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EDITORIAL

Union Budget 2006-07

Hungry? Eat Burger, Pasta And Drink Pepsi Cola

By: Piyush Pant

Earlier, the annual budgetary speech of successive Indian Finance Ministers used to be an event - much awaited and subsequently critically evaluated for its expected favourable or adverse impacts on Indian Economy and the various classes of Indian society. But this year's budgetary speech of the Finance Minister P. Chidambaram largely went unsung and without brickbatting. Neither it was hailed as the 'dream budget' nor as one geared towards alleviating the woes of the 'common man' on whose name the UPA government keeps swearing every time it is cornered on the front of policy and programme formulation. In fact the Finance Minister has paid only lip-service to the common man by only marginally increasing the allocations for the government's eight "flagship programmes". The total allocation for these programmes is less than Rs. 16,000 crores. Even UPA's much-publicised National Rural Employment Guarantee Programme has been allotted only Rs. 11,300 crores. On the other hand there has been continuous effort to cut down the food subsidies for the poor. And this despite Chidambaram being eloquent in his budget speeches about Fair Price Shops constituting the backbone of the food security for the poor and the need to strengthen the PDS system. But the budgetary allocations for food subsidy bill in his budget of 2004-05 were Rs. 2000 crores less than the previous NDA budget. His budget of 2005-06 further reduced these allocations from Rs. 25,800 crores to Rs. 23,200 crores. This was 4.6% of the total budgetary allocations. In this year's Budget this ratio has further been lowered to 4.3%. In a way the Budget has further harmed the interests of the 'common man' as the extension of the service-tax net will further make the life of 'man on the street' tougher as it will have a cascading effect on the price front. Already the inflation is on the rise and shifting of the service-tax to the consumers will make the commodities and services costlier, thus making the life of common man more miserable.

In fact, over the years the budgetary exercise has lost much sheen for the common man as well as for the middle classes as it has been continuously moving on the path laid down by the market-driven reforms. Our present Finance Minister is known as a 'dreamer' and habitual of presenting dream budgets. Naturally he dreams 'Big' - there is no place for small things either in his dreams or his scheme of things. It is but natural that his Budgets cater to the interests of the bigwigs i.e. the foreign investors, big corporates and the rich strata of Indian society. It appears that in his scheme of things the 'smaller' should sacrifice itself for the 'big': the indigenous people, the lower and lower-middle class people should die from thirst and hunger and commit suicides so that rich could eat Burgers, Pizzas and Pastas and could drink Mineral Water, Pepsi, Coke and fruit juices; they should renounce their claims to their hearths and habitats so that the neo-rich could build palatial buildings and shopping malls and could make their lives happy by having the feel of these shopping malls and multiplexes. Similarly the small-scale sector should yield place to the multinational business houses and retail sector barons. That's why under the stewardship of Mr. Chidambaram the

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appeal Action Programme for People's Economics and Allied Literacy

small-scale industry sector is receiving a constant drubbing. In 2004-05, FM put forward the proposal of de-reserving 85 items from this sector, in the next budget he further de-reserved 108 small-scale industries. Now this year's budget proposes de-reservation of 180 small-scale industries. Thus a process is on to kill the small-scale sector. And whatever remains left will be eliminated by opening the retail sector to foreign investment. Whereas the fact is that SSI sector provides much more employment per rupee of investment than the large-scale, capital-intensive sectors.

Mr. Chidambaram seems to be obsessed with the 'Growth' syndrome without elaborating 'Growth for Whome'? Is it for the poor people or the elites? In his speech Mr. Chidambaram said, "I believe that growth is the best antidote to poverty…. Growth will be our mount; equity will be our companion; and social justice will be our destination." But can a Growth fuelled by market economy and sustained by share market lead to social justice? Mr. Chidambaram can find the answer, provided he takes pain to look beyond the neo-liberal obsession. A report from Israel says that the rising economic growth in Israel has widened the gap between the rich and the poor. It says that the growth rate of the Israeli economy became higher due to healthy growth in exports, strength in the technology sector and a better investment climate. According to figures from Israel's National Insurance Institute, the overall proportion of poor people in Israel has arisen from 15% during the 1990s to 20% presently.

Similarly, in a study done by ILO, it has been found that global economic growth is increasingly failing to translate into new and better jobs that lead to a reduction in poverty. The ILO found that for every 1 percentage point of additional GDP growth, total global employment grew by only 0.30 percentage points between 1999 and 2003, a drop from 0.38 percentage points between 1995 and 1999. And closer at home Mr. Chidambaran should pay heed to what government's own Economic Surveys say - "the country is experiencing a virtually jobless growth". The Economic Survey of 2005-06 says that from 1993-94 to 2003-04, the unemployment rate (on the basis of current daily status) for males increased from 5.6% to 9.0% in the rural areas and from 6.7% to 8.1% in the urban areas. Likewise the unemployment rate for females increased from 5.6% to 9.3% in the rural areas and from 10.5% to 11.7% in the urban areas. It seems that for Chidambaram it hardly matters that on the Human Development Index India is still placed 127 out of 177 countries for the third consecutive year due to poor education and health standards. It is quite alarming that education spending has fallen from 3.74% of GDP in 2003-04 to 3.49% of GDP in 2004-05. And this is so when people were forced to pay education cess whose amount will be reaching Rs. 8,746 crores (in 2006-07). Though this year the allocation for elementary education and literacy has been raised from 12,536.33 crores in 2005-06 to 17,132.71 crores but this raise is merely 3.6% which is quite meagre. Similar fate has been meted out to the health sector as well. Though National Rural Health Mission's total outlay has been increased from Rs. 6508.05 crores last year to Rs. 8141.90 crores this year but it is far behind the requirements needed to meet the goals. Perhaps it would be better for Mr. Chidambaram to look at the Indian reality not through the foreign invester's mood but through the columns appearing in foreign media. Look Mr. Chidambaram this is what the International Herald Tribune commented on February 28, 2006: *"Despite the growing optimism about economic prospects in India, and the rise of Indian stock market indexes to unprecented highs, life for many beyond the thriving Indian cities remains bleak. India has more people living below the poverty line than any other country in the World, and some 330 millions survive on less than $ 1 a day."*

Budget Update

- Plan expenditure: estimated at Rs. 172,728 crore, up by 20.4%
- Non-plan expenditure: estimated at Rs. 391,263 crore, up by 5.5%
- Revenue deficit: estimated at Rs. 84,727 crore, 2.1% of the GDP
- Fiscal deficit: estimated at Rs. 148,686 crore, 3.8% of the GDP

Overview of the Economy

- 2004-05: growth rate 7.5% with manufacturing sector growing at 8.1%; gross domestic saving increased to 29.1% of GDP and the rate of gross capital formation, 30.1% of GDP
- 2005-06: GDP growth likely 8.1% with manufacturing sectorgrowing at 9.4%; agricultural growth 2.3%; inflation as on 11th February 2006 was 4.02%; non-food credit growing by over 25%

I

Taxes:

- Government to raise customs duty on vanaspati to 80%
- The food processing industry will get duty relief
- The Finance Minister said that value-added tax had been a resounding success, and that he expects states outside the system to join
- Comprehensive bill for insurance in FY07
- ATM operations to be brought under service tax net
- FBT on hospitality for airline, shipping cos cut to 5% from 20%
- Cash withdrawal tax to continue
- Excise duty on manmade yarn cut to 8% from 16%
- FBT changes: Superannuation contribution up to Rs 1 lakh exempt
- FBT on tour & travel reduced to 5% from 20%
- Customs duty on major bulk plastics reduced from 10% to 5%
- FBT changes: Brand endorsement excluded
- GST to be introduced by April 2010
- Excise duty on cigarettes upped by 5%
- Excise duty on instant food cut to 8%
- 4% CVD on all imports
- Sec.80-IA exemption extended to March 2009
- Service tax rate increased from 10% to 12%
- One by six scheme for filing of I-T returns abolished
- STT rate increased by 25%
- Minimum Alternate Tax raised to 10%
- No new direct tax imposed
- No change in rates of personal or corporate income tax
- International air travel, PR service brought under service tax net
- Cess on crude processing up from Rs 1,800/tonne to Rs 2,500/tonne
- Customs duty on mineral products cut to 5% vs 15%
- Excise duty on printing paper reduced to 12%
- 8% excise duty on packaged software
- Excise duty on footwear reduced to 8%
- Excise duty exemption for ice cream, condensed milk
- Excise duty on small cars, aerated drinks cut to 16% from 24%
- Countervailing duty of 4% on most imports
- Customs duty on anti-AIDS, anti-cancer drugs cut to 5%
- Customs duty on packaging machines reduced to 5%
- Customs duty on Naphtha reduced to nil
- Customs duty peak rate reduced from 15% to 12.5%
- Import duty on non-ferrous and ferro alloys cut to 7.5% from 10%

Economy:

- Fiscal deficit in 2006/07 likely to be 3.8 percent of GDP, compared to an estimated 4.1% the previous year
- Increase in revenue on account of tax proposals pegged at Rs 6,000 cr
- Revenue deficit for current year to be 2.6%
- Finance Minister says services sector expected to contribute 54% of GDP in 06/07
- Defence spending increased to Rs 89,000 crore in 06/07 from Rs 83,000 crore in the previous year
- Q3 GDP at 7.6% vs 7% last year
- Savings up at 21.9% of GDP
- GDP growth target for 10th plan at 8%
- Gross capital formation up 30% in FY05
- Govt determined to take country to 10% growth
- Investment rate up from 25.3% in FY03 to 30.1% in FY05: FM
- "FY06 prospects good if not better than FY05"
- "Continued" buoyancy in capital formation
- FY06 GDP growth likely to be 8.1%: FM
- Support to Central plan: Rs 1,31,285 cr vs Rs 110,385 cr this yr
- Gross Budgetary Support to Plans up 20.4% to Rs 1,72,728 cr

Financial sector:

- Plan to let Indian mutual funds invest up to $2 billion abroad
- Bank FDs up to 5 years included in 80-C exemption
- Co-operative banks to come under the tax net
- MFs can invest in overseas funds
- FII investment in G-secs upped to $2 billion from $1.7 billion
- To remove 10% foreign investment cap for mutual funds
- FII investment limit in corporate bonds upped from $0.5 billion to $1.5 billion
- Non-food credit growing by over 25%
- Jan-Nov 2005 saw $4 billion via FDI

Rural investment:

- Raises corpus for rural infrastructure development fund to Rs 10,000 crore from Rs 7,300 crore
- Government to allocate Rs 18,696 crore for rural infrastructure projects in 2006/07
- Mid-day meal allocation for FY07 at Rs 4,813 cr
- Rs 14,300 cr allotted for rural employment
- Rajiv Gandhi drinking water plan to get Rs 4,680 cr vs Rs 3,645 cr this year
- Rs 18,696 cr allocation to Bharat Nirman project: FM

- Rural health spending at Rs 8,207 cr
- Special Nabard credit line for self-help groups
- Rs 5,000 cr set aside for backward districts

Health and Education:

- Education spending to be increased by 31.5 percent, and health spending by 22 percent
- Allocation for primary education increased to Rs 10,041 crore from Rs 7,156 crore
- 20,000 scholarship schemes for students from minority communities
- Rs 24,115 cr allocation for education
- Aim to eradicate polio by 2007
- Rs 100 cr grant to Punjab Agriculture University

Infrastructure:

- Comprehensive review of coal policy needed
- Government expects investment of Rs 22,000 crore in oil refining over next few years. The government will encourage investment in refineries, pipelines and green fuel.
- Highways development programme to receive Rs 9,945 crore in 2006/07. The government has identified three new road projects to be built under a new special purpose vehicle.
- Indian Infrastructure Investment Company to be set up
- 96% of Golden Quadrilateral will be completed by June: FM
- Golden Quadrilateral project to be completed by end of 2008
- 5,083 MW capacity to be added in FY06: FM

Trade and Industry:

- Food processing sector to be treated as a priority sector for bank lending
- Finance minister says imports in 2005/06 are "high but welcome" as they reflect growing investment and industrial activity
- To double world export share to 1.5% by FY09
- Export body to be set up for gems and jewellery sector

Agriculture:

