evaporator, etc) above 2 TR (tonne refrigeration) utilising power of 50 KW and above.
- Excise duty rates on bulk cement and packaged cement brought on par; bulk cement to attract excise duty of Rs.400 per Metric Tonne or 14 per cent ad valorem, whichever is higher; cement clinkers excise duty at Rs.450 per Metric Tonne.
- Excise duty being increased on packaged software from 8 per cent to 12 per cent, bringing at par with customised software attracting a service tax of 12 per cent.
- Excise duty on both filter and non-filter cigarettes brought on par by applying higher rates on non-filter cigarettes.
- Ad valorem part of the excise duty on unbranded petrol and unbranded diesel being abolished and replaced by an equivalent specific duty of Rs.1.35 per litre; there will be only a specific duty of Rs.14.35 per litre on unbranded petrol and Rs.4.60 per litre on unbranded diesel; there will be no impact on retail prices.
- NCCD of 1 per cent removed on polyester filament yarn and the levy shifted to cellular mobile phones.

Service tax

- Four services brought under service tax net namely, asset management service provided under ULIP, services provided by stock/commodity exchanges and clearing houses; right to use goods, in cases where VAT is not payable; and customised software, to bring it on par with packaged software and other IT services.
- Threshold limit of exemption for small service providers increased from Rs.8 lakhs per year to Rs.10 lakh per year; about 65,000 small service providers go out of the tax net.

Direct Taxes

- Threshold limit of exemption from personal income tax in the case of all assesses increased to Rs.150,000.
  The slabs and rates of tax are:
  Up to Rs.150,000 NIL
  Rs.150,001 to Rs.300,000 10 per cent
  Rs.300,001 to Rs.500,000 20 per cent
  Rs.500,001 and above 30 per cent
- In case of a woman assessee, the threshold limit increased from Rs.145,000 to Rs.180,000; for a senior citizens, the threshold limit increased from Rs.195,000 to Rs.225,000.
- No change in the corporate income tax rates.
- No change in the rate of surcharge.
- Senior Citizen Saving Scheme 2004 and the Post Office Time Deposit Account added to the basket of saving instruments under Section 80C of the Income Tax Act.
- Additional deduction of Rs.15,000 allowed under Section 80D to an individual paying medical insurance premium for his/her parent or parents.
- Income Tax Act to be amended to provide that reverse mortgage would not amount to "transfer"; and the stream of revenue received by the senior citizen would not be "income".
- Tax income arising from saplings or seedlings grown in a nursery exempted.
- Business of production of seeds and manufacture of agricultural implements added to the list of companies allowed weighted deduction of 150 per cent on any expenditure on in-house scientific research.
- Benefit of amortisation of certain preliminary expenses under Section 35D allowed to assessees in the services sector.
- Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from TDS.
- Crèche facilities, sponsorship of an employee-sportsperson, organising sports events for employees and guest houses excluded from the purview of FBT.
- Parent company allowed to set off the dividend received from its subsidiary company against dividend distributed by the parent company; provided that the dividend received has suffered DDT and the parent company is not a subsidiary of another company.
- Insert a new sub-section (11C) in Section 80-IB to grant a five year tax holiday to hospitals located in any place outside the urban agglomerations especially in tier-2 and tier-3 towns; this window will be open for the period April 1, 2008 to March 31, 2013.

- Five year holiday from income tax being granted to two, three or four star hotels established in specified districts having UNESCO-declared 'World Heritage Sites'; the hotel should be constructed and start functioning during the period April 1, 2008 to March 31, 2013.
- Coir Board included in Section 10(29A) and exempted from income tax.! Rate of tax on short term apital gains under Section 111A & Section 115AD increased to 15 per cent.
- STT paid to be treated like any other deductible expenditure against business income; Levy of STT, in the case of options to be only on premium, where the option is not exercised; liability to be on the seller; where the option is exercised, levy to be on the settlement price and the liability on the buyer; no change in the present rates.
- Commodities Transaction Tax (CTT) to be introduced on the same lines as STT on options and futures.
- Law being amended to exclude entities carrying on regular trade, commerce or business or providing services in relation to any trade, commerce or business and earning incomes from claiming that their purposes also fall under "charitable purpose"; Genuine charitable organisations not to be affected in any way.
- Banking Cash Transaction Tax (BCTT) being withdrawn with effect from April 1, 2009. CST and a Roadmap towards GST
- Central Sales Tax rate being reduced from 3 per cent to 2 per cent from April 1, 2008.
- Roadmap for Goods and Service Tax being prepared for introduction of GST from April 1, 2010.

A Bag of Tricks to Get the Vote: Union Budget 2008-09

By: Arun Kumar

The Union Budget 2008-09 has been greeted in the media as an election Budget, a farmer's Budget and a common man's Budget. This has strengthened expectation that the Congress party may announce elections in the coming months and cash in on the favourable popular sentiment created by the Budget.

Please-all Budget

It goes without saying that a Budget which plans to spend Rs 7,50,884 crores (roughly 14 per cent of the GDP at current prices) has the potential to give sops to all sections of the population. The FM has not been found wanting in this and has announced schemes for all conceivable sections, like dalits, minorities, women, children, the aged, small scale and cottage sector and, above all, the farmers. The FM announced expenditures from a few crores to a few thousand crores as if they were equally important. No doubt some of the smaller expenditures announced are politically significant because of the constituency being addressed. One may then ask: should these items not have had more allocations? Alternatively, should each of the constituencies now measure their importance to the ruling group by the share of expenditures allotted to them?

There are also constituencies that have got much without any fuss or mention. These are the favourites of the government, like the rich and the corporate sector. The tax expenditures to the corporate sector have gone up by Rs 39,000 crores (p. 58, Revenue Budget), without even a mention in the speech. While not changing the structure of corporate taxation means not giving further concessions, it also implies not tampering with the massive subsidies given to this sector which now will amount to Rs 2,78,000 crores. In contrast, the direct subsidies to the poor, like on food, employment guarantee scheme and housing, will not amount to Rs 50,000 crores. The disparity is glaring considering that the subsidy to the corporate sector will benefit about one per cent of the population while the subsidy to the poor is shared by about 50 per cent of the population. Continuing with the SEZ policy and not announcing any changes in it is also continuing the massive concessions granted to the corporate sector.

Debt Waiver and Write-off

THE biggest concession and maximum publicity has gone to the debt waiver and relief scheme for the farmers. The sum involved is estimated to be Rs 60,000 crores. It is no doubt true that in semi-arid and arid areas the definition of small and marginal farmer ought to be different from that in the irrigated areas. Further, it is also true that loans from private parties, which form a major component of the problem, is not being tackled. In spite of these two factors, if the amount of relief announced reaches the farmers, it will make a positive impact on their lives.

The question that is being asked is: where is this money coming from? It is not shown in the Budget. Is it because it would worsen the fiscal and possibly the revenue deficits? But how can sums be allotted without a mention in the Budget documents or is this going to be a pure loss to the banks involved? According to one Ministry official, the amount is to be written off over

many years as the loans fall due and not all at once. If this is true, then why has the FM written that "the implementation of the … scheme will be completed by June 30, 2008" (FM's speech, p. 14)?

Several issues arise in this context. What does implementation mean? Further, if the loan was overdue on December 31, 2007 and remained unpaid until February 29, 2008, then the FM says there would "be a complete waiver" of the loan. It seems that the government would take over the liability of repaying the loan and the farmer would be free of repayment. But then these sums would have to be mentioned in the Budget in one form or the other. Since the largest chunk of the repayment is likely to be in the first year itself, this should have been reflected in the Budget and this sum should have been mentioned in the FM's statement.

Is the FM taking the public and Parliament for a ride? If the wavier is to be completed over several years, then why announce that it would be completed in the next four months? If it is not to be funded through the Budget, then why wait to announce it as a part of the Budget and why not do it earlier? Has it only suddenly become known that the farmers are facing a crisis? When the PM announced the package for farmers in Vidarbha and talked of it sometime back, debt waiver could have been announced then and there. Why let more people die and then announce the package of debt waiver just when the elections are around the corner? Does it not display callousness that the scheme is an election related one and not one born out of concern for the farmers? No wonder the public hardly trusts the politicians.

The FM does not tire of quoting Saint Tiruvalluvar. This time, the quote he has used is: "Generous grants, compassion, righteous rule and succour to the downtrodden … are the hallmarks of good governance." (p. 30) Is the FM's generosity linked to the elections or has good governance started only in this election year? Does the FM ever think what would the Saint have said of his overall lack of concern for the downtrodden and his overtly pro-corporate sector stance in life? Or this is perhaps one more window-dressing for his constituency!

Non-transparencies

The moot point remains: where is the money for the debt waiver scheme going to come from? Even if bonds (like the petroleum sector bonds) are given to the banks in lieu of the losses they suffer in writing off the loans, this should be reflected as borrowings. However, the borrowings are projected to fall next year by Rs 13,000 crores. It is unlikely that this would be possible after taking into account the bond requirements for the debt scheme. Since it is a subsidy to the farmers via the banks, this item should actually be accounted for in the revenue non-Plan account but that head shows little increase in allocation after taking into account the increase in the interest burden by Rs 18,000 crores. The FM is not being transparent in reflecting the debt waiver in the Budget. Similar non-transparency is visible in other items also.

For instance, take the statement on p. 29: "My tax proposals on direct taxes are revenue neutral." However, before that para he has talked of reduction of taxes (like, Income tax and BCTT) on various items and the only item of increase in tax is capital gains. Then how can these be revenue neutral? Where would the revenue be increased to compensate for the fall? Here the reference is only to the increase in revenue due to policy changes and not due to a rise in the national income and the consequent increase in revenue. If the latter were to be true then neutrality should have meant no rise in the revenue but the Budget shows a huge rise of Rs 60,000 crores under this head. The FM should have mentioned the likely loss of revenue and then said he hopes it would be more than made up by other factors. Given that most of this tax is paid by the top one per cent in the income ladder, perhaps the FM did not wish to draw attention to how much concession he was giving to this section.

Another are of non-transparency is visible on p. 11, when the FM mentions investment in agriculture. He is suggesting an increase in capital formation in agriculture from 10.2 to 12.5 per cent between 2003-04 and 2006-07. The trick is that this is an increase based on calculation as a per cent of the GDP in agriculture and not the GDP. Since the contribution of agriculture to the GDP is falling, the FM is projecting a marginal rise in a falling share. The implication is that as a fraction of the GDP this would have hardly risen. Further, since the share of overall investment has risen sharply in this period, agricultural investment as a share of the total investment has fallen sharply. This is indeed a cause for worry and the underlying cause of the distress in agriculture. It is also the cause of inadequate employment generation in this sector and the cause of distress amongst the rural youth. This is also the reason for mass migration from the rural to urban areas and the growing distress in the urban areas.

The decline in the share of investment in agriculture also suggests that debt write-off will only give temporary respite to the farmers. It is the marginalisation of agriculture that is at the root of its problems. The country's progress is not seen to depend on the progress of this sector; so industry and services are receiving the lion's share of the nation's resources. The figures given by the FM imply that agriculture is receiving only about one per cent of the total investment in the economy. Investment per person in agriculture is 1/1000 of that in modern industry and services. This is the cause not only of the distress in agriculture but also of the growing disparity between rural-urban,

agriculture-non-agriculture, and backward and forward States.

Faulty Assumptions in the Budget

Another aspect of the lack of transparency is whether the assumptions underlying the Budget are indeed correct. The Budget is drawn up on the assumption that the real rate of growth would be 8.6 per cent and the rate of inflation would be 4.4 per cent giving a nominal growth rate of 13 per cent. Given the slowdown in the Indian economy due to reasons of the business cycle and due to the slowdown in the world economy following recessionary conditions in the USA, these assumptions are unlikely to hold. The effects have been visible over the last six months with a decline in the rate of growth of consumer durables, infrastructure and exports.

The situation is reminiscent of the US situation late last year when it was being said that there was no problem for the US economy; but now Ben Bernanky (Chief of the US Central Bank) has admitted a huge problem and a slowdown. A recession may have already set in. Economic managers are known to not admit problems and keep up a brave front till it is a bit too late. Is our FM also doing the same? One only needs to look back to 2002-03 to realise that the economy was averaging a growth rate of five per cent for four years before that. Thus, why would it be surprising if the economy again slows down to that earlier level?

The rates of investment and saving that have increased in the last six years to about 35 per cent have done so on the back of the massive disparities that are being created in the economy and the massive profitability that businesses have been allowed to garner. As the economy slows down and the profit levels fall, the rate of investment and rate of savings can again fall and this would signal a fall in the rate of growth. Hence projecting a marginal fall in the rate of growth is likely to prove to be incorrect.