- Agricultural growth back to 2.1%: FM
- Foodgrain output this year at 209.5 mt: FM
- Rs 944 cr grant given for irrigation in Bharat Nirman: FM
- To double farm credit in 3 years, Rs 1700 cr allocated to farmers
- Separate window for tenant farmers to ensure loan share
- Short-term loans to farmers to be made available at 7%; limit at Rs 3 lakh

Others:

- Rs 10 crore allocated for celebrating 150th anniversary of First War of Indian Independence
- Kudiyattam, Vedic Chanting and Ramlila declared heritage art forms
- National Fisheries Board to be constituted soon
- Electronic bond trading net extended to mutual funds, pension, and provident funds
- Fifteen tourist development circuits identified for development
- 3.92 million tourists came to India in 2005-06
- Tourism Plan spending at Rs 830 cr
- 180 items to be de-reserved from SSI list
- Rs 100 cr fund to help tea growers
- India to be developed as semi-conductor manufacturing hub
- Three investment regions to be developed for oil sector
- Four new hotel management institutes in Chhattisgarh, Haryana and Uttaranchal
- FY07 public sector outlay at Rs 1.23 lakh cr
- Outcome Budget on March 17
- To provide Rs 16,901 cr for PSU equity and Rs 2,789 cr via loans in 2006-07
- To mull taking Hyderabad Metro under NURM plan
- Rs 10,041 cr allocation for Sarva Shiksha Abhiyan
- Govt to fund disaster rehabilitation
- Manufacturing sector growth seen at 9.4% in FY07

II

What Will Cost More and What Will Less

Following items will cost less as a result of cuts in excise duty or customs duty:

Cost Less

- Aerated drinks
- Small cars whose length does not exceed 4 metres and engine capacity 1200 cc, however, for diesel cars the norms are 1500 cc
- Anti-AIDS and anti-cancer drugs and other life saving drugs
- LPG gas stoves
- Compact fluorescent lamps
- Footwear of retail sale price up to Rs 750 per pair
- Specified printing, writing and packing paper
- Paddy de-husking rice rubber rolls
- Drawing inks
- Condensed milk
- Ice cream
- Yeast
- Processed meat, fish and poultry products
- Pasta, ready to eat packaged food, texturised vegetable protein
- Instant food mixes like pongal mix, vadai mix, pakora mix, payasam mix, gulab jamun mix, rava

dosa mix, idli mix, dosai mix and kesari mix

- Scented supari with sale of 50 paise or less per pouch.

But then, following will cost more because of upward revision in excise on bringing some of the items under the excise net or service tax net:

Cost More

- Wooden items
- Registers, accounts books, order books, letter pads, diaries, binders, folders, file covers
- Henna powder, not mixed with any other ingredient
- Parts of walking sticks, seat sticks, whips, riding crops and the like
- Umbrellas and sun umbrellas, and their parts
- Food preparations meant for free distribution subject to end use certification
- Tobacco used for smoking through hookah or chilam
- Mosaic tiles
- Glassware
- Cigarettes, cigarette filter rods
- Soap manufactured under a scheme for sale Janata soap
- Computers, set top boxes not covered under the information technology agreement
- Buying shares through an IPO
- Foreign travel by business class
- Internet users
- Credit card, debit card or other payment card related services; transfer of money through different modes
- Food on railway if served by caterer other than the railways - catering services in academic institution or medical establishment by outdoor caterer.

Budget: How Each Rupee Earned by the Government is Spent

The Indian government spends 0.21 rupees on interest payments of every rupee it earns in 2006-07 (April-March). According to the budget proposals tabled in parliament by Finance Minister P. Chidambaram, the government will spend another 0.13 rupees on defence and 0.07 rupees on subsidies.

The following table gives the details of where the rupee comes from and where it is spent.

Rupee Earned		Rupee Spent	
Borrowing and other liabilities	- 0.22	Interest	- 0.21
Corporation tax	- 0.20	Central plan	- 0.19
Excise	- 0.18	States share of tax and duties	- 0.17
Customs	- 0.11	Defence	- 0.13
Income tax	- 0.11	Other non-plan expenditure	- 0.12
Non-tax revenue	- 0.11	Subsidies	- 0.07
Other taxes	- 0.05	States plan assistance	- 0.06
Non-debt capital receipts	- 0.02	Non-plan assistance to states	- 0.05
Total	- 1.00	Total	- 1.00

PC Squeezes Subsidy Bill to Bring Down Deficits

New Delhi, Feb 28 (PTI) Maintaining a tight leash on subsidies in tandem with fiscal prudence, government today announced 10 per cent hike in spendings at Rs 5,63,991 crore for the next fiscal when growth in plan expenditure is more than double the non-plan one. For the first time in recent memory, Finance Minister P Chidambaram succeeded in scaling down the overall subsidy bill at Rs 46,213 crore for 2006-07 from the revised estimates of Rs 46,874 crore and budget estimate of Rs 47,432 crore for this fiscal. This, along with marginal increase in provisions for defence and interest payment, helped the government peg the non-plan expenditure at Rs 3,91,263 crore for next fiscal compared to Rs 3,70,847 crore budgeted for 2005-06. With hardening of interest rates and rise in the cost of borrowings of government, the interest outgo will be Rs 1,39,823 crore next fiscal compared to the revised estimate of Rs 1,30,032 crore and budget estimate of Rs 1,33,945 crore for 2005-06. Defence spendings is pegged at Rs 51,542 crore for next fiscal, slightly higher than last year's estimate Rs 48,625 crore. With National Common Minimum Programme mandating better targeting of subsidies, Chidambaram squeezed the subsidy bill by slashing allocation for food, petroleum and interest subsidies. Food subsidy is pegged at Rs 24,200 crore next fiscal, which is slightly higher than the revised estimate of 23,200 crore and budgete estimate of Rs 26,200 crore of this fiscal.

Budget: High on Intent, Low on Action

By: A Seshan

What does the Budget have to offer the common man vis-à-vis his basic bread and butter issues? One curious feature of the economy in recent years has been that prices of luxury items have been falling while that of necessities rising. The Finance Minister is confident of achieving 10 per cent GDP growth, but there are no major initiatives to raise investments to reach that level.

The first impression on the completion of the Budget Speech was that it is in line with the current trends in the economy lest it rocks the boat. One curious feature of the economy in recent years has been that prices of luxury items have been falling while that of necessities rising. And this is an economy where, even according to official statistics, nearly one-fourth of the people live below the poverty line.

The Economic Survey acknowledged its disquiet over the rising food prices. So many years after the Green Revolution the country is still thinking of importing wheat to contain prices.

What does the Budget have to offer for the common man vis-à-vis his bread and butter problems? Production and prices are no doubt closely related.

Is there anything in the Budget that would go towards improving productivity in any sector? There was some talk about R&D being given encouragement in agriculture or industry. There is no reference, even for the sake of form, to the need to raise productivity.

Farm Expenditure

Agricultural growth for the current year is estimated at 2.3 per cent. It is just enough to cope with the population growth. Will short-term farm credit, even if doubled to meet the target, do the trick of accelerating agricultural growth to 4 per cent as proposed?

The Finance Minister says it is possible to reach the GDP growth rate of 10 per cent. But one does not find any major initiative in raising the investment level to reach that target.

There are estimates of expenditure for infrastructure projects and so on but will they add up to ensuring a growth rate of 10 per cent next year?

Despite the brave talk in the past about the economy becoming resilient to the vagaries of the monsoon one still finds the government blaming nature for decline in agricultural output.

In a vast country like India one cannot expect agricultural conditions to be normal everywhere in any one year. The strategy should be to frame a plan for contingencies.

Only around one-third of the total expenditure is earmarked for the implementation of the Plan and could be considered to be contributing to investment and growth. Non-Plan expenditureis also important.

But one knows that the status of maintenance of infrastructure is poor despite annual expenditure thereof as is evident from the condition of the roads post monsoons even in a city like Mumbai.

The money drain is a serious problem. Of course, one does not expect the Budget speech to deal with the question of implementation of projects. But there is nothing to indicate in any other document either as to how the government proposes to deal with the problem of effective implementation of its Plans.

To modify an oft-quoted statement of the late Hugh Dalton, the Chancellor of the Exchequer in the UK, economy means getting 100 paise worth of goods and services for every rupee spent. It would rule out any leakage of the type that Rajiv Gandhi once referred to.

RBI support

The estimates of revenue and fiscal deficits do not signal a dramatic change. But one major point that the Finance Minister should have referred to is the implication of the law prohibiting, except under unusual circumstances, the Reserve Bank of India (RBI) from providing support to the government in the primary market for its securities with effect from April 1. Even the RBI remained silent on this matter in its latest Review of Credit Policy.

In the last few weeks there has been a squeeze on liquidity with the call money rates hovering around 7 per cent. A few banks have raised interest rates for both deposits and lending to deal with the situation. Probably others have been waiting for the Budget.

In the light of the continuing liquidity problem, how is the Government going to meet the borrowing requirements sans the RBI support? If banks, insurance companies, etc., have to provide the support, the interest rates will have to go up.

In this context the directive to banks to lend to farmers at 7 per cent upto a ceiling of Rs 3 lakh is contra-indicated.

Agricultural credit is a subject that has been flogged for more than a half century but no viable solution has been found so far. Having been used to usurious

rates of interest, the small farmer is unlikely to be elated by the decline in interest by 3-4 per cent. What he wants is credit when he needs it. Directed credit is still part of the ethos of policy making despite protests.

Banks and mutual funds

The inclusion of fixed deposits in banks with a maturity of five years for deduction from income under Section 80C has been done to address bankers' grievance that they are losing out to others in mobilising savings such as mutual funds.

There is no level playing field as, for the other eligible schemes, the lock-in period is only three years.

But the fundamental question is whether the success of mutual funds in mobilising savings is at the expense of banks. What does a mutual fund do with the cheque that it receives from a customer as subscription towards a scheme?

It deposits the cheque in its own account in a bank although it may be a different one.

In other words, the money returns to the banking system.

In fact, it never leaves the system unless the money is absorbed by the government or the central bank or as payments abroad. Banks may even be gainers in the process.

While the customer may be a drawing a cheque on his savings account on which interest is paid, the mutual fund will keep the money in the interest-free current account.

The reason for the recent liquidity crunch is that the Government has not spent the money it has collected and is building up balances with the RBI. This is apart from the damage caused by the redemption of the India Millennium Bonds.

The other proposals, or even non-proposals, are welcome. Thus, there is an attempt to reduce indirect taxes. Direct taxes have been more or less left untouched with some relief to corporates in respect of the Fringe Benefit Tax.

Mercifully, the Budget is silent on the introduction of the Exempt Exempt Tax method, although in the subsequent press conference the Finance Minister indicated that there would be a gradual transition towards it.

(Courtesy: Business Line)

Defence Spending Hiked to Rs 89,000 Crore

New Delhi: With mega armament deals in the offing to shore up the country's fighter strength and increase the punch and lethality of the land forces, the Government hiked the country's defence spending by 8.94 per cent to Rs 89,000 crore for the year 2006-07.

Signalling that the Government intended to go ahead with the current modernisation drive, the Defence budget has been increased by Rs 7,300 crore from last year's revised estimates of Rs 81,700 crore.

However, though the Prime Minister Manmohan Singh recently said that the Government could consider increasing the defence spending to 3 per cent of the GDP, the Defence budget continues to be pegged at 2.27 per cent of the GDP, far below the country's immediate neighbours Pakistan and China, who spend between 5 to 7 per cent of the GDP on Armed Forces.

Though India has recently reopened its submarine assembly lines to build French Scorpene submarines, the IAF and Army are both vying to augment their fighter and artillery fleet. The Air Force is on the verge of calling for international tenders to purchase 126 combat aircraft to shore up its depleting fighter squadron strength and Army badly needs to purchase upgraded 155mm artillery guns.

To ensure that the acquisition process goes full steam, the capital outlay in the new Budget has seen a jump of 13.25 per cent from last year's revised estimates of Rs 33,075 crore to Rs 37,458 crore, an increase of Rs 4,382 crore.

But, over Rs 1,000 crore on the capital outlay head remain unspent, a trend which the new Defence Minister Pranab Mukherjee arrested last year. Defence sources, however, exuded confidence that the amount would be fully utilised with some major deals pending nod from the CCS.

Where is the "Human Face"?

By: Shouvik Chakraborty

The UPA Government, which assumed power on May 22, 2004 with the support of the Left parties, was expected to bring about major changes in the economic policies in favour of the poor. The question which naturally arises therefore is whether their expectations have been fulfilled or whether this government too is framing policies favourable to the richer segments of the population. This paper attempts to find an answer to this question by' analysing the recent Budget and the two previous ones presented by P. Chidambaram, the Union Finance Minister.

Employment

In the last two Budgets, the finance Minister had claimed that maintaining growth, stability and equity were the main objectives. He had announced a target of seven to eight per cent growth for the economy in accordance with the NCMP and this year's Budget shows that the target was achieved. High growth rate itself, however, is not a sufficient condition for alleviating unemployment and poverty. Data entered from successive year's *Economic Surveys* reveal that the country has been experiencing a virtually "jobless growth", though the Finance Minister denied this in his Budget speech of 2005-06. Table-1 shows that the unemployment level in the country increased across all the categories. The *Economic Survey of 2005-06* states that from 1993-94 to 2003-04, the unemployment rate (on the basis of current daily status) for males increased from 5.6 per cent to 9.0 per cent in the rural areas and from 6.7 per cent to 8.1 per cent in the urban areas. Similarly, over the same period, the unemployment rate for females increased from 5.6 per cent to 9.3 per cent in the rural areas and from 10.5 per cent to 11.7 per cent in the urban areas. This is quite disturbing for our economy, which already has been facing the challenge of a high level of unemployment. Thus, it warranted a serious attempt on the part of the UPA. Government to formulate a growth strategy, which gave due attention to employment generation.

Table.1: Unemployment rates for 50th Round (1993-94) and 60th Round (2004) of the NSSO

	Males			Females		
Round	Usual	CWS	CDS	Usual	CWS	CDS
			Rural			
50th Rotmd	20	30	56	14	30	56
60th Rotmd	24	47	90	22	45	93
			Urban			
50th Rotmd	45	52	67	83	84	105
60th Rotmd	46	57	81	89	90	117

Notes:

1. Unemployment Rates are the number of persons (or person days) tmemployed per 1000 persons (or person days)
2. CWS: Current Weekly Status
3. CDS: Current Daily Status

Source: Economic Survey 2005-06

The Budget of 2005-06 saw an allotment of Rs 11,700 crores (a provision of Rs 4050 crores in the national food for work programme and Rs 7650 crores for the SGRY programme) towards the total rural employment programme. This year's Budget saw an increased allocation on this front to Rs 12,870 crores (a provision of Rs 10,700 crores is under the NREG Scheme \ and Rs 2700 crores under the SGRY scheme), a nominal increase of only 10 per cent. While the NREG scheme comes into being, the SGRY scheme experiences a drastic cut and the Food-for-Work programme disappears. The allocation towards the NREG scheme falls quite short of the minimum required allocation, which is Rs 20, 000 crores as calculated by many' economists. In fact, Table-2 shows that though there has been a marginal increase in the absolute value of expenditure on total rural employment, but when taken as percentage of the total budgetary expenditures and GDP, respectively, it reflects a virtual stagnation. During the period between 2002-03 and 2006-07 (Budget estimates), the government's total allocations to this sector as a percentage of the total budgetary expenditure and GDP have stagnated at 2.30 per cent and declined from 0.39 per cent to 0.33 per cent, respectively.

Table. 2 : Allocations for Rural Employment Over the Years

	2002-03 (RE)	2003-04 (RE)	2004-05 (RE)	2005-06 (RE)	2006-07 (RE)
Expenditure on Total Rural Employment (in Rs crores)	9502.00	9639.00	6408.00	11,700.00	12,870.00
Expenditure as % of Total Expenditure	2.30	2.00	1.30	2.30	2.30
Expenditure as % of GDP	0.39	0.35	0.21	0.33	0.33

Source: Expenditure Budget and Economic Survey (various-issues)

The success of the Food-for-Work programme, which was executed in 150 backward districts of the country in the fiscal year 2004-05, provided the necessary boost to the Finance Minister to extend this employment scheme to more than 250 districts in the next Budget. This year the budgetary allocations for the Food-for-Work programme have disappeared

(the National Food-for-Work programme has been subsumed in the NREG scheme) and the allocation towards the SGRY scheme has declined from Rs 7650 crores to Rs 3000 crores. Thus, there has been no major increase in the budgetary allocations for the rural employment sector as has been claimed by the Finance Minister. Indisputably, the Budget should have gone several steps further and made much larger allocations, given the massive nature of unemployment in the rural areas.

Agriculture

In India, about 72 per cent of households belong to the rural areas and account for nearly 75 per cent of the total population. In rural India, about 66 per cent of usually employed males and 84 per cent of usually employed females are engaged in the agricultural sector. (Economic Survey, 2005--06) The government must recognise that the agricultural sector is in total disarray and it requires massive investment and rural credit support. Table-3 shows that the gross capital formation in agriculture has dwindled over the last few years. In the post-reform period, there has been a huge withdrawal of the state's allocation from the economic and welfare activities in the rural sector. Since public investment crowds in private investment, there has been a continuous reduction in the gross capital formation in the agricultural sector. The recent Budget was also not serious in increasing public investment to this sector. No special packages were announced by the Finance Minister to improve public investment in this sector.

Table. 3 Gross Capital Formation in Agriculture
(at 1999-2000 prices)

Year	Investment in Agriculture (in rupees crores)			Investment in Agri. as % of GDP
	Public	Private	Total	
1999-00	7754	35,719	43,473	2.2
2000-01	7018	31,158	38,176	1.9
2001-02	8529	38,215	46,714	2.2
2002-03	7489	38,018	45,507	2.1
2003-04	12,809	35,024	47,833	2.0
2004-05 (QE)	12,591	30,532	13,123	1.7

Source: Economic Survey 2005-06

The National Commission on Farmers, set up by the government in 2004 and headed by an eminent scientist, Dr. MS. Swaminathan, has expressed deep concern over the debt burdens in the rural areas. In the recent Budget, the only significant step taken was in terms of reduction of interest rates on institutional credits from nine per cent to seven per cent (although the Commission recommended a much lower rate of four per cent); an additional 50 lakh farmers have also been provided with access to institutional credit. Though these steps are encouraging, the Budget has still not fully appreciated the depth of indebtedness and the generalised nature of the agrarian crisis prevailing over all the peasant classes. Even if the government is thinking of proposals to raise investment, these can be effective only in the medium or long-term ones, and can benefit peasants after a long time lag. But, over the last few years thousands of farmers have committed suicides in the States of Andhra Pradesh, Tamil Nadu, Karnataka and several other parts of the country. Suicides by farmers who have already reached the end of their tether infuse the issue with an immediacy and centrality. In 2004-05, Professor Utsa Patnaik suggested some steps that could have been taken by the government to bring immediate relief to this sector. She suggested.

1. To set up immediately a farmer's Debt Relief Commission headed by a senior administrative officer designated as Debt Relief Commissioner with provision for enough staff to man offices in every taluka. The job of this Commissioner would be to invite applications from the indebted farmers who are interested in applying for debt-relief and to dispose of cases speedily. The relief would be in the form of a sanction letter, which banks should be instructed to honour, allowing the farmers to take loans and the government should stand as a guarantor to these loans.
2. To waive immediately all the arbitrary conditions which are in force at present for issuing BPL ration cards and to make these cards available to all those who wish to apply. Universalisation of PDS is the need of the hour.

But the government has not paid heed to such suggestions. These measures not only would have brought immediate relief for the rural poor but also generated additional effective demand for the economy as a whole through backward and forward linkages, by increasing the purchasing power of the rural poor. On the contrary, the Finance Minister in his Budget speech of 200-506 emphasised crop diversification, which goes against the basic national objective of ensuring self-sufficiency in food grains. The immediate need is to ensure that the peasants are encouraged to diversify their crop production more in favour of food self-sufficiency. **The bulging foodgrains in the godowns of the Food Corporation of India from 2000-01 to 2002-03 do not reflect that we produce too much relative to our requirements. Rather, they suggest that the purchasing power of the poor and the marginalised in our society is minuscule.**

Among the economists, there is a strong feeling that

the government is underestimating the extent of rural distress and the problems faced by the cultivators, especially the small and marginalised farmers. Though a lot of lip service was paid to farmers in the last three Budgets, very little has been actually allocated for agriculture and allied activities. Table-4 clearly brings out this fact. During the period between 2004-05 and 2006-07 (Budget estimates), the government's total allocations to this sector as a percentage of total budgetary expenditure and GDP have declined from 7.30 per cent to 7.06 per cent and 1.16 per cent to 1.04 per cent, respectively.

While the Finance Minister expressed concern over the agricultural sector, the limited. allocations for this sector and the inadequate tariff protection offered to it would not go a long way in addressing that concern. The immediate and necessary step which the government should have taken in this Budget was to raise the import tariffs, especially on cotton, to protect the farmers from the falling world prices which are often lower than even their cost of production. It should have also gone a step further, following the recommendations of the National Commission on Farmers, by establishing the Price Stabilisation Fund and extending crop insurance to all farmers and crops so as to prevent the collapse of viability of farming.

Food Subsidy and Health

Table. 4 : Budgetary Provisions in Agriculture and Allied Activities

Year	Total Allocations (in Rs crores)	As % of Total Expenditure	As % of GDP
2001-02 (RE)	25,634.21	7.08	1.13
2002-03 (RE)	31,080.37	7.52	1.26
2003-04 (RE)	33,034.3'1	7.01	1.20
2004-05 (RE)	36,306.82	7.30	1.16
2005-06 (RE)	36,641.16	7.20	1.04
2006-07 (RE)	39,843.44	7.06	1.01

Source: Expenditure Budget Volume-I, Almexure-I

THE Budget speeches of P. Chidambaram differed from those of the NDA Government both in the rhetoric and in the somewhat larger allocations made for social development and rural sectors. In his Budget speech of 2004-05, he stated that the fair price shops constituted the backbone of the food security system for the poor and that the public distribution system would be strengthened. But, in the 2004-05 budgetary allocations, the food subsidy bill proposed was at Rs 25,800 crores, which was Rs 2000 crores less than the provision in the Interim Budget of the NDA regime. The Budget'of 2005-06 saw a further reduction, even in absolute terms, from Rs 25,800 crores to Rs 23,200 crores, which was 4.6 per cent of the total budgetary allocations. In 2006-07, this ratio further fell to a level of 4.3 per cent. Far from extending the coverage of the Public Distriblition System in the context of growing evidence of food insecurity and hunger deaths across the country, the Finance Minister has actually reduced, the scope of the food subsidy. Another such example could be cited in the sector of health. In 2005-06, the launching of the National Rural Health Mission indeed benefited the rural poor, who depend a lot on public health care facilities. The Budget estimates of 2006-07 for the flagship programme shows an increase from Rs 6553 crores to Rs 8207 crores, a mere increase of Rs 1654 crores, despite the grandiose claims made about it. The health expenditure levels are far below those required to fulfil the promises of the National Rural Health Mission. The Supreme Court has ordered the government to universalise the ICDS programme, which will require an allocation of Rs 8000 crores. But, this year the Finance Minister has allocated Rs 4087.54 crores for the programme. A significant development in the health sector was the proposal of setting up six AIIMS-like institutions to provide medical education in the deficient States. In 2005-06, the allocation made for this purpose was Rs 250 crores and this experienced a drastic fall to Rs 6 crores by the time the revised estimates came out. In this Budget, the Finance Minister has pegged the allocations for this purpose to a meagre sum of Rs 75 crores. Thus, when it comes to the actual allocations for the social sectors, the Finance Minister has been quite miserly.

Education

In 2004-05, the Finance Minister's speech stated that "no issue enjoys a higher priority than providing basic education to all the children". This was a reflection of the commitment on the part of the government to spread basic and primary education to all the children. That year saw the implementation of two per cent education cess on all taxes, which was expected to mobilise Rs 4000-5000 crores to finance elementary education. The Finance Minister has increased the total allocation for elementary education and literacy from Rs 12,536.33 crores in 2005-06 to Rs 17,132.71 in this Budget. The increasing amount of educational cess mobilised by the government will reach Rs 8746 crores (2006-07 BE), which should have acted as a catalyst for allocating more to this sector. It is important to note here that despite the promise of enhanced education expenditure, the actual allocation is far below the level required to achieve universal elementary education. The Tapas Majumdar

Committee Report estimated a sum of Rs 137,000 crores required over a period of 10 years to achieve the goal of universal elementary education. The average annual additional amount being-Rs 13,700 crores, there is a gross inadequacy in the allocation of funds if the government is serious about universalising elementary education. In a country where more than 35.60 per cent of the total population is illiterate, spreading literacy and universalising primary education should have been the foremost task of the government.