Prices are supposed to be rising at about four to five per cent per annum. However, the services sector, whose share in the economy is now about 60 per cent, is not represented in the inflation index; so the index is not representative of the price rise. The rise in rents, school fees, medical expenses, cost of financial services etc. are not represented in the present inflation index. A committee was set up to go into the issue of under-representation of the services sector in the inflation index but its report has not yet come. Is it that the government finds it convenient to delay this report so that it can keep claiming a low rate of inflation? After the elections whichever government comes can face the music.

That the government uses incorrect assumptions in drawing the Budget is evident from the revised figures of the previous year. The Plan size was claimed to have been stepped up by 30 per cent but there is a shortfall of Rs 28,000 crores or about 11 per cent so the actual increase is only 19 per cent. But the government knows that public memory is short and no one will worry about it. The government can then claim a lot, like a massive step-up in the Plan size. Further, this step-up was to be financed through a very high increase in IEBR to be garnered from the public sector. This too has turned out to be short by Rs 21,400 crores or about 20 per cent. In this Budget again the government is claiming a step-up of the Plan by about 28 per cent and IEBR by 36 per cent. How realistic is this? Or, is it another ploy to claim a lot?

Conclusion

THE government has lost another chance of putting the economy (while it was still growing fast) on a more broadbased growth path taking care of the poor. It could have also tried to use resources to ward off the impending economic problems due to the global slowdown. But for political reasons it neither wishes to admit any problems nor displease its real constituency, the corporate sector, so as to create a euphoria to come back to power.

Actually, given the situation of the poor, a lot more needs to be done but the government is not even able to fulfil its own expenditure targets. For instance, we are far from the goal of six per cent of the GDP on education. We are not close to achieving at least three per cent of the GDP on health. Expenditures on the NREGA are hardly commensurate with the need to spend about Rs 25-40,000 crores. This year rather than garner more resources for substantially increasing the help to the marginalised sections, the government continues to give up resources by giving (or continuing) tax concessions to the well-off sections.

The problem is that the poor, who live at the margins, are likely to suffer more from any slowdown and recession than the rich. Thus, increase in social sector expenditures, employment generation, etc. should have been sharply stepped up. For the sake of votes, noise is being made to show that the government is with the poor. It is not clear how much would actually be done and how much would be achieved given the massive corruption all around us. How much and for how long can the public be fooled? What if it wakes up to the reality of the last four years? Not only should we ask when the public would wake up; the moot question is: when would the ruling party wake up?

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

(Courtesy: Mainstream)

Some Opaque Parts of the Budget

By: B. S. Raghavan

The Budget suffers from want of transparency and clarity. Even those who are wholly for the farmers' loan waiver are puzzled about how the Finance Minister plans to make good the liquidity of the banks.

This year, the Finance Minister, Mr P. Chidambaram's customary flair was missing. Having come to the last year of the term of the Government, and presenting his fifth consecutive Budget, has a kind of ennui set in?

His speech was disjointed and lacking in any sense of proper sequence or proportion. Allotments of Rs 5 crore and Rs 10 crore to some minor scheme or institution jostled with those of tens of thousands of crores of rupees for mega-schemes.

The speech was just an enumeration of a series of schemes and their allocations without any strategic vision.

Also, the monotonous narration of one scheme after another with the provisions made for them drove everyone to a state of somnolence and the Lok Sabha TV channel was enterprising enough to catch glimpses of some yawning MPs! The Finance Minister's habit of making every announcement seem, by his tone and voice, as if it is of world-shaking importance did not help either.

Crisper and shorter

Mr Chidambaram's Budget would have made a far greater impact had it been crisper and shorter, taking, say, not more than 45 minutes, or so.

Actually, there was no need for the Minister to ponderously list out the setting up of 12 Central Universities and three IITs, upgrading Industrial Training Institutes, assisting some sainik schools or announcing grants to various institutions.

There is nothing secret or sacrosanct about these commonplace decisions, and they could have well been made public through a media note or media conference before, or simultaneously with, the day of the Budget. In important respects, the Budget suffers from want of transparency and clarity.

Even those who are wholly for the farmers' loan waiver are puzzled about how the figure was arrived at and how the Finance Minister plans to make good the liquidity of the banks.

Benami holdings

On the face of it, it is difficult to believe that such a massive amount of Rs 60,000 crore has been taken as loans from the scheduled commercial banks and the organised banking sector.

Also, the target date of June 30 for wiping the slate clean is too tight, even assuming that banks will set aside all other operations just to attend to the waiver.

There is every chance of their getting enmeshed in complications relating to establishment of contacts with individual loanees, verification of claims and squaring up of the accounts so that, in case the farmer turns up for a fresh loan after June 30, he is not sent back disappointed.

There are quite a few rich farmers who have parcelled their land into benami holdings of small and medium farmers, and they would undeservingly benefit if their claims are accepted at face value.

The Finance Minister has also glossed over the problem of loans taken from money-lenders, who are also often middle-men, buying the farmers' produce at unremunerative prices.

The large increase of 20 per cent in the allocation for education is to be welcomed, but Mr Chidambaram has not taken the people into confidence as to the amount of education cess collected so far, and the schemes on which it was put to use.

Some of the other opaque areas of the Budget are in respect of meeting liabilities arising from the recommendations of the Sixth Pay Commission and the provision and modalities envisaged for reducing transmission and distribution losses from the present 40 per cent or thereabouts to the accepted norm of 10-15 per cent.

Nobody grudges the raising of the allocation to Defence, but whether the nation is getting the maximum bang for every buck is a question not answered so far.

It is high time a critical scrutiny of this aspect was undertaken.

Conservatism to the Fore

By: Prabhat Patnaik

The Indian economy, like the world economy as a whole, is entering a period marked by both inflation and job losses owing to inadequate demand. This state of affairs can be conveniently described as "stagflation" (even though in the case of India the output growth rate figures, always nebulous, may not show a fall large enough to qualify as "stagnation"). Economic policymaking becomes tricky in such situations of "stagflation": an expansion of demand to ward off job losses runs the risk of worsening inflation; and a contraction of demand for moderating inflation threatens to worsen unemployment. Policymaking in such situations, therefore, must go beyond simple macroeconomic instruments and adopt more complex modes of intervention.

In India, since the current inflation centres around food articles, especially foodgrains, what is needed is price control and supply management in the foodgrain market, together with a stimulation of demand in the non-food sectors, where the appreciating exchange rate and the slowing down of the world economy are curtailing demand. Price control in the foodgrain market itself requires larger government expenditure in the form of food subsidy; and demand stimulation elsewhere also requires larger government expenditure. The 2008-09 Budget, therefore, should have combined enhanced government expenditure with supply management of sensitive goods like foodgrains: the inflationary potential of such enhanced expenditure then would not have mattered because of supply management.

What the Budget has actually done instead is expenditure tightening, because of which the provision for food subsidy is inadequate, so inflation will continue to rage; and the contractionary impulses are not countered, so job losses will persist. "Stagflation", in short, will be aggravated, not ameliorated, by this Budget. The reason the Budget has done the very opposite of what was needed is the United Progressive Alliance government's ideological adherence to fiscal conservatism, which means taxing less, borrowing less (borrowing in the Budget is even less than what the Fiscal Responsibility and Budget Management, or FRBM, Act permits), and, above all, spending less. Contrary to general perception, the UPA, instead of abandoning its fiscal conservatism in an election year, has actually stuck to it resolutely. Even "true-blue" conservatives, ranging from Harold Macmillan to Ronald Reagan, were more flexible in this respect than the UPA has been.

This fact escapes notice because of the apparently massive debt waiver and debt-relief scheme for farmers. This scheme, of course, has to be welcomed, notwithstanding its two obvious limitations, namely, its not addressing the issue of debt to moneylenders (which accounts reportedly for almost half of total farm debt) and its blanket two-hectare limit, which not only discriminates against dryland farmers but may even leave out of its ambit the bulk of the farmers in the most crisis-hit and suicide-prone districts of the country. But even this massive relief scheme is one that is compatible with fiscal conservatism.

It may appear paradoxical at first sight that this scheme, the most significant announcement of the current Budget, does not figure anywhere in the Budget itself. But the reason is simple: it requires no budgetary resources. True, it should nonetheless figure in the Budget, but its not doing so is sheer jugglery to keep the apparent fiscal deficit low. The fact is that the debt waiver does not add to the effective fiscal deficit since it makes no claims on budgetary resources.

Under the waiver, all that the government has to do is to ask banks to substitute government bonds for agricultural debt in their portfolios. The government does not have to use any fiscal resources for this purpose. If the banks want to convert these bonds into cash, then, if the government so wishes, it can ask the Reserve Bank to buy these bonds; and if it does not want such conversion to cash, then it can raise the statutory liquidity ratio to prevent banks from converting them into cash. The only thing the government is obliged to do is to meet the interest payment obligation on these bonds whenever they fall due, and they will be only a fraction, a manageable one, of the total value of the bonds.

As a matter of fact, substituting banks' farm debt, whose servicing has become problematical, by government bonds, even when the latter are not readily convertible into cash, improves banks' portfolios; puts income in the form of interest payments into their hands; and exonerates the farmers from debt-payment obligations without any drain on fiscal resources. This amounts to killing three birds simultaneously without even throwing a stone.

The government, of course, may pretend otherwise. It may pretend that the debt waiver needs a lot of resources and use this claim as an excuse for selling public sector equity and generally carrying forward the neoliberal agenda. Manmohan Singh has already talked about the need to privatise public enterprises for financing debt waiver. But such claims are sheer bad faith. Likewise the government, while looking after scheduled commercial banks as they embark on debt

waiver, may not be as solicitous about cooperative credit institutions. But these would simply be misdemeanours, which can be prevented if specifically resisted. The basic point remains that debt waiver makes no claims on fiscal resources (except through the minor channel of interest payments). For a government trying to reduce spending, a debt waiver does not come in the way.

Precisely because the debt waiver is so easy for the Central government (not, though, for State governments, which have to find fiscal resources to cover such waiver, since their borrowing is strictly controlled by the Centre), the real question is: why was it not done earlier? The answer simply cannot lie in the imminence of parliamentary elections. After all, important State Assembly elections have been happening all along; and even for parliamentary elections, the debt waiver, if anything, has come rather late since getting the waiver implemented by June will take some effort. The answer must lie in the ideological opposition within the government itself, which would use arguments exactly like what the corporate sector has been using to criticise it. This ideological opposition has been finally overruled by the imminence of parliamentary elections, but this overruling must also have been facilitated by the fact that a debt waiver is perfectly compatible with fiscal conservatism since it entails little additional expenditure.

Notwithstanding the fact that revenue receipts are expected to rise by 15 per cent over 2007-08 (Revised Estimate, or R.E.) and tax revenue net of transfers to States by 17.5 per cent, the Budget provides for an increase in revenue expenditure of 12.2 per cent, and in capital expenditure, after adjusting for the purchase of State Bank of India shares in 2007-08, by a mere 8.8 per cent.

Of course, the Sixth Central Pay Commission report is due and this would entail additional expenditure on the part of the government (which may also be why the government has kept some room for itself by pegging the fiscal deficit in the proposed Budget at only 2.5 per cent of the gross domestic product (GDP) instead of the 3 per cent permitted by the FRBM Act). But even if implementing the Pay Commission recommendations brings up the fiscal deficit to 3 per cent, the increase in capital expenditure would still have been only 8.8 per cent. Considering the fact that the Finance Minister's tax proposals entail a net revenue loss of Rs.5,900 crore, entirely on account of indirect taxes, that is, having nothing to do with the income tax concessions he has given, it is clear that the underlying ideology of the Budget has been "tax less, spend even less", the ideology of financial conservatism.

This has left its mark on crucial social sector schemes. Comparing 2007-08 (R.E.) with 2008-09 (Budget Estimate, or B.E.), the expenditure on Sarva Shiksha Abhiyan is reduced even in nominal terms; the expenditure on elementary education is slated to rise in nominal terms by a mere 7 per cent, which implies stagnation in real terms; the expenditure on the National Rural Health Mission (NRHM) is supposed to rise by only 12 per cent, which entails a decline relative to the GDP; and the expenditure on the Integrated Child Development Services (ICDS) is to rise by a paltry Rs.852 crore, which is much less than what is needed to implement the Supreme Court's directive to universalise it.

Even the National Rural Employment Guarantee Programme (NREGP), where the number of districts covered is to be doubled, witnesses a mere 20 per cent increase in expenditure; true, the Chidambaram has promised funds to match demand under the NREGP, but an implicit rationing of funds (through delays in sanctioning additional funds) even in this supposedly "rights-based" programme is by no means uncommon.

Even more striking is the case of food subsidy, where the nominal increase is less than 4 per cent. Clearly, the government is not considering, even in the midst of inflation, any increase in the scale of the public distribution system (PDS), which has been sharply truncated of late. Besides, the budgeted amount is not even sufficient to maintain issue prices at the current scale of the PDS.

It has been argued that since, owing to the current bumper harvest, the country does not have to depend on expensive imports in 2008-09, the level of subsidies of 2007-08 will be quite sufficient, despite a rise in procurement prices, for maintaining the stability of issue prices. But, given the scale of increase in procurement prices proposed by the Commission for Agriculture Costs and Prices, which is by no means unjustified given the past squeeze on procurement prices, this is not true. The scale of the budgeted food subsidy, therefore, is too meagre to prevent the PDS-users from being hit by inflation. Fiscal conservatism has come in the way of protecting the poor from the ravages of inflation.

Fiscal conservatism has also come in the way of stimulating the economy. The Finance Minister of course argued the opposite, namely, that the excise duty concessions he gave were meant to stimulate demand for a range of industries. But his argument would have had force if the reduced indirect tax revenue had been accompanied by an unchanged government expenditure, that is, if there had been an increase in the fiscal deficit. But since controlling the

fiscal deficit has meant that reduced indirect tax revenue has ipso facto been accompanied by reduced government expenditure, the magnitude of net aggregate demand stimulus would be nil, in the absence of a fall either in the propensity to save or in the propensity to import, that is, unless the cut in excise duties makes people either consume more at the expense of savings or buy more domestic goods at the expense of imports.

The Finance Minister's announcements about excise duty adjustments, however, are not large enough to affect these propensities; hence their demand-stimulating effect at the aggregate level (that is, ignoring demand-switches from one set of domestically produced goods to another) is negligible.

The concession to the peasantry in the form of debt waiver is balanced by a similar concession to the urban lower middle class through the increase in the exemption limit for income tax, for which again there is a certain case arising from the fact of inflation.

Nonetheless, the real piece de resistance of this Budget undoubtedly is the loan waiver. Indeed, one would not be too far wrong in calling it a "one-point Budget". A "one-point Budget", however, is fundamentally an irresponsible act; and for this very reason it may not even be electorally profitable. In a real economy, there are always several serious problems to contend with. In India at present, for instance, the problem of inflation-cum-job loss cries out for attention as does the distress of the peasantry. Ignoring the first problem completely and presenting only a loan waiver, no matter how laudable in itself, as a solution for the second is both irresponsible and also dubious electoral strategy.

Looking at it differently, the class orientation of the Budget is not towards the very poor but towards the lower peasantry and the urban lower middle class that pays income tax. (The ranks of these beneficiaries are soon to be swollen by government employees getting salary increases owing to the Pay Commission recommendations). The very poor, who are far more numerous than official agencies accept and hence constitute the bulk of the aam aadmi (common man), are paradoxically excluded from this Budget, which is presented in their name. But since problems of inflation and job loss, which affect the aam aadmi, also hurt the lower middle class, this exclusion of the bulk of the aam aadmi, a result of fiscal conservatism, may well recoil on the government. As an electoral sop the Budget may not be enough; as a solution to the country's problems it is certainly not enough.

Stagnant Sectors

By: Jayati Ghosh

For some years now, the Budget speeches of the Finance Minister have been impressive exercises in the art of rhetoric, that is, of verbal persuasion without reference to reality. It has often been the case that the more P. Chidambaram talked about a particular issue in his speech, the less money he provided for it in terms of budget allocation. This year's speech was no exception, except that the rhetoric was, if anything, even more flamboyant and declamatory than before, possibly declaring the United Progressive Alliance (UPA) government's intention to face the electorate in the near future.

But rhetoric has rarely, if ever, won elections in India. Indeed, voting patterns show that Indian electorates have been remarkably mature in several ways, especially in terms of voting out governments that have failed to deliver on their promises. That is why whenever there is a sense that elections are in the offing, the attention of the government shifts, even if briefly, from the reactions of stock market analysts and businessmen, and there is a scramble among policymakers at least to be seen to be delivering on some important fronts.

So it is worth asking what the economic strategy of the government, especially the intentions as signalled in this year's Budget proposals, has actually provided in terms of improving the social and material conditions of most of the people. The crucial areas that matter are still the issues that dominated the previous general elections. Therefore, they are still the issues that formed the core of the Congress party's manifesto in the 2004 general elections, and that became important elements of the promises made in the UPA government's National Common Minimum Programme (NCMP).

These are the bread and butter issues of employment, the agrarian crisis, nutrition and food security, education, health and social security. In each of these areas, the UPA government promised much. And in most of these, the delivery has not only been far below the promises, but in some cases even worse than the previous government's record.

The major exception is in the field of employment generation, since the enactment and putting into place of the National Rural Employment Guarantee Act was a significant advance made by the present government. It is clearly only a first step and much remains to be done, not simply in extending the scheme to the whole country, but in ensuring that it is implemented in the desired way with much more local public involvement.

Even so, there is no doubt that this was and remains an important achievement that may rank as the most important economic contribution of this government to the future well-being of a large section of the population and a means of reviving the depressed rural economy.

However, while Chidambaram has promised to provide resources as required to the States for this demand-driven scheme, the budgetary allocation he has made for its expansion is small. This suggests that the Finance Ministry may continue to impose the financial restraints and inflexibilities that have already prevented State governments from gaining access to Central resources in ways that would result in more rapid and effective implementation.

In the context of a continuing agrarian crisis, a debt-relief package was widely expected, and the Finance Minister did announce one, with much fanfare and declarations of concern for the plight of farmers. But the package appears to have been put together in a hurry, without adequate thought and without the elements necessary to have any real beneficial effects for the areas and cultivators that are the worst affected by the agrarian distress.

The package has a number of important exclusions. It excludes from full benefits all the farmers on dry land and poor-quality land who hold more than two hectares, even though they are among the worst affected by the agrarian crisis. Thus, most of the distressed farmers of Vidarbha region in Maharashtra or Rayalaseema in Andhra Pradesh or south Karnataka will not get the debt cancellation benefit. In fact, they will probably also not benefit from the one-time settlement, since if they could repay 75 per cent of the outstanding loan they would not be in distress in the first place!

The package also excludes the majority of farmers who have taken debt from private sources, since there has been no attempt to deal with the private outstanding debt. Yet more than three-fourths of farmers hold private debt, especially small tenants, women farmers and cultivators without clear land titles in their own names, who are already among the most disadvantaged agriculturalists.

Since the debt relief package includes loans that are due to cooperative banks, it will supersede the efforts being made to recapitalise cooperative banks to make them more viable and to enable them to start lending more, that followed from the Vaidyanathan Commission report. This may leave rural credit cooperatives in more of a mess than before if the matter is not properly handled.

If the Central government was really serious about providing debt relief to distressed farmers, it should have established a Debt Relief Commission along the lines of the one that was established recently by the Government of Kerala. This would identify the pockets and categories of severe agrarian distress and provide relief accordingly, including to those holding private debt, by refinancing the moneylenders. Such commissions were established even by the colonial government of British India, so they are not administratively that difficult to manage. Of course, this would necessarily mean that the Central government make available real finance for this purpose, instead of the book transfer between the government and banks that is probably going to be used to finance the proposed scheme.

In all the publicity being accorded to this debt relief package, what is being ignored is that this Budget has directed very little towards making cultivation a viable or profitable activity once again. There is no budgetary allocation for various kinds of public intervention such as input provision or price stabilisation schemes that would protect farmers from crop price volatility. There is no attempt to expand and improve the crop insurance scheme in ways that would make it genuinely useful to farmers. The total Central Plan spending on agriculture and allied activities is projected to increase by only Rs.1,530 crore, and the total irrigation spending is actually to fall to a paltry Rs.414 crore.

Given all this, it is surprising that the government is presenting the Budget as a "farmer-friendly" one. Either the government has been misled by its own propaganda, or it cynically believes that it does not matter how farmers actually fare as long as they can be convinced that the government cares about them. It was even more surprising to read a newspaper report ascribing to the Finance Minister the view that the debt relief package is a measure to improve food security in the country. He appears not to know that most of the farmers in distress are those who have been producing cash crops, rather than food, or that the current problem in food security stems largely from the mess the government has made of the domestic procurement and distribution system.

In this context, it is worth remembering the promise made in the NCMP: "The UPA will work out, in the next three months, a comprehensive medium-term strategy for food and nutrition security. The objective will be to move towards universal food security over time, if found feasible. The UPA government will strengthen the public distribution system (PDS) particularly in the poorest and backward blocks of the country."

Instead of this, the PDS has continued to be run down during the tenure of this government. Allowing large corporate players into the foodgrain market has reduced the Food Corporation of

India's capacity to procure the required amounts of grain. Food price inflation has already emerged as a major area of concern in the current year, and it is likely to get worse, rather than better, in the near future. Global prices of essential foodgrains are rising and domestic procurement prices will have to rise accordingly if the government is to be in a position to procure foodgrain for the PDS and other uses such as the Midday Meal Scheme.

Therefore, there will have to be a rise in the food subsidy to ensure adequate procurement and prevent basic food prices from going up too much for retail consumers. However, the allocation for the food subsidy shows hardly any increase, from Rs.31,546 crore in the current fiscal year to a proposed outlay of Rs.32,667 crore in the coming year. This is even less than the government's own inflation projections for the coming year, which means there will be a decline in real terms. A pathetically small amount of Rs.48 crore is all that is allocated for strengthening and expanding the PDS system.

A major aspect of nutrition and health relates to the Integrated Child Development Scheme (ICDS), which is absolutely crucial for ensuring minimum access to health and nutrition facilities of pregnant and lactating mothers, infants and young children. The ICDS has been operating on the underpaid labour of women in an undesirable and unsustainable fashion. The Finance Minister has now consented to increase the remuneration of anganwadi workers to Rs.1,500 a month and that of anganwadi helpers to Rs.750 a month. This is an improvement, but still leaves them receiving less than the minimum wages. Further, the Supreme Court has repeatedly instructed the government to make the scheme universal to all habitations, but the small increase in the budgetary allocation to the ICDS (of just Rs.852 crore) ensures that this will not happen even in the coming year.

The National Rural Health Mission is a flagship programme of the UPA government, launched with much fanfare. However, it too runs on the underpaid labour of women (Accredited Social Health Activists or ASHAs, who are the backbone of the scheme, receive at best Rs. 800 a month) because of the very small allocations that have been made to it. Even in this Budget, the total spending on the NRHM is slated to be less than Rs.11,000 crore, and the increased spending will barely keep pace with inflation. Certainly, the promise to "raise public spending on health to at least 2-3 per cent of GDP over the next five years with focus on primary health care" appears to have been forgotten.

Education was supposed to be a major area of concern for this government, and the NCMP pledged to "raise public education spending to at least 6 per cent of GDP, with at least half this amount being spent on primary and secondary sectors." This undertaking was certainly not kept last year – the government's own Economic Survey showed that it was less than 3 per cent – but even in the current year the allocations suggest that it will remain in this region. That is less than what the National Democratic Alliance (NDA) government spent as a share of GDP.

What is most shocking is the reduced commitment to elementary education. The total proposed outlay on elementary education has increased by only Rs.1,337 crore, or around 7 per cent. That is barely above the projected inflation rate for the coming year (6.4 per cent, which means that there will be hardly any increase in real spending on elementary education in the coming year. This is despite the fact that school education is hugely underfunded, that recent increases in enrolment have been achieved at the cost of minimum quality with "schools" being set up without even the most basic infrastructure and a huge shortage of teachers. Allocations to the Sarva Shiksha Abhiyan have actually fallen, as the Central government moves to pass more of the burden to State governments. This makes a mockery of the government's commitment to ensuring the right to education and casts doubt on its commitment to pass meaningful Central legislation on this.

There are welcome increases in the budgetary allocations for secondary and higher education, but even here the increases are nowhere near what is necessary. The desired expansion in secondary schooling and higher and technical education demands a manifold increase in public spending on these: instead, the total increase in such expenditure is projected to go up by just above Rs.6,000 crore, which is simply not enough to deal with the unmet and growing demand.

The Finance Minister cannot claim that there is a shortage of fiscal resources to provide for these crucial areas of education spending. His own Budget estimates project an increase in revenue receipts of 17.5 per cent, while the total spending is to increase by less than 6 per cent. Surely, the crucial and necessary demand to ensure quality school education for all should not be sacrificed to mistaken notions of fiscal rectitude.