The spending on primary education should not, however, serve as an encumbrance for allocating funds to research and higher education. On the other hand, it can be argued that in the light of the expected increase in the demand for secondary education due to an attempt to universalise elementary education, it is most desirable that the Centre increases its expenditure in this segment too. The Finance Ministry has paid insufficient attention to higher education in general and university education in particular. The total expenditure on secondary and higher education in the present Budget is Rs 6982.28 crores. Though the increase amounts to Rs 1182.28 crores, the absolute amount is still inadequate. The view that greater allocation for higher education would eat into the funds for elementary education is based on the wrong assumption that the total resources in this sector are fixed. Last year, the introduction of the Rajiv Gandhi National Fellowship for SC/ST students pursuing higher education and full fee waiver for such students in institutes of excellence was a welcome step. But there is also a need to bring girl students and students from minorities under this net, so that students belonging to these sections are also encouraged to pursue higher education. The proposal of creating institutions of excellence has gained special importance since last year. In last year's Budget, Rs 100 crores was given to the Indian Institute of Science, Bangalore and this year the same amount has been allocated to each of the four universities, namely, the University of Calcutta, the University of Madras, the University of Bombay and the Punjab Agricultural University, Ludhiana. But such allocation of funds to a few specific institutes does not improve the overall scenario and the need of the hour is to allocate more funds for hundreds of government run institutes that are in a crumbling state due to the dearth of resources. When one recalls the promises made by this government in the NCMP of raising the spending on education to six per cent of the GDP, then one would be surprised to find that even after two-and-a-half years of its tenure, the spending on education is still below four per cent of the GDP.

Let me now analyse the proposals made by the Finance Minister over the last three Budgets in order to push forward the reform process in the country. The media has lauded the Finance Minister's effort to carry forward the neo-liberal reform process and hailed the rise in the Sensex and the Nifty. But, the reform process has catered only to a small section of the Indian population and failed to serve the interests of the majority of the population.

Small Scale Industry

The last two Budgets and the recent one aggravate the problems of the Small-Scale Industry (SSI) sector. In 2004-05, the Finance Minister put forward the proposal of de-reserving 85 items; in the next Budget he further de-reserved 108 small scale industries. This year's Budget has again proposed a de-reservation of 180 items. In order to strengthen the reform process, the Finance Minister has denied these small sector industries the benefits they used to enjoy in the form of governmental support through subsidies and priority sector lending. This will definitely have a negative impact on this sector. The SSI sector, in fact, provides (much more employment per rupee of investment than the large-scale, capital-intensive sectors.

FDI in Mining and Pension Funds

IN the 2005-06 Budget speech, the Finance Minister had proposed to introduce FDI in trade, pension funds and most crucially in mining (though this year the government was silent on this issue). According to Professor Joan Robinson, the outstanding Cambridge economist, FDI in mining constituted an extremely unwise move. Minerals are natural resources and are exhaustible; the government should use the bounty of natural resources for the development of the economy through diversification; for this purpose it should retain the entire surplus generated in the mineral sector rather than allowing foreign capital to repatriate much of it. Another important sector, where the government is proposing to introduce FDI, is in pension funds. Under no circumstances should the pension fund of the people be entrusted to the discretion of foreign operators. Two main arguments stand against the introduction of FDI in this sector. The first is concerned with the macro-economic impacts of the move. The fund, if it stays with the state, is used for various public investment projects, especially the social priorily investments. Leaving such funds to the foreign operator undermines the possibility of their being used for productive purposes. Secondly, in our country the common man is politically more empowered than he is legally. It takes thousands of rupees to fight a case in our existing legal system and thus a poor person has to think many times before

fighting any legal case. Hence, the very claim that the pensioners would be legally protected is untenable, since an average person is in no position to drag these huge multinationals to the court. The Bhopal gas tragedy case illustrates the helplessness of the ordinary people in facing multinationals in the court of law.

Fiscal Deficit

The ideological obsession with containing fiscal deficits afflicts the finance Minister. In 2004-05, he estimated the Central Government's revenue deficit to be 2.5 per cent of the GDP of that fiscal year compared to 3.5 per cent of the GDP in 2003-04. The fiscal deficit was estimated to be 4.4 per cent of the eStimated GDP. In 2005-06, he promised that the government would abide by fiscal corrections from 2006-07 and thus estimated the revenue deficit and fiscal deficit as percentages of the GDP to be 2.7 and 4.3, respectively. This year he has provided for a further reduction in the revenue deficit and fiscal deficit as percentage of the GDP to 2.1 and 3.8, respectively. Table-5 shows that the government has over-fulfilled the targets it has set for itself. But the real question is whether this was at all necessary for the economy. Despite repeated arguments from economists that the fiscal deficit can be used to enhance the level of economic activity, in the presence of idle resources, the Budget envisages a reduction of the same. The Finance Minister's proposal to reduce the deficit over the same period lacks any economic justification, amidst excess capacity in the industries and overflowing foreign exchange reserves. The mindless pursuit of contractionary fiscal policy in the name of fiscal prudence is actually imprudent. These policies are based on the tenets of neo-liberal economics, which bring about a reduction in state expenditure as a proportion of GDP in deference, to the caprices of finance capital. Given the irrational FRBM Act, there would be an automatic curtailment in the expenditure of the Union government in case of any shortfall in its tax revenues to maintain a certain arithmetical value of fiscal deficit-GDP ratio.

Direct and Indirect Taxes

On the tax front, the increase in tax revenue in the current year was a source of relief. A significant part of this increased tax-GDP ratio comes from the high tariff collections made by the government from increased imports and the higher prices of oil imports. The Finance Minister in 2004-05 gave no fresh proposal on corporate tax, which left out a huge sector from where substantial revenue could have been collected. In 2005-06, the Budget's proposal to reduce the tax rate from 35 per cent to 30 per cent in the case of the corporate sector was an unwelcome move. 'This year too the Budget remains silent on the corporate tax. One of the positive aspects of last year's Budget had been the proposal to levy a Fringe Benefits Tax at 30 per cent, in the absence of which the corporates could evade tax through legal routes, showing the perquisites as cost to the company. But this year's Budget saw relaxations on this front too. The belief of the Finance Minister that such relaxations would encourage more of corporate investment is fundamentally flawed and has little empirical basis. In the recent past, the amount of total corporate investment as proportion of the Gross Domestic Capital Formation has declined from 38 per cent in 1996-97 to 22 per cent in 2003-04 (calculated from National Account Statistics, various issues). In 2004-05, the government had increased the service tax from eight per cent to 10 per cent and in the latest Budget there has been a further increase to 12 per cent. Such a step by the government is laudable. However, no significant fiscal initiatives were taken by the government to mobilise additional resources, despite the immense potential for this at present.

Table. 5 : The Deficits of the Union Government (in percentage terms)

Year	Revenue Deficit as % of GDP	Gross Fiscal Deficit as % of GDP	Gross Primary Deficit as % of GDP
2001-02	4.4	6.2	1.5
2002-03	4.4	5.9	1.1
2003-04	3.6	4.5	0.0
2004-05	2.5	4.0	-0.1
2005-06(RE)	2.6	4.1	0.5
2006-07(BE)	2.1	3.8	0.2

Source: Budget at a Glance, various issues

On the issue of taxing capital gains, the Finance Minister for the last three years shied away by fully exempting long term capital gains. In 2004-05, he also reduced the tax on short term capItal gains from 33 per cent to 10 per cent. In 2004-5, the Finance Minister's proposal of levying 0.15 per cent tax on the short-term transactions in the stock market was really applauded by many. Later, the Finance Minister retreated from the proposal under pressure from the brokers in the stock market and brought the tax down to a nominal 0.015 per cent. This year, even though there is an increase in the short-term transaction taxes by 25 per cent, the entire tax is too minuscule to make any difference either in terms of revenue or in terms of curbing speculation. The Budget's silence on the issue of taxing foreign institutional investors is bewildering. The Budget could have levied a tax, commonly known in literature as the Tobin Tax, on the operations of foreign institutional investors, as even the Governor of the Reserve Bank of India has recognised that there is a need to curb this inflow of

finance capital.

Budget 2006-07: Proposals of Financial Liberalisation

This year's Budget has made two significant announcements regarding financial liberalisation. These are: one, allowing the banks to divest government securities and increasing the foreign institutional investors' access to such securities; and two, allowing the Indian mutual funds to invest abroad. These two policies have serious implications for the Indian economy. The former makes government finances vulnerable to the state of the speculative market and the latter creates the potential for financial volatility and allows domestic savings to flow out of the country. This is rather intriguing when the government claims that huge amounts of foreign savings are required for domestic investment.

Conclusion

The UPA Government, since its inception, has been pursuing the policies of liberalisation and privatisation which underscore its commitment to neo-liberalism. Notwithstanding certain policy announcements in the NCMP, the government is unwilling to change course and is in essence pursuing the same policies as the NDA. The Budget is a mere manifestation of those policies. Though the Finance Minister has made somewhat higher allocations to the social sector, these are grossly insufficient. The UPA Government must not forget that the working people can give to this government the same verdict they handed out to the previous NDA regime. While many economists like Professor Prabhat Patnaik strongly believe that "liberalisation with a human face" is impossible, the outlook of the UPA leaders is different. This government is of the view that a reconciliation of the reform policies with an increase in the welfare expenditures is possible. According to Professor Patnaik, the immanent logic of liberalisation pushes governments, no matter what their political complexion, into bowing to the caprices of globalised finance and hence necessarily having to sacrifice welfare objectives (whose achievement therefore requires abandoning the neo-liberal path). The UPA Government has now had three Budgets to prove such critics and detractors wrong. But as of now it has done nothing to dispel such scepticism. Though the media has applauded the last three Budgets of the UP A Government, there is nothing much in them for the "aam aadmi".

Summary of WTO Hong Kong Ministerial

Ministers from the WTO's 149 member governments approved a declaration that many described as significant progress both since the July 2004 "package" and after six days of intensive negotiations in Hong Kong which the chairperson described as "working like a dog".

Despite the long hours and hard work, "it was worth it," WTO Director-General Pascal Lamy told a press conference late in the evening of the final day. "We have managed to put the Round back on track after a period of hibernation.

Hong Kong's Commerce, Industry and Technology Secretary John Tsang, who chaired the conference, outlined the achievements in the declaration:

* "We have secured an end date for all export subsidies in agriculture, even if it is not in a form to everybody's liking.
* "We have an agreement on cotton.
* "We have a very solid duty-free, quota-free access for the 32 least-developed country members.
* "In agriculture and NAMA (non-agricultural market access), we have fleshed out a significant framework for full modalities.
* "And in services, we now have an agreed text that points positively to the way forward."

The declaration was agreed after several days of meetings late into the night, the last two continuing to the morning. "It's been a hard day's night. And have been working like a dog," Secretary Tsang said, quoting John Lennon and Paul McCartney.

With the 44-page document now agreed, members face intense pressure to complete "full modalities" in agriculture and non-agricultural market access by the new deadline they have set themselves, 30 April 2006.

Compared to the draft forwarded to Hong Kong from Geneva, a number of issues have been settled or partly settled. The most straightforward is the agreement to end export subsidies in agriculture by 2013, but this was only agreed at the last minute, and members paid tribute to the European Union which had the greatest difficulty on this issue.

The declaration makes clear that the agreed date is conditional. Loopholes have to be plugged to avoid hidden export subsidies in credit, food aid and the sales of exporting state enterprises.

For cotton the elimination is accelerated to the end of 2006. In addition, cotton exports from least-developed countries will be allowed into developed countries

without duty or quotas from the start of the period for implementing the new agriculture agreement. Ministers have also agreed to aim to cut trade-distorting domestic subsidies on cotton by more than would normally apply under the new agreement, and to do so more quickly.

The two sides negotiating this difficult subject paid tribute to each other for what they described as the spirit of compromise: United States and the four countries pushing for an agreement on cotton (Bali, Burkina Faso, Chad and Mali).

A number of other details have been agreed in agriculture, non-agricultural market access and services.

Closing session

The Ministerial Conference adopted the declaration with amendments proposed by the chairperson on behalf of the United States and the "Cotton Four".

Cuba and Venezuela formally expressed their reservations on the texts on non-agricultural market access and services and the meeting noted these.

The meeting also noted statements made by ministers in the preceding informal heads of delegations meeting. Almost all of them described the agreement as not fully meeting their expectations but most urged fellow-members to accept it as a good basis for making progress in the negotiations.

Many delegations thanked Hong Kong for providing excellent facilities, good organization and a secure environment for the negotiations. They said future Ministerial Conferences would find it difficult to top Hong Kong?s record.

Most delegations praised the "bottom-up" approach (inputs coming directly from members rather than from above) as contributing to the success of the conference.

Many delegations welcomed the agreement on 2013 as deadline for eliminating of agriculture export subsidies although most of them said they would have preferred an earlier date. Some delegations commended the "statemanship" of the EU and the US in achieving agreement.

A number of delegations underlined the positive results in the development issues - particularly in cotton and the package for least-developed countries - and the importance of capturing these by adopting the draft declaration. The new draft was a step in the right direction, and a good basis for continuing work in Geneva next year.

Some delegations expressed disappointment with what they said was lack of ambition in non-agricultural market access and services, while others said the level in these areas were too high.

Delegations emphasized the importance of future WTO work in products of export interest to them, in particular bananas and cotton.

Speaking to journalists afterwards, WTO Direct-General Pascal Lamy said:

"There has been a rebalancing in favour of developing countries, whose interests have now been placed at the heart of our negotiations as we provided for in 2001 when we launched this round.

"And more importantly, we have built the political energy necessary to advance technically during 2006, and believe me, there will be plenty to do next year. We now have enough fuel in the tank to cruise at the right negotiating altitude new.

Cotton Farmers Sue Monsanto

More than 90 Texas cotton farmers have sued Monsanto Co and two affiliated companies, claiming they suffered widespread crop losses because Monsanto failed to warn them of a defect in its genetically altered cotton product.

The lawsuit, which was filed in federal court in Marshall, Texas, seeks an injuction against what it calls a "longstanding campaign of deception," and asks the court to award both actual and punitive damages. In addition to Monsanto, the suit names Delta & Pine Land Co and Bayer CropScience LP, producers and retailers on Monsanto's biotech cotton. No one from Delta & Pine Land or Bayer, a unit of Bayer AG, returned phone calls seeking comment.

Seeks Arbitration

Monsanto, which denies the allegations, wants the complaints removed from the court system and handled through arbitration. About half of the farmers agreed this week to enter into arbitration, but others have not. A hearing on the matter is scheduled for Monday in Austin.

The farmers' essential claim is that Monsanto's "Roundup Ready" cotton did not tolerate applications of Monsanto's Roundup weed killer as it has been genetically altered to do. The farmers calim there is evidence that the promoter gene inserted into the cotton seeds in the genetic modification process does not work as designed in extreme high heat and drought conditions, allowing herbicide to eat into plant tissue, leading to boll deformity, shedding and reduced yields.

The plaintiffs claim Monsanto knew this but did not disclose it so the farmers would continue to buy and use Monsanto's Roundup herbicide. "We feel like Monsanto's been lying to us all along," said Mr. B. B. Krenek, a Wharton, Texas cotton consultant who is working with a number of affected farmers. The Monsanto spokesman, Mr. Andrew Berchet, said: "As far as we can tell this is weather related. The month of June was one of the driest and hottest in more than a century," said Mr. Berchet.

Source: BusinessLine; February 26, 2006

Hong Kong Ministerial of Vague Promises

By: Anil Kanungo

The Hong Kong WTO ministerial is over, amid strong protest and hard bargain. What did it achieve? What have been its tangible gains? As one probes, one finds no real progress, except that it has managed to keep the Doha development agenda negotiable, not allowing it to meet a natural death.

As usual, agriculture remained the focus of negotiations, consuming most of its time on export subsidy. The EU & US pledge on a new date to phase these out on farm products by 2013 may have displayed a concern, but was not appreciated much. For, three-fourths of WTO members feel they have to wait eight long years to realise the minimal gains, because of its small impact in the markets. All of them understand that export subsidy doesn?t play that big a role in agricultural distortions as is done by domestic support. The $5 billion of such subsidies on farm products is minuscule compared to the domestic support given of $1 bn a day.

Export subsidy remains a major irritant to free trade, but the World Bank says its abolition will only yield 2% of theoretical gains to world agriculture. The total phase-out promise, then, looks like a small gesture towards pacifying the popular anger and discontentment of WTO members. What would have been noteworthy was to get a commitment for phase-out of domestic support, the real dampener, from US and EU by a realistic deadline.

Coming back to the pledge, nothing is committed as to how the sequencing and quantification of phase-out of export subsidies would commence. No formula is in sight. A closer look suggests no final decision has been made, as it is dependent on the "completion of modalities," for which April 30, 2006 is the deadline. And, deadlines in WTO are hardly met.

The other issues which were at the heart of the negotiations, such as Nama and services, hardly witnessed any forward movement. On Nama, the Swiss formula has been preferred over the modified formula proposed earlier by India and others. The declaration also doesn?t indicate anything about the coefficients, whether there are two or many, which would take into account the different requirements of poor economies as well. Similarly, in services, the growth engine of the post-industrialised world, nothing has been committed, in spite of India and other developing nations vociferously pitching for progressive liberalisation on Mode 4. Though the declaration makes a special mention of such allowance, yet it is all for least developed countries.

- US-EU promise on farm export subsidies is of relatively little consequence
- A promise on phasing out domestic support would have been more useful
- As for Nama and services, hardly any forward movement was witnessed

Indeed, what Hong Kong witnessed was an appeasement of least developed countries. These countries were offered a set of goodies which would provide duty-free, quota-free access to rich countries? markets of at least 97% of their goods. The US also promised West African cotton producers to reduce its cotton subsidies more quickly than other farm supports. Its further pledge of phasing out of cotton subsidies by the end of next year also formed part of the declaration. The point is, such a promise was made earlier, too, to African nations (an ear-lier WTO ruling), but nothing has fructified since. Whether such promises are real concerns or just promises in nature, the end of 2006 will tell.

Finally, being perceived as a ?development round,? there was no mention even of other developmental issues such as progress on Trips or special and differential treatment. However, a remarkable aspect of this ministerial is that it gave birth to a group, the G-110. The unity of faith, purpose and togetherness allowed the G-20 and G-90 to mobilise the lesser economies to graduate to G-110, which stood firm in the common bargain despite EU and US efforts to break the unity.

The only other positive development one can perhaps sense out of this ministerial is that a feeling of acute cynicism or failure towards the multilateral trading regime governed by WTO hasn?t set in. It hasn?t been seen as a repeat of Seattle or Cancun. It hasn?t triggered a thought towards forming regional trade arrangements, unlike immediately after Cancun. Still, for all its grandiloquence, Hong Kong hardly did the job of promoting free trade.

By: Walden Bello

What was at stake in Hong Kong was the institutional survival of the World Trade Organization. After the collapse of two ministerials in Seattle and Cancun, a third unraveling would have seriously eroded the usefulness of the WTO as the key engine of global trade liberalization. A deal was needed, and that deal was arrived at. How, why, and by whom that deal was delivered was the real story of Hong Kong.

A Real Deal, not a Cosmetic One

The Hong Kong deal has been characterized in some reports as a "minimum package" that mainly functions as a life support system for the WTO. This is hardly the case. The deal extracted substantial concessions from developing countries while giving them hardly anything in return.

The stipulation of a Swiss formula to govern Non-Agricultural Market Access (NAMA), which would cut higher tariffs proportionally more than lower tariffs, would penalize mainly developing countries since to build up their industrial sectors via import substitution they generally maintain higher industrial and manufacturing tariffs than developed countries.

The specification of a "plurilateral" process of negotiations in the services text erodes the flexible request-offer approach that has marked the General Agreement on Trade in Services (GATS) negotiations, injects a mandatory element, and will corral many developing countries into sectoral negotiations designed to blast open key services.

What the South got in return was mainly a date for the final phase-out of export subsidies in agriculture that nevertheless left the structure of subsidization of agricultural subsidization in the European Union and the United States largely intact. Even with the phase out of formally defined export subsidies, other forms of export support will allow the European Union, for instance, to continue to subsidize exports to the tune of 55 billion euros after 2013.

In sum, this was an agreement with teeth, but the bite will be felt principally by the developing countries.

The contours of the deal were already evident before Hong Kong, and many developing countries went to the ministerial determined to oppose it. Indeed, there were occasions, such as the formation on Dec. 16 of the G 110 by the G 33, G 90, and ACP (Asia Caribbean Pacific countries), that seemed to promise that developing country unity might yet emerge to derail the impending deal. Yet, in the end, the developing country governments caved in, many of them motivated solely by the fear of getting saddled with the blame for the collapse of the organization. Even Cuba and Venezuela confined themselves to registering only "reservations" with the services text during the closing session of the ministerial in the evening of December 18.

The Dealmakers

The reason for the developing countries' collapse was not so much lack of leadership, but leadership that brought them in the opposite direction. The key to the debacle of Hong Kong was the role of Brazil and India, the leaders of the famed Group of 20.

Even before Hong Kong, Brazil and India were prepared to make a deal. For Brazil, the bottom line was the specification by the European Union of a date for the phase-out of agricultural export subsidies, and this was an item that Brazilian negotiators and many others expected would be delivered by the EU at the ministerial, though for negotiating purposes the Europeans would not reveal it till the last minute. Brazil also came to Hong Kong willing to accept a Swiss formula in NAMA and the plurilateral approach in services. India, for its part, arrived in Hong Kong with its positions well known. It would accept the plurilateral approach in services negotiations and the Swiss formula in NAMA and follow Brazil's lead in agriculture. The only question for many was: would India press for developed country concessions in Mode 4 of GATS—that is, get the US and EU to agree to the entry of more professionals from developing countries? As it turned out, it decided not to press Washington on this.

The Prize

It is a matter of debate whether the final agreement will result in a net gain for Brazil and India, though if the balance ends up with a net loss, this would likely be smaller than for the less advanced developing countries. However, the main gain for Brazil and India lay not in the impact of the agreement on their economies but in the affirmation of their new role as power brokers within the WTO.

With the emergence of the G 20 during the ministerial in Cancun in 2003, the EU and the US were put on notice that the old structure of power and decision-making at the WTO was obsolete. New players had to be accommodated into the elite. The circle of power had to be expanded to get the organization back on its feet and moving. The EU and US's invitation to Brazil and India to be part, along with Australia, of the "Five Interested Parties (FIPs)," was a key step in this direction, and it was agreement among the FIPs that solved the impasse in the agriculture negotiations, which led, in turn, to the Framework Agreement at the General Council meeting in July 2004.

In the lead-up of the Hong Kong ministerial, Brazil and India's new role as power brokers between the developed and developing world was affirmed with the creation of a new informal grouping known as the "New Quad". This formation, which included the EU, US, Brazil, and India, played the decisive role in setting the agenda and the direction of the negotiations. Its main objective in Hong Kong was to save the WTO. And the role of Brazil and India was to extract the assent of the developing countries to an unbalanced agreement that would make this possible in the face of the reluctance of the EU and US to make substantive concessions in agriculture. Delivering this consent was to be the proof that Brazil and India were "responsible" global actors. It was the price that they had to pay for full membership in new, enlarged power structure.