All in all, therefore, this is a Budget that is marked by a continuing fiscal neglect of the social sectors even as conditions in these sectors are reaching crisis point for the general population. Quite apart from the injustice and development concerns, the political stupidity of such an approach is startling.

(Courtesy: Frontline)

Charitable Purpose as Amended by the Budget 2008

1. Preamble:

The Union Budget 2008 has proposed an amendment to the definition of Charitable Purpose under the Income tax Act 1961 by amending section 2(15) of the said Act. **This amendment will take effect from 1st April 2009 and will be applicable to the financial year 2009–10**. The Union Budget has to be passed by Parliament by the beginning of May 2008 and the President of India has to give her accent by about 12th or 13th May 2008 and it will then become law.

2. Definition Prior to Proposed Amendment:

At present i.e. prior to the proposed amendment, Charitable Purpose is an inclusive definition and is defined as:

"charitable purposes" **includes** relief of the poor, education, medical relief, and the advancement of any other object of general public utility."

All activities outside the three parameters of (i) relief to the poor (ii) education and (iii) medical relief come under advancement of any other object of general public utility. Most of the organizations working for charitable and social causes are covered by the last part i.e. any other object of general public utility.

Some of the aspects covered under the area of "advancement of any other object of general public utility," which will be adversely affected include the following:

- promotion of sports and games
- promotion of music, art and culture
- promotion of research
- promotion of social security
- promotion of livelihoods e.g. amongst refugees, displaced persons, rehabilitated drug addicts.
- promotion of better environment
- campaign against child labour
- campaign for protecting the girl child
- campaign against social evils
- campaign for women's rights

3. Reasons for Concern:

The amended proposed restricts the inclusive clause by amending and severely restricting the fourth aspect i.e. "advancement of any other object of general public utility," by defining charitable purpose to mean the following:

"charitable purposes" includes relief of the poor, education, medical relief, and the advancement of any other object of general public utility:

Provided that the advancement of any other object of general public utility *shall not be a charitable purpose*, if it involves the carrying on *of any activity* in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, *for a cess or fee or any other consideration, irrespective of the nature of use or application*, or retention, of the income from such activity;'"

The above implies the following:

(i) If an organization provides the advancement of any other object of general public utility and charges fees (including membership fees, annual fees etc.), a cess or any other consideration then purposes will not be charitable in nature.

(ii) The ultimate charitable utilization of funds is no longer a criteria for granting exemption from income tax but the receipt of funds through fees, cess or other consideration is the criteria for levying income tax at 33%.

(iii) *The words "trade", "commerce" or "business" have not been defined* and are open to interpretation by the income tax authorities at their discretion. This will lead to misuse of powers and harassment of good and benevolent organizations.

(iv) In view of the immense powers vested with the income tax authorities and now armed with arbitrary interpretation of words relating to trade", "commerce" or "business", will substantially increase litigation.

(v) If an organization is for advancement of any other object of general public utility and if any one activity is covered by the exclusion i.e. carrying out any activity in the nature of trade, commerce or business for fees, cess or any other consideration then the organization will loose its charitable status i.e. it will not be for charitable purposes and will have to pay income tax at 33%.

(vi) Organizations, which lease out a part of their premises to generate valuable resources for charitable purposes will now have to pay tax on its whole income since the organization will not be charitable in nature.

(vii) It spells the death knell for organizations trying to raise resources by charging "fees", "cess" and "other consideration" and deploying these funds for charitable purposes and welfare of civil society. This is the latest move to severely curb the activities of non governmental charitable institutions.

4. Existing Safeguards:

The existing provision under section 12AA(3) of the Income tax Act 1961 clearly specifies that if "the Commissioner of Income Tax is satisfied that the activities of any trust or institution are not genuine or are not being carried out in accordance with the objects of the trust or institution, as the case maybe, he shall pass an order in writing canceling the registration of such trust or institution:

- provided that no order under this sub-section shall be passed unless such trust or institution has been given a reasonable opportunity of being heard."

In view of the power vested with the Commissioner of Income Tax he can prevent any misuse or any organization, which is not charitable in nature from operating by canceling the registration as a charitable organization.

5. Recommendations:

(i) The definition of "charitable purposes" be retained as it exists at present.

(ii) Charitable organizations should be allowed to raise resources by way of fees, cess and other consideration provided they are used for charitable purposes.

(iii) If there is misuse, then this should be addressed by amending section 12AA(3), wherein specific misuses can be specified rather than amending the definition of charitable purposes.

Send the memorandum to Finance Minister

Shri P. Chidambaram
Hon'ble Union Finance Minister
Government of India
North Block
New Delhi 110 001

Dear Sir,

In your finance bill 2008, you have proposed changes in the current definition of "charitable purposes" by proposing that:

With a view to limiting the scope of the phrase, ' advancement of any other object of general public utility ', it is proposed to amend section 2(15) so as to provide that, ' advancement of any other object of general public utility', shall not be a charitable purpose if it involves the carrying on of-

a.any activity in the nature of trade, commerce or business or,

b. any activity of rendering of any services in relation to any trade commerce or business,

for a fee or cess or any other consideration, irrespective of the nature of use or application of the income from such activity or the retention of such income, by the concerned entity.

This amendment also will take effect from the 1st day of April 2009.

There are certain issues of concern which we would like you to address before effecting the proposed amendment:

1. Firstly, the proposed amendment would bring in a lot of technical confusion and contradiction resulting in litigation for charitable organizations. For example, the provision of section 11 (4) and 11 (4A) provide the possibility of treating income earned from business activities as applied for charitable purposes and rightfully so. The proposed amendment would therefore come into direct conflict with the above provision.
2. It may be noted that, as per section 13 of the Income tax Act, the exemption granted for charitable nature u/s 11 can be withdrawn if benefits from income does not accrue to the public. By excluding business income from the definition of "Charitable Purpose" would imply that the "exemption status" of such organizations would be in question and the entire income would be taxable in effect.
3. This amendment may not provide the desired result of bringing into tax net various commercially run medical and educational institutions enjoying status of charitable organizations as educational and medical activities are covered under the definition of "charitable purposes". Further charging a fee may not tantamount to trade or business. Therefore, this amendment would end up creating needless hassles to the good and well meaning charitable organizations which carry on certain income generating activities without having any intent to make profit. A large number of organizations working at the village level as well as micro finance and self help group activities would also be adversely affected.

Keeping the above in view, we would request you to kindly reconsider the above proposed amendment to encourage the civil society organizations engaged in genuine charitable work.

With Regards,

(Courtesy: Financial Management Service Foundation)

Economic Survey 2007-08: Uncle Friedman Displaces Uncle Nehru!

By: Girish Mishra

Even a cursory glance at the Economic Survey 2007-08 is enough to convince that the process of replacing, nay ridiculing, Jawaharlal Nehru's economic approach appears to be complete. Now, it is no longer Nehru's but Milton Friedman's (Uncle Miltie's) approach that is informing the Congress-led UPA Government's strategy of development and economic policies. This can be better understood in the light of Naomi Klein's The Shock Doctrine: The Rise of Disaster Capitalism, and the former Chairman of the American Federal Reserve, Allan Greenspan's comments on Jawaharlal Nehru in his memoirs, The Age of Turbulence: Adventures in a New World.

Greenspan opines that when the reformist government, led by P. V. Narasimha Rao, came to power in 1991, India began to awaken from the bureaucratic socialism of former Prime Minister Jawaharlal Nehru. And any notions emerging economies might have had of implementing or expanding economy-wide forms of central planning were quietly shelved.

How this came about has been narrated by Greenspan as follows: In June 1991, an old-line functionary, P. V. Narasimha Rao of the Congress Party, became Prime Minister. The economy was teetering on the edge of collapse, reflecting more than four decades of de facto central planning. Now, as it was becoming evident that India was suffering from the same failed paradigm that had blighted Eastern Europe, a major change was in the offing. To everyone's surprise, Rao broke with long-standing tradition and, as a balance-of-payments crisis loomed, moved to eliminate aspects of the deadening hand of controls with Manmohan Singh as Finance Minister. Singh, a market-oriented economist, was able to tear a modest hole in the regimented economy—he initiated liberalising steps in a wide range of areas—and demonstrated once again that a little economic freedom and competition can exert extraordinary leverage on economic growth. The anti-capitalist voices were temporarily stilled by the gravity of the crisis, which created a window of opportunity for deregulation. Market capitalism was able to gain a foothold and demonstrate its effectiveness.

What Greenspan says about the "anti-capitalist voices" being "temporarily stilled by the gravity of crisis" and giving a free hand to those who were bent upon implementing Milton Friedman's prescription of bringing in unfettered capitalism has been elaborated by Naomi Klein in the case of Chile, Argentina, Brazil, etc. If we look back we find that the governments of V.P. Singh and Chandra Shekhar landed India, as a result of their mismanagement, in the quagmire of a foreign exchange crisis and one should remember that it was the latter's Finance Minister, Yashwant Sinha, who was instrumental in getting the country's gold reserve mortgaged to the Bank of England. This state of utter helplessness, brought about by the shock of great national humiliation, provided Uncle Miltie's disciples in India and abroad to consign the Nehruvian paradigm to the garbage and replace it by the Washington Consensus. Both the Congress and the Nehruites lost their moorings and were in such a state of shock that they could not realise what was happening. Even now they continue in that state; otherwise some protest, at least, would have been made on the following paragraph by the learned chela (disciple) of Uncle Miltie:

An analysis of the post-independence growth experience shows two statistically significant breaks in the rate of growth of the economy. The first break occurred in the early 1980s when the economy moved from what has been commonly described as "the Hindu growth rate" of around 3.5 to 5.5 per cent. This followed a policy shift away from excessive controls and restrictions on private enterprise towards gradual decontrol. The second break occurred in the mid-1990s with the ushering in of deeper and broad-based reforms at the beginning of the decade.

From it follows that the entire Nehru era and most of the Indira phase was full of darkness and stagnation. The author of the Survey forgets what Dani Rodrik of the Harvard University has written about the contributions of Nehru and Indira Gandhi towards laying a solid foundation for economic growth. They faced all sorts of machinations and destabilisation attempts to break and destroy India. People have not forgotten the American attempt to induce India to mortgage its sovereignty by offering a nuclear umbrella, the VOA-AIR tie-up, Indo-US Education Foundation, etc. Another attempt was made in 1974-75 when Uncle Miltie's prescription was put forth by six respected economists, whom Indira Gandhi ignored, in spite of powerful support by C. Subramaniam and T.A. Pai of her Cabinet. In 1991, the attempt succeeded, thanks to the great shock of mortgaging national gold stock under the Chandra

Shekhar-Yaswant Sinha dispensation.

The late Rajkrishna once half-jokingly uttered "Hindu growth rate" to characterise the low growth rate and this being taken seriously by the learned author of the Survey shows that he is more of a propagandist than a serious-minded economist. He is not aware of the writings on this topic. The Survey's remark on "Hindu growth rate," taking Rajkrishna's remark with childish ignorance, reminds one of an episode. Once the Shankar's Weekly carried a piece by its celebrated editor, Shankar Pillai, who described of the situation if Rajaji turned Communist. This humorous piece was taken seriously by a then Leftist Congressman (now in the BJP) with all seriousness and he welcomed the change! Rajaji, as alert as ever, ridiculed the Congress leader for his failure to differentiate between a satire and a serious kind of writing and he stated that he enjoyed Shankar's piece.

NOW, coming to the Economic Survey 2007-08, its infatuation with maximisation of the rate of growth, irrespective of its consequences, becomes apparent. Beyond the demagoguery about "inclusive growth", the phrase that has come from the World Bank, there is nothing concrete to show that it wants to work towards lessening regional imbalances and socio-economic inequalities. In fact, even the talk of inclusive growth underlines the hollowness of the earlier claim that, irrespective of the size, all boats would be lifted up by the tides of neo-liberal globalisation. That this has not happened is clear from the fact that in 2004-05, 27.6 per cent of the population was below the poverty line—the percentage of the population below the poverty line was 46.4 in Orissa, 41.4 in Bihar, 40.9 in Chhattisgarh, 40.3 Jharkhand, 38.3 in Madhya Pradesh, 32.8 in UP and 30.7 in Maharashtra. It needs to be noted that most of these people below the poverty line are also socially oppressed as they belong to the lower castes. This, obviously, has given rise to various kinds of anarchist movements and a spurt in crimes. How the government is going to lift the socially and economically downtrodden is not spelled out in concrete terms. The Survey admits that the low level of consumption, inequalities, lack of employment opportunities, hunger and inadequacy of food, and the absence of basic amenities and health and education facilities afflict a large segment of the population, but it does not present any convincing way out. It talks of "pursuing a participatory growth strategy". What it really means and how this is going to be translated into practice is not clear.