It took a lot of lobbying before and during Hong Kong, with both governments putting their reputation as leaders of the developing world on the line, but they succeeded in getting everybody, though not without some grumbling, to assent to a bad deal. It was no mean feat for it involved:

* getting the least developed countries to agree to a "development package" that consisted mainly of a loophole-ridden provision for the "duty free" and "quota free" entry of their products into developed country markets and a deceptively named "aid for trade" deal that would consist partly of loans to enable them to make their economic regulations WTO-consistent, increasing their indebtedness in the process; * cajoling the West African cotton producers to accept a deal whose main content was giving the US a whole extra year to eliminate export subsidies that it should have eliminated a year and a half ago, following a WTO decision against these subsidies, and which totally ignored their demand for compensation for the enormous damage these subsidies had inflicted on their economies; * coaxing the holdouts in the services negotiations—Indonesia, Philippines, South Africa, Venezuela, and Cuba—to give up their opposition to Annex C of the draft declaration, which stipulated plurilateral negotiations; and * neutralizing the more dissatisfied members of the so-called "NAMA 11," (of which Brazil and India were themselves members) which wanted to tie the North's demands for a fast pace of liberalization in industrial and fishery tariffs to the North's concessions in agriculture.

Mutual Admiration Club

The final G 20 press conference in the late afternoon of December 18 was notable for its lack of substance and for its symbolism. As if to preempt hard questions on whether the ministerial text represented a good deal for developing countries, Brazilian Foreign Minister Celso Amorim repeatedly claimed "We have a date," referring to the 2013 phase-out date for export subsidies. Then Amorim and Indian Commerce and Industy Minister Kamal Nath engaged in a round of backslapping, congratulating one another for doing a great job in coming out with an agreement that protected the interests of developing countries. Then, with so many of those in attendance poised to ask questions, Amorim hurriedly cut short the press conference and quickly left the room with Kamal Nath, ostensibly for another meeting but obviously so as not to be on the line of fire from skeptical reporters and NGO representatives.

At the closing session of Sixth Ministerial, Pascal Lamy, the director general, said that in Hong Kong, "the balance of power has tilted in favor of developing countries." The statement was not entirely cynical and untrue. The grain of truth in his statement was that India and Brazil, the big boys of the developing world, had become part of the big boys' club that governs the WTO.

Paradox

It is paradoxical that the G 20, whose formation captured the imagination of the developing world during the Cancun ministerial, has ended up being the launching pad for India and Brazil's integration into the WTO power structure. But this is hardly unusual in history. Vilfredo Pareto, the Italian thinker, referred to history being the "graveyard of aristocracies" that took a hard line against change in power relations. To Pareto, the most successful elites are those that manage to coopt the leaders of the mass insurgency that set out to remove them for power and enlarge the power elite while preserving the structure of the system. Though divided on agriculture, the US and the EU had as a common priority since the collapse of the Cancun ministerial the survival of the WTO, and they successfully managed a strategy of cooptation that snatched victory from the jaws of defeat in Hong Kong.

Before the events in Hong Kong, the most striking recent cases of cooptation involved the Worker's Party-led government of President Luis Inacio da Silva in Brazil and the Congress-led coalition government in India. Both came to power with anti-neoliberal platforms. But in power, both have become the most effective stabilizers of neoliberal programs, with both enjoying the support of the International Monetary Fund, the transnational corporate lobby, and Washington. It is not unreasonable to assume that there is a connection between the domestic record of these governments and their performance on the global stage in Hong Kong.

(Courtesy: Focus on Global South)

By: Jayati Ghosh

India's stand at the WTO Ministerial Meeting at Hong Kong was not just a betrayal of other developing countries – it suggests that the government has not understood the real interests of the Indian people either.

The Indian Commerce Minister, Shri Kamal Nath, was one of the first to celebrate the deal that was arrived at on the final day of the WTO's Hong Kong Ministerial Meeting. He claimed that the hastily patched up agreement addressed all of India's concerns, and suggested that many of the areas where India has "aggressive interests" had been resolved in a manner that was satisfactory from an Indian perspective.

Clearly, such enthusiasm could not have come from the result of negotiations on agriculture, where the final declaration was almost identical to the July 2004 package that had been so heavily criticised until the previous week by the same Commerce Minister. The paltry offer of removing export subsidies by 2013 and the apparent concession with respect to subsidies on cotton, amount to almost nothing, and the way they are phrased are likely to involve almost no benefits for most developing countries. Indeed, the result in the agriculture negotiations is clearly failure from almost every developing country standpoint.

So the positive reaction of Indian negotiators must have come from the other important elements of the declaration, those relating to services and non-agricultural market access (hereafter NAMA). In fact, it is precisely with respect to services that India has been a "demandeur" in the WTO, with explicitly declared "aggressive interests" in terms of forcing countries to liberalise in certain areas of services.

The General Agreement on Trade in Services (GATS) categorises services according to their mode of delivery, which is cross-cutting between different sectors and even activities. It allows for individual member countries to specify both the extent and the pace of liberalisation in all of the modes, and operates on a "request-offer" basis, whereby members make requests for opening up to other members and make offers on liberalising their own regulations. These offers can be vertical (that is, confined to particular sectors) or horizontal (that is across sectors within a particular mode).

Thus far, developed countries have been especially keen on pushing for liberalisation under Mode 3, which relates to allowing foreign commercial presence for the supply of services. They are especially keen on allowing their multinational companies to open subsidiaries or branches elsewhere so as to benefit from their competitive advantage in activities such as banking, insurance and other financial services, in retail trade, as well as in utilities such as water supply and electricity distribution. Most of their requests and offers thus far have essentially been in this mode. Some other interests of developed countries relate to Mode 2 (consumption abroad, which occurs when the consumer travels to partake of the service delivery, as occurs in tourism or foreign travel for purposes of education or health services).

The Government of India has recently been particularly keen on emphasising opening up and more market access for its services exports according to Mode 1 (which relates to cross-border supply, that is activities which do not involve the cross-border movement of either the supplier or the consumer, but can be delivered through other means, such as a number of IT-enabled services) and Mode 4 (which covers the movement of "natural persons", that is short-term migration of people for the delivery of a specific service). The recent boom in software services and the expansion of IT-enabled services including offshore Business Process Outsourcing which have increased substantially both in terms of foreign exchange revenues and incomes generated from these activities, in India have been the source of great optimism in this area.

This is why in the WTO negotiations, India became a great votary of "Annex C" of the draft declaration, which was roundly condemned by most developing countries. It was in fact this "offensive interest" of India that led to it joining the developed countries in pushing for Annex C to be adopted. This created some degree of distrust and dissension in the ranks of developing countries, and was one of the reasons why their various much-publicised groupings were ultimately so ineffective in affecting the outcome of the negotiations.

It is certainly true that Annex C makes some concessions to the demands of India and other countries for whom services exports is seen to be an area of potential export expansion in future. Thus, it emphasises that commitments under Mode 1 should include removal of existing requirements of commercial presence, which had hitherto militated against developing country suppliers who find it difficult and expensive to establish companies abroad in the country where the service is being supplied. It also says that there should be new or improved commitments in Mode 4 on the categories of Contractual Services Suppliers, Independent Professionals and Others, again delinked from commercial presence, to reflect inter alia removal or substantial reduction of economic needs tests. Both of these had been demands of several developing countries, including India, and to that extent it could be argued that these inclusions represent some success for this particular position.

However, Annex C has a significant negative implication – and was strongly opposed by so many developing countries - because it implicitly changes the very

structure of GATS, which had hitherto been based on voluntary unilateral commitments or bilateral requests and offers in the various modes. The Hong Kong Declaration says that "the request-offer negotiations should also be pursued on a plurilateral basis… Any Member or group of Members may present requests or collective requests to other Members in any specific sector or mode of supply, identifying their objectives for the negotiations in that sector or mode of supply… Members to whom such requests have been made shall consider such requests

This is the real prize that the major developed countries had hoped for in Hong Kong: a change in the negotiating modalities in services. This will now allow them new instruments to pressurise developing countries to open up their key services sub-sectors under Mode 3 of commercial presence.

The newly proposed "plurilateral" approach, which will incorporate the sectoral and modal approaches, is being presented as only one alternative open to member countries. But it is quite clear that is now set not just to add another option but actually to replace the bilateral request-offer approach as the main negotiating method. In fact the Hong Kong Declaration says the plurilateral requests should be submitted to other members by 28 February 2006.

It is not surprising that several multinational service-providing companies, who have been actively lobbying for just such an outcome, and whose representatives were present even in Hong Kong, have already expressed delight at the outcome of the deal. It is evident that they are already preparing themselves and their governments to launch a first round of plurilateral negotiations involving many key sub-sectors, especially in finance, retail trade and areas like water provision. So developing countries will have to brace themselves for an almost immediate consequence in terms of greater pressure to open up various domestic services sectors to the commercial presence of large foreign firms.

Yet the Indian government obviously felt that even this very significant and potentially dangerous concession was worth making, simply to ensure greater liberalisation by other (developed) countries in Modes 1 and 4. This is based on the notion that India's competitive position in terms of supplying professional and skilled labour through Modes 1 and 4 is now so strong that it justifies the aggressively liberalising stand that India has taken in the service negotiations. The problem is that this initial premise itself may be a mistaken one.

The problem is not only one of class interests and the relatively small proportion of Indians who would benefit from such opening up in other countries. This is certainly true, of course: while the absolute number of skilled Indian workers appears to be large, in general the Indian workforce suffers from very substantial skill deficit and the vast majority of our workers are very poorly educated by international standards. Yet the government could argue with some justification that even this small minority can play a role in generating both more domestic economic activity and more foreign exchange, besides which the expansion of such service activities could go some way in dealing with the still large problem of educated unemployment in India.

The real issue, though, is somewhat different. The government's negotiating position has been based on the assumption that the cross-border expansion of such service provision rests on the offers of liberalisation under Modes 1 and 4 made by various other (developed) countries. But it is important to remember that the huge expansion of short-term economic migration as well as the boom in cross-border supply have already occurred without any such explicit liberalisation. While the expansion of such service provision has certainly been enabled by new technology, it has been fundamentally driven by demand – that is, by the labour market conditions and workforce requirements of receiving countries.

That is why most labour migration from India, as from the rest of South Asia, is still to the oil exporting countries of West Asia. That is why the more recent wave of H-1B visa holders to the US has reflected the needs of US companies. That is why Indian teachers, doctors and nurses are now staffing the public education and health systems of Canada and the United Kingdom. If this is the case, then it is likely that such forces will continue to drive possibilities of short-term economic migration irrespective of any liberalisation under GATS, because the receiving economies require it.

Conversely, if the domestic social or political backlash against such migration – whether directly as Mode 4 or indirectly as Mode 1 – is strong enough, governments will take steps to control it no matter what the GATS requirements are. So pushing for further liberalisation under GATS is both unnecessary and ineffective as far as the possibilities for Indian workers are concerned.

In any case – there is a deeper question: is such movement of Indian workers necessarily good for the economy? It is interesting to see how discussions of "brain drain" have completely disappeared from the Indian policy landscape, and how the outward movement of skilled labour is now almost always regarded as unequivocally good. Yet the problems remains a real one, and it operates in may ways that affect not only the quality of life within India, but also the relative payments to particular workers.

Consider these recent trends. There are reports from across the country of animals dying because of the massive shortage of veterinarians, many of whom have migrated in response to increased demand from the West. The same is likely to be true for other health professionals. Even when the labour does not move, service relocation and off-shoring (which is Mode 1 delivery) have pushed up wage rates for particular

occupations making for a very skewed and undesirable incentive structure. The number of science post-graduates has plummeted, and there are hardly any takers for research positions in science, because the income stream from management and financial sector professional occupations is so much higher that educated youth are no longer attracted to science as a career.

This is hardly the way that society can be built for the future, yet our policy makers and trade negotiators are actively encouraging precisely these tendencies. So much so that they are willing to give up on absolutely critical matters such as the livelihood of our farmers so as to push for more of this!

The other area which most developing countries see as a major loss out of Hong Kong, and on which our own government is so complacent, relates to NAMA, or protection for domestic production of non-agricultural goods. It was already evident in July 2004 that the Indian government did not see the NAMA negotiations as much of a threat and were willing to make substantial concessions in this area. However, even the July 2004 package did not go as far in terms of forcing tariff reductions onto developing countries as the current agreement does.

Already, because of shifts from quantitative restrictions to tariffs, tariff bindings and progressive tariff reduction requirements, many developing countries have been experiencing deindustrialisation. The NAMA agreement will now force even more tariff reduction by developing countries, so that it may be difficult soon in some countries to find any material-producing sector that is internationally competitive and will survive!

The worst changes in the NAMA draft relate to the nature of the formula that is to be used for educing tariffs. earlier developing countries had argued for a linear and average reduction for developing countries and a "Swiss" formula for developed countries. A Swiss formula essentially aims for progressive harmonisation, by making the required tariff reduction larger, the higher is the initial level of tariff. For obvious reasons, developing countries have higher levels of industrial tariffs than developed countries, who anyway use many more non-tariff barriers to protect their own producers.

The Hong Kong Declaration actually states that "we agree to a Swiss formula" for tariff reduction although the precise nature of the formula is to be worked out. Further, this is to be adopted on a line-by-line (individual product) basis, rather than as an average reduction. This will definitely will result in the loss of policy space and flexibility for developing country governments to protect their own industries. In fact, several African Ministers have already said that this approach will entail very substantial deindustrialisation.

All that remains is to argue about the size of the coefficients that are to be used for different groups of countries. Very high coefficients will be required to protect local industries, but most developing countries will not have the capacity to negotiate such high levels. Some simple calculations suggest that to maintain their policy space, most developing countries will require a coefficient of about 290. But this is unlikely to be anywhere near being achieved – for example, the EU has offered the developing world a coefficient of 15, compared to a coefficient of 5-10 for developed countries.

Another matter of concern is that the Declaration also says that that applied rates will be used as the basis for treating unbound tariffs, by adopting a "non-linear mark-up approach to establish base rates for commencing tariff reductions." This is a very drastic treatment of unbound tariffs that will ultimately result in low bound tariffs on previously unbound items.

And what of India? The Commerce Ministry has argued in the recent past that there is no reason to be worried about such a NAMA outcome because these reductions all pertain to bound tariffs. Since our current tariff levels are well below our bound rates in most product lines, this will not affect actual tariff levels at all. However, this is a very sort-sighted view, since it completely disregards the possibility of international prices of manufactured goods falling from their present levels in the near of medium term future. If that were to happen (and it is not at all an unlikely possibility for several goods, given the rapid capacity creation in manufacturing internationally) then the current bound tariffs would already be too low, and further reductions in them would decimate domestic producers of those goods.

It is precisely this same mistake that was made by Indian negotiators during the Uruguay Round, when they did not anticipate price falls in agricultural trade and so actually specified zero bound tariff levels for many important crops. By the end of the 1990s the Indian government was then forced to go begging to Geneva to renegotiate the bound tariff levels of agricultural goods. It is extraordinary to see that so little can be learnt from one's own experience. Clearly, as far as NAMA goes, trade negotiators in most other developing countries are actually more clear-sighted than those in India.

But is the self-delusion of the Indian trade negotiators simply a case of misplaced optimism and the triumph of hope over experience, or does it reflect more worrying underlying tendencies? The more depressing possibility is that, despite all the verbiage to the contrary, those who agreed to the Hong Kong deal were not really concerned with the interests of the vast majority of Indians, and concentrated on the possibilities for material betterment of a small elite. Let us hope, for the sake of Indian democracy, that the latter is not true.

World Social Forum 2006

By: Francisco Whitaker

At the close of the first World Social Forum in January 2001, its organizers circulated a memo in which they proposed to convene World Social Forums every year, at the same date as the Davos Economic Forum. In 2002, a new WSF was held in Porto Alegre, and the holding of other Forums in various places of the world was encouraged. It had become clear that, along with the success of the first edition of the Forum (two persons expected, 20,000 participants!), the process of World Forums had to be continued as an alternative to the one-sided thinking (pensée unique) of the World Economic Forum.

But it had also become clear that, to bring about a rebirth everywhere in the feeling of hope for a different world, this type of forum of exchanges and of linking up must be introduced in other countries. This feeling was experienced by the Brazilians – more than 80% of the participants – who had attended the Forum.

Shortly afterwards, the Forum organizers clarified the choices that, according to them, explained its success:

- a forum reserved for civil society, without elected representatives, governments, or political parties (except as outside speakers) tempted to use their participation for political purposes;

- a forum governed by rules that renew the traditional practices of collective action. These are the founding rules of the "Porto Alegre generation," appropriate for an era of networks and of recognition of diversity and cross-cutting issues: openness; acceptance of diversity as a value; horizontality in relations between participants; non-directivity and therefore absence of spokesperson, leader, or final declaration. Collected in a Charter of Principles, these choices have now become the fundamental reference for organizing Social Forums.

Several Forums have been organized since then, at the global, regional, national, and even local level, in several countries of the world. But it took three years for a Forum at the global level to be organized outside of Brazil. It was held in January 2004, in India. Its having been carrying out showed that it was possible to respect the Charter of Principles in a historical, social, and economic context quite different from Brazil. The decision was then made to set off again for another continent, Africa, after having come back to Brazil in 2005. The participating African organizations had stated they were prepared to take up this challenge, along with support by the WSF International Council (1). They nevertheless considered that it was too early to organize the WSF in Africa in 2006 and that it would be better to do so in 2007.

So the question came up: what to do in 2006? The idea of several simultaneous Forums, at the same date as the Davos Economic Forum, had been proposed in the 2001 information memo. This was thus taken up again to organize a polycentric WSF.

But it's up to the organizations of the host countries to take the decision to organize a forum. Following a call for candidacies, three countries were accepted for the 2006 WSF: Venezuela (in Caracas), Mali (in Bamako), and Pakistan (in Karachi). This makes one in each continent of the Third World. The proposal from Morocco was transformed, through decision by its organizers, into a Constitutive Assembly for a North African Social Forum that will be held just before the Bamako Forum.

What are the issues involved in this innovation? Some consider that decentralization could weaken the impact of the Forum in the fight to overcome neo-liberalism. Others say that, on the contrary, its strength would be precisely the creation of forums of exchange and link-up held simultaneously in three continents. Some think that the three Forums should concentrate on several common themes and link up with each other, as a movement would. Others think that, as a forum and not a movement, the richness of our polycentric Forum would be the diversity of themes discussed.

In fact, the work program of each forum ensues from the activities proposed and self-managed by its participants. The registration process enables them to find out about the proposals from others, with common themes and convergences appearing quite naturally. The overall objective of overcoming neo-liberalism is shared by all. And each of these themes can be deepened based on the real interests of the participants, and not by decisions by a higher authority, this latter being non-existent and unacceptable in the Forum process.

But the great challenge is found elsewhere. This is the taking advantage of an invaluable opportunity, made available through respect of the World Social Forum's Charter of Principles, for strengthening civil society in each of the three countries as a new political actor independent of governments, parties, and political leaders. A Social Forum opens the way for building links between organizations, by overtaking the barriers that generally divide them and by the mutual recognition and the discovery of their autonomous strength, with respect for their diversity.

The main dynamic that characterizes the Forum, as an open place of exchange, is the invitation to replace quarrels by the power of listening. We can then move towards fertile dialogue that can lead to the discovery of points of convergence and to the establishment of new alliances within this society. That way, we can launch new initiatives of struggle and transformation at the local, regional, or global level.

Another World is Possible!

By: Michael Avery

Participants at the World Social Forum stream into the Polihedro Stadium in Caracas. As the crowd waits for Hugo Chavez's speech to begin, thousands of voices chant, "Ooh, ahh, Chavez no se vas." Chavez is not going away. Row after row of flags from across Latin America wave in support of the Venezuelan President.

In April of 2002 there was a coup, financed in considerable part by the United States, and Chavez was deposed. The people returned him to power in two days. Now the chanting and singing continues for three hours before the speech begins. No one is impatient. Everyone is happy. After Chavez comes to the stage there is an opening speech by a priest. He calls for more love in the world and invites us to embrace the person in the next chair. A woman from Ecuador throws her arms around me. For good measure, so does her husband. I don't speak Spanish but communication is not a problem.

In this environment the full meaning of the slogan, "Another World Is Possible" becomes clear. The slogan is not, "We Want Change," or merely "Change Would be Desirable." Another world is possible. Actually, within our grasp. Cuba is a reality. To share the fruits of their revolution, they send 27,000 medical personnel to work in 48 different countries. Chavez will win the November elections in Venezuela and begin another seven-year term. With Cuban assistance the Chavistas have taught 1.5 million Venezuelans to read in just two years. An indigenous person, Evo Morales, is the President of Bolivia. Michelle Bachelet, once a victim of imprisonment and torture, is the first woman President of Chile and a socialist. Brazil and Argentina have paid in full their entire debt to the International Monetary Fund, amounting to $15.46 and $9.6 billion respectively. The countries made the payments early in order to free themselves from IMF neo-liberal requirements and demands that impede independent development.

As we in the United States consider our own political actions, are we informed by a belief that "another world is possible?" Are we trapped by our own cynicism and resigned to accept the two-party system forever? Are we actively working to develop an alternative? Must we endure the war on terror until the president thinks it has gone on long enough, or can we end it?

At the moment in the United States it is the radical right that has moved toward creating "another world." One in which the United States is the only imperial power and international law has no meaning, where an imperial president leads an Executive Department that is the only branch of government with meaningful power, and where this empire is nakedly employed in the service of corporate interests.

We on the left in this country must believe in our power to create another world. One in which US aggression is halted, our country's military bases around the world are closed, we replace the World Bank with the people of the southern nations as the real creditor to whom the external debt of their countries is owed, and we stop treating water, food, housing, health care, education, communications facilities and other necessities as commodities and treat them as human rights.

Hugo Chavez closed his speech at the World Social Forum with the defiant shout, "Socialism o muerte!" The response of thousands of voices, "socialism o muerte," thundered down from the rafters. Chavez's words were not merely a brave vow to risk death for socialism. The thesis of the speech was that time is short. Chavez argued, "If we do not change the world now, there may be no 22nd century for humanity. Capitalism has destroyed the ecological equilibrium of the earth. It is now or never!" Another world is possible, and also necessary.

Attending the World Social Forum was a transformative experience. It is one thing to read about the winds of change that are howling across Latin America. It is something else when you are surrounded by revolutionaries and social activists and the gusts lift you up and blow you away. One of the social prophets of our own movement urged us decades ago to recognize change that was blowing in the wind. As we look south today, we must embrace the faith that "Otro mundo es posible." And we have to act on that faith.

Social Forum Wraps Up in Caracas with Sheehan Calling Bush a 'Terrorist'

Agence France-Presse
Monday 30 January 2006

The six-day World Social Forum wrapped up in Caracas with US anti-war activist Cindy Sheehan calling President George W. Bush a "terrorist" during an event hosted by Venezuela's leftist leader.

"By his own definition, he is a terrorist," said Sheehan, the mother of a US soldier killed in Iraq, who gained notoriety for setting up a protest camp outside the US president's Texas ranch last year.

"George W. Bush is responsible for killing tens of thousands of innocent people and his definition of a terrorist is someone who kills innocent women, men and children," she told other invited guests at the live broadcast of President Hugo Chavez's weekly program.

Sheehan called for the impeachment of Bush whom she accused of "war crimes."

She was visibly moved as Chavez, clad in his trademark red shirt, put his arm around her, holding her close to him as he addressed jubilant supporters and delegates from the World Social Forum.

The forum brought together some 70,000 activists, mainly from around the Americas, for six days of debate on globalization, poverty and war, marked by virulent attacks on Bush and the Iraq war, but also by some concern over the dominant role played by Chavez and Cuban officials.

In downtown Caracas, where participants debated a plethora of issues, ranging from free trade and imperialism to the debt burden in Latin America, a banner covered four stories of a high-rise building with the words: "Bush lied, fire him."

Chavez was given rock star treatment by participants, who on Friday joined him in singing the socialist "International" and hailing Cuba's communist President Fidel Castro.

And street vendors in the city center did brisk business selling Chavez memorabilia, such as talking dolls and wooden statuettes, pins, badges, T-shirts and posters.

Chavez projected himself as a leader of the world social movement designed as an ideological counterpoint to the Davos World Economic Summit of political and business leaders. He also warned against turning the forum into "a folkloric and touristic event."

Chavez opponents dismissed the whole thing as a gabfest dominated by archaic leftist ideals.

There were also grumblings within the forum, where some participants complained over the dominant role played by Chavez, and to a lesser degree by Cuba, which deployed an 800-strong state delegation to the non-governmental event.

"I'm very disappointed," said Cesario Ribero, a delegate from a Brazilian social movement. "Chavez took over the forum, it became very governmental and pushed aside the organizations," he said.