Even though the rate of economic growth in the current financial year is going to be around 8.7 per cent, that is, less than the targeted rate of nine per cent or more, the Survey asserts that it "is fully in line with… the trend". It claims that the pace of economic improvement has been moving up considerably and this means that average income would now double in a decade, well within one generation, instead of after a generation (two decades).

Raising the rate of growth, in particular to 10 per cent or more, requires "additional reforms". These "additional reforms" will consist of privatisation of the coalmines, nationalised by Indira Gandhi to prevent their reckless exploitation and frequent accidents because of the lack of safety measures; completion of the process of selling of 5-10 per cent equity in profit-making public sector undertakings, besides auctioning off all the loss-making ones; decontrolling sugar, fertiliser and drugs; and selling "old oilfields to private sector for application of Improved /Enhanced Oil Recovery Techniques". It wants a substantial share for foreign capital in all retail trade and 100 per cent foreign equity in foreign branded, specialised retail chains; and raising of the foreign equity share in insurance to 49 per cent besides 51 per cent in the special category of insurance companies that provide all types of insurance to rural population and for all agriculture-related activities including agro-processing.

The Survey wants the entry of FDI in banks, especially rural-agricultural banks. In the course of their working, private banks should be allowed to take over other banks if they think that the situation so demands. Public-private collaboration in the Railways will help fast movement of freight. The Railway Minister's proposal other day to this effect in his speech to the Lower House of Parliament shows that he has initiated the process of bringing in the private sector in running both the passenger and goods trains. In addition, the Survey wants the private sector to run the public transport system in metros and other large cities.

There are two other vital recommendations. The first concerns the labour laws so that the weekly working hours are increased from 48 to 60. In other words, the eight-hour working day is to be consigned to the dustbin. One may recall that the working class achieved this after a prolonged struggle and a lot of sacrifice during the 19th-20th centuries. The second is about allowing capitalists to down the shutters of their factories whenever they wish, without any restraint, and shift their investments somewhere else in search of more profits without caring for the workers who may face unemployment and loss of their dues and terminal benefits. To quote the Survey,

"Either introduce a separate section on Bankruptcy in the Company Law or introduce a new bankruptcy law that facilitates exit of old/failed management as expeditiously as possible."

Obviously, both these recommendations, if implemented, will increase the number of the unemployed, not to speak of the creation of new job opportunities to give the able-bodied to participate in the creation of national wealth and honourably earn their living. If these two recommendations are accepted, they will lead to great socio-political unrest and bring the doom of the UPA Government because there is no autocratic Pinochet or Suharto, but adult franchise in the country and the labouring masses are conscious of their interests. They cannot be misled by any propaganda blitzkrieg through the print and electronic media. The previous government learned this to its dismay when it miserably lost power in spite of its loud propaganda that "India was shining".

More than 50 per cent of India's population is dependent on agriculture, which has been in a state of stagnation for quite some time mainly because of the lack of adequate public investments in irrigation, water drainage, prevention of floods, construction of rural roads, dependable electricity supply, extension work, etc. Both in the Ninth and Tenth Plans, the rate of agricultural growth remained at 2.5 per cent per annum. During the current year it is expected to be 2.6 per cent. Foodgrains production is almost sluggish while the demand is increasing. This year the output is likely to be 219.3 million tonnes while it was 217.3 million tonnes last year. The news on this front is not heartening. All over the world there is going to be a shortage of food- grains as a result of various factors including the diversion of crops to ethanol production and global warming. The Survey has nothing concrete to present except stressing the need of a second Green Revolution. While hype has been created about expressways and multi-lane roads, nothing concrete is happening in the rural areas. In fact, the urban population, especially neo-middle class, is the cynosure of the government's eye. Putting the blame for the failure on the agricultural front on the monsoon is wrong. Similarly, the national rural employment guarantee scheme is not able to yield the desired results because of the stranglehold of bureaucracy and corruption. In addition, the government has certain influential economists who have never liked this scheme and have been wishing its failure.

How the strategy of growth has shifted is obvious from the following official statement, which echoes the line advocated by Uncle Miltie and the rejection of Nehruvian thinking. To quote, "The 1990s reforms transformed the investment climate, improved business confidence and generated a wave of entrepreneurial optimism. This has led to a gradual improvement in competitiveness of the entire corporate sector, resurgence in the manufacturing sector and acceleration in the rate of investment… Moderate tax rates, coupled with buoyant sales growth, increased the internal accruals of the corporate sector."

The Survey pins its hope on continuously increasing inflow of foreign capital looking for profitable investment opportunities…. There are reasons to believe that the surge in capital inflows, including FDI, will continue in the medium term.

For the first time substantial space has been devoted to the financial sector, especially capital market, which is supposed to be instrumental in raising the wealth of investors. There is, however, no significant attention given to the implication of the FIIs emerging as major players and their ability to shift their investments elsewhere in search of greater opportunities to earn higher profits, landing the Indian market in the lurch. Recently, the IPO of Reliance Power Ltd has brought great misery to retail investors. Those who dreamt of becoming fabulously rich overnight are greatly disappointed in spite of the announcement of giving them bonus shares. "Greed is good" is sure to lead the retail investors quite often in the clutches of "irrational exuberance". This is going to be a destabilising factor. Opening of multi-commodity exchanges with the permission for futures trading may have serious implications for our food economy. It will subject agricultural commodities, including foodgrains, to manipulation by speculators.

In the end, it is too early to say that Uncle Miltie has finally displaced Uncle Nehru. If one looks at the recent history of Indonesia, Chile, Argentina, Brazil and so on, Uncle Miltie is not going to succeed for long. Till now, there is no example to show that any country in the world has succeeded in building a prosperous and vibrant economy by following Uncle Miltie.

By: Asit

The crisis of capitalism and the collapse of the Brettonwood system:

The coming in of Neo-Liberal Economics in the form of "globalization", read imperialism, has led to the intensification of imperialist intervention solely because of capital's ruthless drive for accumulation and profit maximization. This incessant drive is forcing developed capitalist countries in an ever increasing search for cheap labour, cheap resources and captive markets. Ever since the collapse of the Soviet bloc and the counter revolutionary reforms in China, the space allowing imperialist interventions with impunity has increased manifold. In the recent past the globe has witnessed numerous violent and insidious so called "non violent" interventions across the globe, i.e Nicaragua, Granada, Panama, Tahiti, Afghanistan, Argentina, several countries of Africa. The most striking example of early 21st century accumulation through direct occupation and even genocide as is happening in Iraq. These interventions have upset regional and national economies, disposed millions and created areas of unrest and strife; the pauperisation of Latin America, hunger famine and ethnic strife in Africa and the establishment of compradors, outright World Bank puppets, dictatorships/client regimes and military juntas such as in India, Pakistan, Saudi Arabia, Kuwait, Philippines, South Korea, Bangladesh and Afghanistan.

Interventions from imperialist agencies such as the World Bank, IMF, WTO, The ADB and NGO's and donor agencies etc. have so far been effective in imposing a structural shift within the third world economies. This shift from a relative notion of self reliance through "import substitution" industrialisation, food self sufficiency towards dismantling their welfare structures and imposing an outright commodified imperialist culture heavily dependant on the privatization of services and the commodification of natural resources has only resulted in further marginalisation of the people and increasing inequalities.

In the context of India, these imperialist interventions are being implemented by the comprador elite which has taken on the task to facilitate the easy entry of capital. The task for capitalist intervention has been through these compradors who divert the people attention from issues confronting their immediate life and necessities through strengthening feudal oppression and captivating the middle classes within an illusionary web of crass consumerism and cash nexus. Because of this ruling comprador class, imperialist capital has at its disposal an unprecedented quantity of cheap mineral resources, land, labour, youth and government funds. In India we can see the rapid increase in the private service sector, where a huge number of our youth are being lured into working as semi-slaves in late night call centers and BPO's, thousands of which sprung up overnight only because of rising labour costs in core capitalist countries.

With developed nations facing rapidly depleting resources, rising unemployment, high costs of unsustainable consumerism and falling productivity their ruling classes are compelled to intensify their economic, cultural, political and armed interventions in developing nations. This form of brutal primitive accumulation has also given an impetus to several centers of resistance across developing nations. In India we can see an intensification of the struggles of the peasantry against forced displacement taking place across the length and breadth of India, especially in those resource rich regions where the levels of neo colonial extraction are high and brutal. A case in point would be the states of Jharkhand, Chattisgarh and Orissa.

Taking the particular case of Orissa we can see that since the colonial period there have been a huge number of imperialist interventions and parallel struggles being waged by the peasantry on the issue of displacement from forests and farm lands. Orissa is the continuous target for loot by the imperialist powers, finding within an amicable ally in the comprador ruling class puppet such as Naveen Patnaik. Nevertheless, there have been several heroic tribal uprisings against the earlier colonial plunder by martyrs such as Laxman Nayak in the early 20th century and in the recent years we can see the emergence of several struggles in Kashipur, Hirakud, Kalinganagar, Lanjigarh and Jagatsingpur (Anti POSCO). It is in Kalinganagar where resistance by the adivasi peasantry changed the very contours of resistance across India. The Kalinganagar struggle marks a break with the earlier existing forms of Gandhian/Sarvodaya and other liberal forms of protest as organized by various NGO's etc which looked at anti-displacement resistance within the structures of official grievance redressal mechanisms of the Indian state which ironically was the primary agent for this imperialist loot. Even while co-opting and diffusing people's anger, these interventions were found inadequate when faced with the wrath and greed of rapacious capital and the armed might of the comprador state. On the contrary, the mass militant resistance at Kalinganagar, for the first time refused to negotiate and engage with the state on its assumed legalistic terms of dialogue which also restricted and set the terms for protest within the ambit and ideology of the ruling classes on how it perceives and allows dissent. The

activists of the Kalinganagar Vistaphan Birodhi Janmanch took a stance of no rehabilitation no compensation and no forced displacement from their lands which have now become an immense source of inspiration for other anti displacement movements across India.

The anti POSCO people's resistance has been going on in parts of Jagatsinghpur district of Orissa against the steel plant and captive port proposed in the area. This struggle has been on since July 2005, a month after the Memorandum of Understanding regarding the project was signed between the Government of Orissa and Pohang Steel Company Limited (POSCO). In many ways the anti POSCO struggle is a logical outcome of the mass peasant resistance at Kalinganagar.

The Economy of the region

There is need to counter the misinformation being disseminated by the ruling classes regarding the economy of the region. According to the government the people of this area are very poor and only subsist as marginal farmers. Nothing can be farther from the truth. According to a fact finding team's survey done in the area;

- The local economy is a thriving, labour-intensive one, based on agriculture and fishing. The economy is also sustained, apart from staple crops such as paddy, coconut etc., on cash crops such as betel, cashew, supari and kewra. Fishing and pisiculture are also prominent sources of livelihood. Most of these sources provide income and employment throughout the year.
- The uniqueness of the betel vine cultivation economy, due to the typicality of the geographical and topographical features like soil, was highlighted repeatedly by everybody the Team interviewed. It is a thriving, highly labour intensive activity which provides income throughout the year, supporting and providing work to a wide age group of people-from the young to the old-who are engaged in various productive tasks related to cultivation, plucking, transport and marketing of betel leaves. The locals are certain that they will not be able to get most of these jobs at the POSCO factory because they do not have the requisite skills. Even if they do manage to get a few of these jobs, they emphasize, the steel project and port will not be able to provide with the kind of secure livelihood they currently enjoy.
- The Jatadhari river, estuary and the forest resource base play a very important role in supporting the cultivation, fishing as well as household needs like fuel wood etc. In the late 1960s, Loknath Chaudhury, a local leader and former CPI(MP), led a struggle for transfer of much of the common land in the area, some of which was already under betel vine, from the revenue records to the Forest Department so that afforestation initiatives could be carried out to provide a natural barrier for protection of villages from impacts of cyclone and to provide for the basic needs of firewood and stalk for betel vine cultivation. Finally the land was transferred to the category of gramya jungle or community forests.

The MOU

Similarly, concerning the MOU, both the Centre and the Orissa state government have been extremely secretive about the terms and conditions. The above mentioned fact finding team also investigated and found startling facts about the deal.

On June 22, 2005 the State of Orissa signed a Memorandum of Understanding (MoU) with the South Korean Steel giant-Pohang Steel Company Limited, also known as POSCO. Touted as India's largest Foreign Direct Investment (worth Rs 52,000 crores) the project involves building of a 12 Million Tonnes Per Annum (MTPA) integrated steel plant and a captive port in the Ersama Block of Jagatsinghpur district, Orissa.

As per the MoU, based on the needs of the "Steel Project", the Company will also develop and operate the following infrastructure:

Mining facilities in the areas allocated by Government of Orissa/Government of India:

i). To help POSCO produce steel, the Orissa government has promised the Union government to hand over captive coal mines to POSCO until it is ready for mining of its coal block.

ii). To make steel POSCO needs 600 million tonnes of ore from the government of Orissa. Iron Ore is available at Rs. 2000 to Rs. 2600 per ton. Discounting extraction costs at Rs 400 per ton, the state government is subsidizing POSCO at Rs. 96000 crore per year in the use of iron ore. And this does not include the amount it may take away. The MoU is set up to allow extraction for 30 years with extension possible for 20 years. In addition, unspecified amounts of chromium and manganese will also be provided to POSCO. Dolomite and limestone will also be made available at subsidized rates.

Communications and Transport: Road, rail and port infrastructure will be provided with government help, including the dedicated railway line from the mine-belt to Paradeep. POSCO will also construct its own port at Paradeep. The government will also construct, a railway line from Haridaspur-Paradeep and Bansapanl-Paradeep for export of POSCO company's iron ore.

Integrated township: The state government will provide about 6500 acres of land for the plant site in Paradeep. There is no statement regarding the price that POSCO will pay for this land. In addition, the state government has agreed to provide about 20-25 acres

of land in Bhubaneswar and hand it over to POSCO for its office. At what price the company will take this land has not been mentioned.

Water supply infrastructure: According to the MoU, the Government of Orissa is to permit withdrawal and use of water (near- about 12 thousand to 15 thousand crore liters) from the Mahanadi barrage at Jobra and Naraj in Cuttack for construction and operation of the "Overall Project". Concerns have been repeatedly raised over the past two years by citizens of the area and technical experts that this would severely impact the drinking and agricultural water supply of Cuttack and

We Also Resist Steel Plants

By: Kanchi Kohli

As I walked along with the villagers of Dhinkia, Patna and Nuagaon, I felt the energy, determination and apprehension. There was a smile on their faces, clarity in their hearts, resolve in their minds with just a little anxiety of what will happen next. With their goal defined, nothing else but reaching it mattered after a point. The congregation at Balitutha on Tuesday, April 1, had to be achieved as was the call by the Posco Pratirodh Sangram Samiti (PPSS). It was not a regular meeting but symbolised the re-capturing of the four-month-old barricade put up by the administration in end-November 2007. For the villagers struggling against the setting up of the South Korean Pohang Steel Company, Posco, it was a critical step ahead.

It was truly a success, despite the restrictive attempts of the administration. The villagers and all the supporters joining in from other struggle areas from Orissa as well as other states and national level organisations came together in thousands.

It was a spell-binding experience to watch women and men walking towards their point of convergence from four different corners and reclaiming their freedom. Within minutes the barricade was torn apart and bundled up as if it never existed.

Posco proposes to set up a 12 million tonnes per annum steel plant and a captive port in Ersamma block, Jagatsinghpur district in Orissa. These projects along with the linked mining component proposed in Khandadhar, Sundergarh district, will have severe impacts on the flourishing livelihoods and rich ecosystem of the area. The steel plant and port, located around 10 kilometres from Paradeep Port will affect three gram panchayats in the Ersamma block.

Anyone who has spent even a little time in the area will know why the people are so resilient to save the land and with it their lives. The people of the area generate substantial income from paan leaves and also through paddy cultivation and fisheries. These are fitted neatly within the ecologically fragile landscape of sand dunes and fresh water ponds. The Jatadhari estuary is where the port would be set up displacing several fishing livelihoods apart from impacting the sensitive coastline. It is the canals from the estuary which irrigate the area.

One simply cannot imagine this pristine land use, which people are so proud to live with, transform into huge metal and concrete structures 'captive' in an ideology that regards foreign investment of such sort that can't compensate people for their livelihoods and cultures. And that is what the struggle is all about.

April 1 as a date had a double significance. First, it was Orissa Foundation Day when Utkal Divas is celebrated across the state. Second, it was also the day that Posco had initially announced it would carry out the 'ground-breaking' ceremony for its proposed projects. At a later date Posco withdrew its plans with statements that the postponement was due to administrative delays related to clearances. But the rally was to go on.

When the people occupied Balitutha, flags fluttered and emotions flared. The speeches that followed, including that by PPSS leader Abhay Sahu, exhibited the resolve of the people and a clear message was sent out that the Posco projects were not welcome to all those gathered. During the address by various other supporters from Orissa and other parts of the country, they also read out solidarity messages from the Korean Confederation of Trade Unions (KTCU) and various Korean civil society organisations, all in support of the struggle against the proposed Posco projects in India.

As I left the gathering, I could only think of what one of the village leaders told me the previous day. "The only barricade is ours," he said, referring to the restrictions and police presence around the villages. For now, they seem to have asserted it, with a peaceful show of strength. Let us hope the rest of the country wakes up to the message they are trying to send out while struggling to save their ways of living.

neighbouring four districts. The MoU also promises water to POSCO from Mahanadi Jobra barrage for free. The MoU is silent about the quantity of water to be provided.

Revenue: In order to increase profits for POSCO, the government of India has given Special Economic Zone (SEZ) to POSCO. The company will not have to follow various trade, labour and economic regulations. None can compel POSCO to even pay tax in view of liberalised regime prevalent in SEZs. As per current understanding, in 30 years time, the government of Orissa will get Rs 22,500 crore and the central government Rs 89,000 crore i.e. a total of Rs 1,11,500 crore in the form of tax revenue. This works out to Rs 3,700 crore income per annum. This is less than the amount Orissa is paying POSCO in subsidies for Iron Ores alone.

Administrative support: In addition, senior IAS officers of the state will be put at the service of POSCO for implementation and coordination. It is mentioned in the conditionality also that if POSCO wants, it can accept foreign and indigenous private players as partners, whenever it finds necessary. The local administration is acting in close collaboration with the Ersama MLA Damodar Rout, (General Secretary BJD). Adept at mobilising Goondas, Damodar Raut, with POSCO officials, the district collector, have been gathering their forces, all of this is monitored by Priyabrata Pattnaik, a notorious IAS officer whose action of applying for mining contract for the officers' club named 'Bhubaneswar Club' was recently exposed. Incidentally Priyabrata Pattnaik is also the Govt. nodal officer for the POSCO. Even the present Collector, Mr. Pramod Kumar Meherda has a history of repression against people's democratic protest. While collector in Rayagada district, he unleashed a reign of repression to silence the Kashipur Movement, against the proposed Utkal Alumina bauxite mining and Alumina plant of the Birlas.

The Struggle

The modus of the intervention by the Indian state to forcibly evict large mass of the peasantry from their farmlands and forests has also undergone a radical change in the last year. In Nandigram the state first used its armed forces to try and defeat the democratic resistance of the people, failing which, the ruling party sent its armed cadres to brutally suppress the dissent. On Nov 29th 2007 it was the BJD in Jagatsingpur which made the use of goons to terrorize those involved in the anti POSCO struggle. This is an alarming trend seen across India, the Congress and NCP in Maharastra has allowed Reliance to use its goons in intimidating the anti SEZ movement in Raigarh, the BJP has been using the Bajrang Dal to forcibly acquire land for SEZs in Gujarat. BJP again used the land mafia to forcibly acquire land for an SEZ near Indore, in Kerala the CPI(M) once again used its armed cadres to evict adivasis in Wynad, the BJP and Janta Dal(S) used goons to evict people from Bangalore and other SEZ's spread across the state and the list is endless. What marks the danger of this current mode of forced displacement by the state is its increased dependence on using extra constitutional means and the hiring of goons and lumpen elements to suppress the democratic struggles and voices of the people.

In POSCO the stakes are very high, not only for the resistance being organized under the banner of POSCO Pratirodh Sangram Samiti, but also for the political and business interests. POSCO is a project whose cost is estimated to be about Rs.52,000 crores; flush with money, the POSCO management in open connivance of the ruling class elite is desperate to please their imperialist masters, while the corrupt bureaucracy jump like hungry dogs at even the small crumbs POSCO throws at them.

After the goons of BJD and POSCO drove the agitators from Balitutha in the evening of 29th November 2007, within a period of one hour the police entered Nuagaon village, erected road blockade at Balitutha and established a camp at the same site where the protesters were sitting for the last 2 months, barricaded the road establishing check point near Trilochanpur, with two platoons staying in a camp in the Trilochanpur school. The goons with complete support of the armed forces and heavily armed with bombs, guns, bows and arrows and other weapons attacked the protesters. After throwing a bomb at the protesters' gathering and burning their tent, the goons mercilessly beat the anti POSCO protestors, especially targeting the aged and women.

The BJD goons were ruthless in their attack; Mrs. Ghura Das of Dhinkia a lady of about 65 had her hand broken by beating her with an iron rod; Mrs. Tulsi Das about 60 years old also had her hand broken by a severe beating; Mrs. Kunilata Swain, 32 years old was grievously injured on her forehead; Mr. Dwijo Dash, about 60 years old and Mr. Parikshit Maiti also about 60 were ruthless beaten and their hands fractured. There is a huge list of others injured and beaten black and blue by the lumpen brigade of the BJD and POPSCO and none of the injured have been provided any medical assistance by the state till now. On the other hand the injured have to secretly smuggle themselves out of Dinkia and get medical assistance at Paradeep or Cuttack. Through this entire sordid episode the police were shameless partisans and they watched while old women and men were being beaten ruthlessly.

In a classic revelation of the true nature of the criminal justice system of India, those who were beaten have had further additions to their already absurdly long list of criminal cases filed against them. Several of the anti POSCO leaders and sympathizers have more than 200 criminal cases lodged against them. They cannot leave

the area on charges fear of immediate arrests due to ranging from attempt to murder, rape, criminal trespass, dacoity, arson etc. Not a single goon has had a case registered against him. This exposes the farce called the Indian Justice System and the truth behind the much touted "Largest Democracy in the World". This is the truth behind empty slogans such as "India Shining" "Land of Ahimsa" "Land of Mahavira and Buddha". All this lies completely exposed while the class nature of the Indian state and its comprador rulers leave no stone unturned in serving their imperialist masters. But why to blame Naveen Patnaik, when his true master, our revered soft spoken P.M., Manmohan Singh can shamelessly declare in Oxford that "India has greatly benefited from Colonial rule…" and in Washington he opens his address to Congress with the words, "I have come to sell India.."

Situation in Dhinkia Gram Panchayat:

Despite the reverses suffered, the morale of the villagers is very high and they are willing to face the police at any moment. The people expect that the first occasion for a decisive fight may come in the shape of entry of survey team along with Goons and Police. Their steely resolve was echoed in words from all age groups, "POSCO can be built only over our dead bodies". They are keeping night vigil on the boundary of the village and are preparing themselves to face the ensuing Nandigram style combined assault by the Armed Goons and Police. About 13 platoons of the police have been deployed all around Dhinkia with the notion of "maintaining peace and order", in reality they have laid siege to Dhinkia panchayat and its villages. Despite this ordeal and isolation, the people of Dhinkia putting behind all personal hardships are ready for a decisive fight. Grocery shops are not functioning properly for the lack of materials, as merchants supplying goods are facing hardships from the Goons and the police. Many injured are suffering without treatment.

Despite such fascist repressive measures the PPSS have been organizing meetings in Gobindpur and Nawagaon. Recently some positive developments have taken place; the refusal of the Orissa government to compensate any affected families farming on so called government land has forced the pro POSCO agitators to take a harsh look at their anti people stance and to come to terms with the fact that their real interest lie with the PPSS and not with corrupt middle men and contractors such as Damodar Raut.

After the ruthless occupation of Iraq and the down trend and slowdown in the world economy the intensification of loot by developed nations is bound to get even sharper. The only realistic and practical solution to this onslaught can be through mass resistance movements such as Kalinganagar and the anti-POSCO resistance. The point to be noted is that these movements are inspiring in showing the resolve of the militant peasantry, hence they are the important sites of resistance against imperialism and the comprador elite in the third world. Therefore it is imperative for the democratic and progressive forces to firmly rally behind these struggles and provide them their unflinching support.

US Power Company Linked to Bush is Named in Database as a Top Polluter

By Leonard Doyle

An American power company with close financial links to President George Bush has been named as one of the world's top producers of global warming pollution.

The first-ever worldwide database of such pollution also reveals the rapid growth in global-warming emissions by power plants in China, South Africa and India. Power plants already produce 40 per cent of US greenhouse gas and 25 per cent of the world's.

But it is the enormous carbon footprint of Southern Company – among the largest financiers of Republican Party politicians – which has raised eyebrows. Southern's employees handed George Bush $217,047 to help him get elected twice, and they and the company have contributed an extraordinary $6.2m to Republican campaigns since 1990 according to the Centre for Responsive Politics.

A single Southern Company plant in Juliette, Georgia already emits more carbon dioxide annually than Brazil's entire power sector. The company is in the top two of America's dirtiest utility polluters and sixth worst in the world.

Apart from vague promises by the Democratic presidential hopefuls, there is no pressure on this or any other power company to clean up their act and cut back on CO2 emissions.

Politicians from both parties fear the influence of Southern, which spends huge sums both on lobbying and on political campaigns and is among the biggest power players in Washington. It has seen off numerous attempts to impose controls on the amounts of pollution it pumps out.

The link between massive cash contributions by America's power companies and political arm-twisting in Washington has rarely been put into such sharp relief. Environmentalists have long suspected that President Bush's dogged refusal to sign up to international agreements to control global warming was linked to campaign contributions.

Yesterday's report has finally identified the impact these power companies are having on global warming. Southern, which earned $14.4bn in revenues in 2006, is using its influence to block the introduction of wind, solar, biomass and other renewable energy sources on the grounds that it would eat into its profits.

Haley Barbour, one of the main lobbyists for Southern Co when President Bush took office, played a crucial role in persuading him to back away from his original campaign promise to reduce CO2 emissions when he first ran for president in 2000. Mr Barbour is a former chairman of the Republican Party, and was re-elected governor of Mississippi last week.

According to FrankO'Donnell of Clean Air Watch, after Mr Bush became president, "he was got at by Haley Barbour, who said, 'Hey, Mr President we didn't elect you to have high energy costs'".

Mr O'Donnell said: "Southern Company Lobbyists treated the president as if he was someone to give orders to and he took them. The upshot is that America's biggest polluters used their chequebooks effectively to block actions to stop global warming."

The detailed breakdown of the worst polluters comes in the form of an on-line database, compiled by the Center for Global Development (CGD), an independent policy and research organisation that focuses on how the actions of the rich world shape the lives of poor people in developing countries.

It lays out exactly where the worst CO2 emitters are and how much greenhouse gas they are pumping into the atmosphere. The globe's most concentrated source of greenhouse gases are the CO2 emissions of 50,000 power plants worldwide.

The database clearly shows the US as the world's biggest carbon dioxide producer from electricity generation – emissions that are continuing to grow.

At present electricity companies pump out 2.8 billion tons of CO2 each year. But China, with 2.7 billion tons, is about to overtake the US. The new report also reveals that power plants in other developing countries including South Africa and India emit more than the worst US plant.

A spokesman for Southern Company, Mike Tyndall said the pollution is high "because of the size of the plants which are serving an ever-larger population".

The company opposes the idea of any legally enforceable cap on emissions, but Mr Tyndall said: "We're at the forefront of developing new technology to address CO2 emissions."

Asked about the huge financial contributions of the company's employees to Republican party politicians, he said: "We don't influence them, but I think it's a good thing that we are involved in the political process."

Third National Convention of the Coalition for Nuclear Disarmament and Peace (CNDP)

The third National convention of the CNDP was held in Nagpur from Feb. 1 - Feb. 3 2008 amidst much fervour and enthusiasm. It was attended by around 350 delegates.

The CNDP had come into being in November 2000 through the first national convention in Delhi, primarily in response to and in protest against India going openly nuclear in May 1998.

The second convention was held in Jaipur in November 2000.

The third national convention consisted of two major plenaries on the day one with a number of parallel workshop following day. The closing session was another plenary to chart out the road ahead and organisational structure.

At the opening, the delegates were welcomed by Advocate Prakash Meghe and also eminent trade union leader Jammu Anand - both from Nagpur.

The opening plenary, on "Nuclear Disarmament - The State of the World", was chaired by Admiral (Rtd.) L Ramdas. The speakers included: J. Sri Raman, N D Jayaprakash, Karamat Ali (Pakistan), John Hallam (Australia) and Achin Vanaik. Bernie Meyer from the US, who is also known as American Gandhi also delivered a short speech.

The second, post-lunch, plenary, on the "Indo-US Nuclear Deal" was chaired by Ilina Sen. The speakers were Sukla Sen, Sandeep Pandey, G Subramaniam and Praful Bidwai.

Both the sessions had intense and lively interactions between the audience and the main speakers at the end.

The second day had a number of parallel workshops, on "West Asia", "Militarisation/Nuclearisation of South Asia", "Terrorism Issue and Its Misuse for US Imperial Purpose" - in the first half, and on "Nuclear Power" and "Peace Education" in the second half. The main speakers included Feroz Mithiborwala, Qamar Agha, N D Jayapraksh and Mazher Hussain (on "West Asia"), A S Verma, Kavita Srivastava and Karamat Ali (on "Militarisation/ Nuclearisation …"), Achin Vanaik (on "Terrorism .."), Dumka Murmu, Shri Prakash, Dr. Shakeel Ur Rahman, Channa Vasavaiah and Praful Bidwai (on "Nuclear Power") and Sangeeta Krishnan (on "Peace Education").

The third and last day's plenary, among other things, adopted a number of resolutions including one asking for immediate release of Dr. Binayak Sen, a leading CNDP activist, from Chhattishgarh jail. It also laid down the procedure for forming the next National Coordination Committee (NCC).

The major areas of works in the coming days were identified as under:

Disarmament - South Asian *denuclearisation and Promotion of India-Pakistan people-to-people activities;* Global nuclear disarmament efforts *and* Peace education.

Nuclear Energy (Issues of health, safety, transparency, compensation, accountability, democratic assent) - Uranium Mining and Plants and reactors.

Militarism / Imperialism - West Asian Solidarity and Indian Foreign Policy and Conventional arms reduction.

Indian state's militarism/repression (in tandem with CNDP mandate).

The final session was alternately conducted by Prakash Meghe and Anil Chaudhary with active assistance from Achin Vanaik, Sukla Sen and Garimella Subramaniam.

Yugal Rayalu acted as the translator in the plenaries.

Interesting cultural programmes were held on the second evening led by Shoma Sen.

A lively and colourful rally was taken out on the first evening which marched through the streets of Nagpur raising slogans in favour of peace and a nuclear weapon free South Asia and the world.

The main points made by the Nagpur Declaration are:

- **Resist Indo-US Nuclear Deal!**
- **Free South Asia of Nuclear Danger!**
- **Abolish Nuclear Weapons Worldwide Now!**
- **Resist Mindless Drive for Nuclear Power!**

The Convention ended on a high note of optimism.

NAGPUR DECLARATION

The Third National Convention of Coalition for Nuclear Disarmament and Peace

- **Resist Indo-US Nuclear Deal!**
- **Free South Asia Of Nuclear Danger!**
- **Abolish Nuclear Weapons Worldwide Now!**
- **Resist Mindless Drive for Nuclear Power!**

The Third National Convention of the Coalition for Nuclear Disarmament and Peace (CNDP), India has been held from 1st to 3rd February 2008 in Nagpur, which has a glorious tradition of mobilising for peace and justice. The two earlier conventions were held in Jaipur in 2004 November and in Delhi four years earlier.

It bears reiteration that the CNDP was founded to consolidate the nationwide protests conducted in response to the May 1998 nuclear weapon tests by India, and then Pakistan. The CNDP opposes these tests and the acquisition of nuclear weapons by any country including India. It may be recalled that the era of nuclear threat began with the mindless atomic bombings of the cities of Hiroshima and Nagasaki by the USA on 6th and 9th August 1945.

We, the assembled delegates at the Convention representing the peace movements in India and coming from various corners of the country, most emphatically reaffirm our firm conviction in reaffirmation of the Jaipur Declaration and our foundational Charter 2000: "Nuclear weapons are means of mass destruction regardless of who wields them. They are weapons of genocide. They can impose horrendous suffering on victims across generations. They destroy the ecosystem. The damage they do is lasting and incurable. The sheer scale and character of the devastation they can cause makes them a profound and distinctive evil. For this and other reasons, the possession, use, or threat of use of nuclear weapons is absolutely immoral." We also with equal assertion reemphasise "that the use, threat of use, or possession of, and even preparation for making, nuclear weapons is immoral, illegal, and politically unacceptable under "any circumstances"." Not only that, "nuclear deterrence" is absolutely "abhorrent to human sentiment since it implies that a state if required to defend its own existence will act with pitiless disregard for the consequences to its own and its adversary's people."

We again note with great concern the profoundly destabilising effects of the nuclear blasts in May 98. These have been most graphically and irrefutably demonstrated through an extremely dangerous (undeclared) border war in less than a year followed by a ten month long eyeball to eyeball massive confrontation all along the international border and the LoC. These confrontations were laden with the very real threats of nuclear exchange. Despite this experience and much opposition from the peace movements and civil society, the rulers of these two resource-starved countries persist with their pernicious nuclear weapons programmes, which are a tragic diversion from addressing vital social needs. Though there have been no further blasts since 1998, in the teeth of massive waves of international censure, the continuing flight tests of the Agni and Hatf missiles show that the race for developing nuclear warhead carrying missiles goes on unabated.

The recent political turmoil in Pakistan has graphically underscored the horrifying possibilities of nuclearisation of South Asia spearheaded by India's ugly ambitions. Nevertheless, the most dangerous development since the last CNDP convention has been the Indo-US Nuclear Deal, which is (still) in the process of operationalisation. Starting with the July 18 2005 joint statement issued by George Bush - Manmohan Singh in Washington DC, the process of trying to fashion and complete a deal has aggravated the nuclear danger both globally and also regionally. It, on the one hand, severely undermines the prospects of global nuclear disarmament by (selectively and arbitrarily) legitimising India's nuclear status and, in the process, the possession of nuclear weapons by the existing Nuclear Weapon States - both recognised and unrecognised - and also the aspirations of other actual and potential aspirants. On the other, it would also further intensify the arms race between India and Pakistan - both nuclear and conventional. Pakistan, in fact, made a strong plea for a similar deal. And the brusque refusal by the US, instead of dissuading it, would only further inflame its passions and thereby turn the dangerous nuclear mess in South Asia all the more dangerous. Furthermore, the consequent shift in focus in favour of highly expensive nuclear power, as and when and if at all the deal comes into operation, will significantly distort India's energy options at the cost of efforts to develop environmentally benign and renewable sources of energy. This deal is also an utterly reprehensible move to bring India closer to the US orbit as a regional ally to facilitate the execution of its global imperial ambitions. The CNDP remains unwavering in its consistent and high-pitched opposition to this deal.

With this deeply disturbing background in mind, the Convention further resolves as under:

I. Nuclear Weapons Free Region in South Asia

The CNDP, in active collaboration with other peace movements in the South Asian region and the Pakistan Peace Coalition in particular, will work towards a Nuclear Weapons Free Region in South Asia. It will also try to promote the idea of Nepal as a 'nuclear weapon-free-nation' on the lines of Mongolia and Austria to initiate and reinforce move in that direction. CNDP will also similarly work towards declaration of the whole of erstwhile state of Kashmir, both under Indian and Pakistani control, as a zone of peace.

This move is expected to provide a clear focus and strong momentum to the peace movements in the region and reinforce the forces of peace and radically bring down the nuclear danger by working on a concrete and workable action plan. This is also expected to deeply affect the global mindset and provide a strong, if not decisive, push towards universal nuclear disarmament - our central and abiding goal.

A regional convention of the peace activists from the region will be convened in the near future to work out a collective charter.

II. Global Convention on Nuclear Disarmament

The CNDP, in tandem with the essence of Rajiv Gandhi action plan for "A World Free of Nuclear Weapons" - which was submitted to the United Nations on June 9 1988, will work towards a global disarmament

convention, under the auspices of the UN, in collaboration with global peace movements towards this objective. The CNDP, in this context, notes with serious concern the total eclipse from the agenda of the UN of the McCloy-Zorin accord on general and complete Disarmament, which had been adopted by the United nations General Assembly on December 20, 1961.The CNDP urges the UN to forthwith reinitiate action on the same.

The projected global disarmament convention would chart out a clear and unambiguous road-map towards universal, complete and non-discriminatory nuclear disarmament within a defined time-frame. This would also enforce, in the run up to the final goal, all nuclear weapon states - declared and undeclared, immediately commence on progressively lowering down the operating statuses of their nuclear weapons, continue with the moratorium on explosive nuclear tests, freeze the programmes for developments of upgraded nuclear warheads and delivery/interception systems, freeze production of fissile materials, provide negative security assurance to all non-nuclear states outside of any "nuclear umbrella", credibly commit to "no-first-strike" and such other measures in consonance with the goal of nuclear disarmament.

The CNDP will proactively coordinate with various sections of global anti-nuke peace movements and unwaveringly work towards this goal.

III. Intensification of Struggles against Ignoring Safety and Hazardous Impact of Nuclear Power

The, yet to be operationalised, Indo-US nuclear deal has radically fired up the fantasies of the Indian nuclear establishment. Undeterred by its appalling past performance in terms of power production and also safety records, it is all set to embark upon a very ambitious plan of setting up mega nuclear plants dotting the entire coastal belt criminally unmindful of severely traumatic social and potentially disastrous ecological impacts. The CNDP, in keeping with its consistent track record and the mandates of its founding Charter, will actively collaborate with the grassroot people's movements, many of whom are its constituent members, to resist such mindless moves - singularly lacking in transparency and accountability, and provide all necessary and possible assistances in this regard.

IV. Demand to end US Occupation of Iraq and Afghanistan, Just Resolution of the Palestine Issue to Ensure Global Peace and Facilitate Nuclear Disarmament

The ugly ambitions of the US ruling elite to establish its unilateral dominance over the whole of the globe by foregrounding its awesome military might, including its nuclear arsenal, to compensate for the increasing inadequacies of its otherwise huge diplomatic/political clout and economic muscles has emerged as the most major threat to the prospects of global nuclear disarmament. The wars on and occupation of Iraq and Afghanistan are vital components of this grand project, also known as the Project for the New American Century (PNAC). The continuing US support for the apartheid Zionist regime of Israel and its inhuman oppression of the Palestinian people is just another facet of this ugly venture.

Consistent with the goal of global nuclear disarmament, the CNDP demands immediate withdrawal of occupation forces from Iraq and Afghanistan. The CNDP also solidarises with the legitimate struggles of the Palestinian people. The CNDP consequently commits itself to actively associate, in all possible manners, with all global, regional and local moves in these directions.

V. Other Related Issues

The CNDP clearly recognises that the spurts in national-chauvinist, majoritarian and militarist ideologies and political practices under whatever political banner, and the state at times playing a role of an active facilitator, by their very nature pose a major threat to anti-nuclear peace movements in India.

The CNDP hence rededicates itself to fight all these pernicious tendencies in all its manifestations in collaboration with other forces fighting for a just, peaceful and harmonious order.

Consistent with its core values, the CNDP reiterates its demand that Indo-Pak peace process be accelerated. It also demands visa-free travel facilities all over the SAARC region towards this goal. It furthermore demands 10% progressive cuts in the so-called "defence" budgets of all the countries in the region. The CNDP commits itself to ally itself with all regional efforts towards these goals.

Resolution on Uranium Mining

Stop Undertaking Uranium Mining in New Areas and Conduct Public Hearing on Jadugoda Mining

Uranium mining is the first stage of nuclear cycle. Thus halting uranium mining becomes the first step towards nuclear disarmament. Despite the ill effects of uranium mining in Jadugoda in terms of adverse impacts on public health and radioactive pollution, the nuclear establishment of India is bent upon opening new mines in the states of Andhra Pradesh and Meghalaya. In fact, a new mine is started in Kadapa in A.P. just a month ago. All these attempts are made in an undemocratic manner violating statutory provisions as regards environment and public opinion. Undertaking mining in new areas means spreading all the ills associated with radioactivity to more regions of the country, threatening peace and livelihood security of the people who inhabit these areas.

Taking note of the ill effects of uranium mining, committing to halt nuclear weapons development and respecting the democratic will of the people, the Third National Convention of the CNDP calls for the halt on uranium mining in new areas and undertaking public

hearing on the existing mines in Jadugoda. It further demands that in this respect, the example set by the Navajo Nations, and New Mexico in the US in particular, be followed. New compensation laws be framed so as to pay appropriate compensations to miners as well as people living in the vicinity. Cleaning operations of existing mines be undertaken in line with international norms and practices.

Resolution on Nuclear Weapon Free South Asia

The Coalition for Nuclear Disarmament and Peace (CNDP) fully supports and endorses the long standing proposal of the Pakistan Peace Coalition (PPC) for the establishment of a South Asian Nuclear Weapons Free Region and will join hands with all peace loving people of South Asia and the world to help bring this about.

Resolution on Negative Security Assurance to Non-Nuclear Weapon States by Nuclear Weapon States and No First Use Assurance by NWSs to Each Other

The Third National Convention of the Coalition for Nuclear Disarmament and Peace (CNDP) resolves as follows:

- That the CNDP expresses its deep anguish at the prospect that any deliberate or accidental use of nuclear weapons would unleash unprecedented death and destruction;
- That the use or threat of use of nuclear weapons would constitute a heinous crime against humanity;
- That, in the light of the impending threat posed by the huge stockpile of nuclear weapons across the world (with enormous number of nuclear missiles on hair-trigger alert), prevention of nuclear war under any circumstances is the most urgent tasks confronting humanity today;
- That the immediate and crucial first steps to prevent a nuclear holocaust is the guaranteeing of unqualified negative security assurance to the non-nuclear weapon states by the nuclear weapon states, on the one hand, and a no-first-use assurance by the nuclear weapon states to each other, on the other;
- That unqualified negative security assurance and no-first-use assurance are non-verifiable unilateral guarantees that assume the role of confidence building measures, which act as invaluable catalysts for initiating the process of global nuclear disarmament - the first phase in the goal towards general & complete disarmament;
- That the CNDP, hereby, calls upon the nuclear weapon states to forthwith accede to the demand for unilaterally guaranteeing unqualified negative security assurance to the non-nuclear weapon states and no-first-use assurance to each other so as to enable the initiation and acceleration of the process of global nuclear disarmament without any further delay;
- That the CNDP also calls upon all fraternal peace movements the world over to lend their wholehearted support to the demands for negative security assurance to non-nuclear weapon states by the nuclear weapon states and no-first-use assurance by the nuclear weapon states to each other and to actively campaign to achieve the above demands by raising the same before all international fora.

Asia

Filipino port workers' strike continues

Over 100 workers at the Dumaguete City Port in the Philippines remain on strike after walking out on March 13 following a breakdown in negotiations over job security with the port's new management, the Prudential Customs and Brokerage Services Incorporated (PCBSI).

Members of the Associated Labor Union-Trade Union Congress of the Philippines (ALU-TUCP) continue to picket the two main gates to the port. The port management called for police to remove the workers but the request was refused by the authorities who said the strike was legal and there had been no incidents on the picket line.

Felizardo Calimpong, provincial coordinator of ALU-TUCP, said the union called the strike because PCBSI management refused to recognise the port workers as permanent employees and had only offered to re-hire them as casuals. The National Conciliation and Mediation Board (NCMB) called the union and management together to continue mediation.

Indian meal workers rally for permanency

On March 19, Anganwadi (midday meal) workers from 20 districts across the Indian state of Karnataka rallied in Bangalore demanding job permanency and retirement benefits. The workers are employed in the state government's scheme to provide midday meals at schools.

The protestors accused the government of attempting to privatise the midday meal component of the Integrated Child Development Scheme (ICDS). The Secretary to the Department of Women and Child Development, Shalini Rajneesh, met a delegation from the rally and said the government would not privatise any part of the ICDS scheme. Other issues remain outstanding.

Karachi drivers oppose fuel increase

Public transport drivers in Karachi, Pakistan went on strike for one day on March 18, protesting rising fuel prices and a sevenfold increase in fines for traffic violations from 100 rupees ($US1.59) to 700 rupees.

The drivers, many whom are owner-drivers, operate minibuses, utilities and coaches. They refused the government's offer of an increase in transport fares and demanded it reduce petrol prices instead. A spokesman for the drivers said, "it (fare increase) will compound the public's miseries". The Karachi Transport Ittehad (KTI) is threatening an indefinite strike if the government fails to address the issues.

Indian airport employees strike over privatisation

Airport Authority of India (AAI) workers began an indefinite strike on March 11 in protest over government plans to privatise the Hyderabad and Bangalore airports.

Some 14,000 airport service employees, including cleaning, sanitary, fire services and electricians, joined the strike after talks between the government, AAI and union representatives collapsed.

The government has deployed air force personnel to airports and outsourced cleaning and sanitary services to counter the walkout. At the same time, it is threatening to evoke the strike-breaking Essential Services Management Act if the industrial action continues.

Praful Patel, the minister responsible for civil aviation, has insisted that the government will proceed with the privatisation in accordance with an agreement it signed with private companies in 2004.

IPK workers demand job permanency

On March 11, nearly 2,000 Indira Kranthi Patham employees in Warangal, Andhara Pradesh, walked out demanding job permanency.

According to an IKP Employees Welfare Association spokesman, workers have been with the company for five years as casuals. The workers plan to intensify the industrial campaign if their demand is not met.

Police arrest ministerial workers

Police arrested around 150 striking ministerial office staff protesting outside a ministerial building in Pondicherry, India on March 11.

The workers had been on strike for one week to demand all existing staff vacancies be filled. They claim there are more than 500 vacancies and that the situation has been allowed to continue for several years. The strike was called by the Pondicherry State Unified Ministerial Action Committee.

Nepal communication workers continue strike

Part-time and temporary communication workers at United Telecom Limited in Nepal have been on strike for more than one month with no end in sight.

The United Telecom Workers Union walked off the job on February 11 to demand full-time employee

status but the company, which employs few permanent staff, refuses to budge. The strikers have occupied several of the company's offices and vowed to continue the strike action until they achieve their demand.

The company is a joint Indian-Nepal project. The main Indian companies in UTL are MSNL (Mahanagar Telephone Nigam Ltd), VSNL (Videsh Sanchar Nigam Ltd) and Telecommunications Consultants India Ltd. The Nepalese partner is Nepal Venture.

Police attack picketing workers in South Korea

On March 11, 150 company-hired thugs supported by 600 riot police attacked and broke up a picket of striking workers at the Korea Securities Computer Corporation.

The workers, who have been on strike for 182 days, began picketing the company's headquarters in Yeouido, Seoul, in mid-February. They want better working conditions, pay and regular contracts for irregular (casual) workers.

Australia and the Pacific

Qantas workers stop work over safety

Qantas baggage handlers at Sydney international airport walked off the job on March 17 for four hours to attend a meeting to discuss safety issues and the increasing number of injuries on the job. There are also concerns about staffing levels, rosters and poorly maintained handling equipment.

The Transport Workers Union (TWU) claimed that one in three workers suffered injuries at work over the past year including torn discs, fractures and neck and shoulder strains.

Qantas management agreed to meet with the TWU to discuss the issues but said the workers would not be paid for the stoppage because it was "unauthorised".

Automobile Association workers reject pay deal

Roadside response workers employed by the New Zealand Automobile Association (AA) have rejected a pay deal negotiated by the Engineering, Printing and Manufacturing Union (EPMU). Over the Christmas holiday period last year the workers took unprecedented strike action in support of a pay claim.

The AA and EPMU brokered a deal for a 4.5 percent wage increase and for changes to a long-service policy to be included in a new collective agreement. The company is reportedly "stunned" that the deal was rejected. After the union signed off on the agreement, the company immediately issued a media statement declaring the dispute was over.

EPMU national secretary Andrew Little confirmed that workers had voted down the deal. They would meet to discuss "what action to take next" and "the possibility of further industrial action could not be ruled out".

Fiji public servants demand cost of living adjustment

Fiji Public Service Association (FPSA) members have instructed the union executive to demand the interim government pay a cost of living adjustment (COLA).

The Public Service Commission had said earlier that current financial constraints would not allow it to negotiate any COLA increase. FPSA industrial relations advisor Nirbhay Singh said the union was receiving daily requests from members seeking assistance because of financial hardships.

Meanwhile, the Fiji Bank and Finance Sector Employees Union called on the National Provident Fund (FNPF) to honour a decision by the disputes committee to pay its members a 5 percent COLA. Workers employed by FNPF went on strike in December 2007 when the FNPF refused to grant salary adjustments for 2005 and 2006, and performance salary increments and bonuses for 2007.

Europe

Greek workers stage general strike

On March 19, millions of workers in Greece staged a general strike in opposition to a restructuring of the pension and welfare system by the government of Prime Minister Kostas Karamanlis. The strike was the third since December in protest at the government's proposals. Opinion polls have regularly shown that a majority of the population do not support the government's plans.

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