Olivier de Marcelus, 62, from a Swiss anti-globalization group, called the Venezuelan and Cuban state presence "a little invasive."

He said he understood Chavez represented a symbol of hope for many people in Latin America who seek political change, but warned against allowing governments and "old leftist projects" to take over the event.

"We need to concentrate on finding other avenues than the form of socialism that has been tried in eastern Europe and Cuba," said de Marcelus, a civil servant from Geneva.

He said, however, the get-together was a useful networking opportunity, particularly for small movements that seek to learn from the experience of others and gain support for their own cause.

Indigent Americans who traveled to Caracas with the Poor People's Economic Human Rights Campaign said they attended the forum to draw attention to their plight.

"We're here to let people know how we are struggling," said Zenaide Cosme, 37, a homeless mother of five from Philadelphia.

"The United States is not the American dream people imagine," she said, as a nearby speaker drew loud cheers by proclaiming: "we need a Hugo Chavez in the United States."

Social Movements' Declaration on Water at the WSF Caracas 2006

Building on the work of meetings of previous years, social movements involved in the struggles for the rights to water and against its commoditisation from across the world met at the World Social Forum in Caracas. They succeeded in pooling the work of various workshops and built a common platform which examined regional issues within a global understanding of water.

Caracas, Venezuela; January 27, 2006

We Consider That

1. Water is a common good and access is a fundamental, inalienable human right. Water is a patrimony belonging to communities, peoples and humanity; it is the essential basis for life on earth. Water is not a commodity! Therefore we reject all forms of privatisation, including Public-Private Partnerships.
2. Management and control of water needs to be in a sphere that is public, social, community-based, participative and not based on profit. All local, national and international public institutions have a responsibility to ensure these conditions.
3. Solidarity must be assured for present and future generations. Therefore we reject a model of water development that is industrial and consumerist and which encourages over-exploitation of Mother Earth.
4. Sustainable management of the ecosystem and the preservation of the hydrological cycle is based on the protection of land, conservation of the natural environment and establishing hydrographic basins as basic units; which would enable more effective public participation in all aspects of planning, management and control;

We Call On

- the organizations, social movements, governments and parliaments to include these principles in all local, national and international legal frameworks;

We Demand

- the exclusion of water from the market-based rules imposed by the World Trade Organization, Free Trade Agreements and other international investment and trade accords.
- the abolition of the International Centre for the Settlement of Investment Disputes (ICSID), considering the experience of Cochabamba and other people struggling to recover sovereignty and public control over their communal resources.
- the recovery and promotion of public, social, community-based, participatory and holistic management of water;

We Reject

- the demands of multinationals and corporations for lost profits and compensation for investments as illegitimate;

We Call On

- the Governments that participate in the World Water Forum in Mexico City, and in meetings of Mercusor, the European Union and the World Bank to reject any proposal that does not take these demands into account;

We Propose

- to share experiences of establishing solidarity funds for financing models of public, participative, community and social management as well as experiences of forming networks like the intiative of the "Water Carriers."
- the creation of a social watchdog or observatory comprised of social organizations, movements and international cooperation networks to monitor the activities of transnationals related to water and other public goods and resources, that would also involve the European Parliament, local governments, and the democratic institutions of Latin América;

We Commit

- to building committees and groups that through public education, organization and mobilization at local, national, regional and global levels can deliver these objectives.
- to strengthening the campaigns against privatization, such as the campaign ¨Water Out of the WTO."
- to articulate the fight in defense of water alongside other social movements.

We plan to continue strengthening the links between social movements related to water at the following key dates in 2006:

The "Citizens' Days" in Mexico City in March

The meeting of "Alternative Links" –European Union and Latin América in Vienna in May

The meeting of the "South American Community of Nations" in Bolivia in September

The "Citizens' Water Assembly" in Brussels in December

Source: Water not for Sale

WSF Bamako: Satisfaction with an "Afrocentric" Meeting

Bamako, Jan 23 (IPS) - The first phase of the World Social Forum (WSF), which ended Monday in the Malian capital of Bamako, created a focus on "Afrocentric" issues that was missing in previous forums, said coordinator Mamadou Goita.

"Africanising the issues was not deliberate. It just so happened that this is the first time we have had a majority of Africans attending a WSF.

Usually there have been less than 100 African NGOs (non-governmental organisations) at any of the other WSFs.It was too expensive for most Africans to travel to Porto Alegre or Mumbai," he told IPS.

This year, things were different. "We had over 300 people from the rural areas of Mali alone, while another 8,000 came from neighbouring countries. All of them participated in the forum and enriched the discussions. This has never happened before," said Goita.

(At the closing press conference for the Bamako WSF, organisers tentatively put overall attendance figures for the forum at between 15,000 and 20,000 delegates.)

The Brazilian town of Porto Alegre has most often played host to the WSF, which began in 2001. While the forum moved to the Indian coastal city of Mumbai in 2004, the Bamako WSF markts the first instance in which it is being held in Africa.

According to Goita, issues of importance for Africa that came under discussion included female genital mutilation, early marriage and illiteracy among girls. Similarly, the continued occupation of Western Sahara by Morocco was given prominence, as was the situation in conflict areas like the Democratic Republic of Congo and Sudan.

A youth forum set up at the Modibo Keita Stadium gave young men and women an opportunity to interact with village elders and other "older citizens" on issues that affect their lives, including unemployment,immigration and education.

Adding an innovative touch to the proceedings, the Mali social forum organised a 15-kilometre solidarity run to highlight the commercialisation of sport, with sportsmen and women, particularly from Africa, being "traded" on the international market.

Six-Day WSF Concludes in Karachi

Karachi, Mar 30 : The six-day World Social Forum 2006 concluded here with the determination to continue the struggle for global peace and people's progress.

The forum was attended by nearly 40,000 delegates from 46 countries.

At the concluding session, some delegates spoke about their experience of the WSF 2006.

Secretary of the Pakistan chapter of the WSF Irfan Mufti said that the six-day forum had made an impact and sent its message to Washington and other parts of the world.

"We will create a new world of peace and prosperity and the struggle will continue until our goal is achieved," he said.

Ms Wahu Kaar, member of the WSF International Organising Committee, announced that the next WSF would be held in Nairobi, Kenya.

Social worker Jaya Singh from India said she enjoyed her stay in Karachi and thanked the people of Pakistan for "their hospitality and warmth towards Indians".

Malathy Apputhurai from Sri Lanka termed the WSF the voice of the weak and the poor and said: "We have to strengthen this movement for a better world."

J.P. Dardaud, president of the Freres des Hommes of France, said: "The pressure that the civil society is confronted with is the state suppression. It is too difficult to survive under these circumstances and here I see so much vibrancy Caoiwhe Butterly, an Irish citizen working with trade unions in Palestine and Iraq, said: "I am completely overwhelmed by the experience. I know how moved and inspired our Iraqi comrades would've been if they could have been here and seen how the Pakistani people are vehemently supporting our causes."

Over the past six days, various plenary sessions, seminars and discussions were held on topics ranging from the Kashmir conflict to the political and socio-economic situation in the region. Heated debates were held on key issues like political and economic rights, gender discrimination and bonded labour.

Globalization Failing to Reduce Poverty, Says ILO

By: Kanaga Raja

Global economic growth is increasingly failing to translate into new and better jobs that lead to a reduction in poverty, the International Labour Office (ILO) said. In its fourth edition of Key Indicators of the Labour Market (KILM) (2), the ILO said that currently, half the world's workers still do not earn enough to lift themselves and their families above the $2-a-day poverty line.

The ILO found that for every 1 percentage point of additional GDP growth, total global employment grew by only 0.30 percentage points between 1999 and 2003, a drop from 0.38 percentage points between 1995 and 1999.

Taking a global view, the ILO pointed out that different regions show mixed results in terms of job creation, productivity results, wage improvements and poverty reduction.

'The key message is that up to now better jobs and income for the world's workers has not been a priority in policy-making,' said ILO Director-General Juan Somavia.

'Globalisation has so far not led to the creation of sufficient and sustainable decent work opportunities around the world. That has to change, and as many leaders have already said, we must make decent work a central objective of all economic and social policies.'

The new KILM paints an in-depth picture of both the quantity and quality of jobs around the world by examining 20 key indicators of the labour market.

It covers quantitative topics including labour force participation, employment, inactivity, employment elasticities, sectoral employment, labour productivity and unemployment. Qualitative issues include amongst others hours worked, wages, employment status, and unemployment duration.

The study finds that while in some areas of Asia economic expansion is fostering solid growth in jobs and improvements in living conditions, other areas such as Africa and parts of Latin America are seeing increasing numbers of people working in less favourable conditions, especially in the agricultural sector.

For millions of workers, new jobs often provide barely enough income to lift them above the poverty line, or are far below any adequate measure of satisfying and productive work. The total number of working women and men living on less than $2 a day has not fallen over the past decade, although at 1.38 billion, it is a smaller share of global employment at just below 50%, a decline from 57% in 1994.

In many developing economies the problem is mainly a lack of decent and productive work opportunities rather than outright unemployment. Women and men are working long and hard for very little because their only alternative is to have no income at all.

The study said that economic growth is not leading to job creation. In recent years there has been a weakening relationship between economic growth and employment growth, meaning that growth is not automatically translating into new jobs.

The study's 'employment elasticities' indicator looked at the relationship between economic growth – measured in GDP – and two of growth's contributory variables, the positive or negative change in employment and productivity.

It found that for every 1 percentage point of additional GDP growth, total global employment grew by only 0.30 percentage points between 1999 and 2003, a drop from 0.38 percentage points between 1995 and 1999.

With employment growing between 0.5 and 0.9 percentage points for each additional percentage point of GDP growth, the most employment-intensive growth has taken place in the Middle East and in Northern and sub-Saharan Africa.

However, a review of other indicators shows that much of the employment growth in these regions is in the category of 'self-employment', which includes most women and men in the informal economy where working conditions are often poor.

While more jobs are being created in economies where agriculture dominates employment such as those in sub-Saharan Africa, many of the jobs are in the informal economy, at low-levels of productivity, and fail to provide workers with enough income to pull themselves or their families out of poverty. For instance, the number of workers living on less than $1 per day increased by 28 million in sub-Saharan Africa between 1994 and 2004.

By contrast, economic expansion in East Asia (includes China, Hong Kong-China, North Korea, South Korea, Mongolia, Macau-China, and Taiwan, China) was sufficient to generate employment growth, productivity growth and a reduction in the high incidence of poverty in the region. The Asian regions saw a substantial reduction in the number of working persons living on less than a $1 a day – the number of working poor decreasing by as many as 131 million between 1994 and 2004.

On the other hand, Latin America experienced a decline in the employment intensity of growth between 1999 and 2003. At the same time, the number of working poor in the region at the $1-a-day level increased by 4.4 million.

In both Western Europe and North America, the services sector has experienced the most robust growth – both in terms of value added and employment growth. Between 1991 and 2003, for every 1 percentage point

of growth in the services sector, employment increased by 0.57% in North America and by 0.62% in Western Europe.

The study however found evidence of a divergence in employment performance between North America and Western Europe between 1991 and 2003, with the employment intensity of growth decreasing in the former and increasing in the latter between 1991 and 1999, with a further significant reduction in North America and a mild reduction in Western Europe between 1999 and 2003.

The study found that the agricultural sector accounted for 43% of total employment in the world, and the regions where agriculture continues to dominate include East Asia, South-East Asia, South Asia and sub-Saharan Africa. These regions contain more than 60% of the world's working-age population.

All developed economies with data had the largest share of employment in the services sector, followed by industry, and a small proportion (less than 10%) in agriculture. The fastest growing sector over the last 10 years has been the services sector.

Another key finding has been that global wage inequality is on the rise.

Between 1990 and 2000, wages increased faster in high-skilled occupations than in low-skilled occupations globally. Although these findings do not show a general deterioration of the wage position for low-skilled workers, they do suggest widening wage inequality between high- and low-skilled workers during the 1990s.

The study attributes rising wage inequality in the developed economies mainly to greater demand for higher-skilled labour, which is in short supply, and to less demand for workers with lower-level education. Other explanatory factors, although of less impact, include increased trade with developing countries and increased immigration of low-skilled workers.

In developing countries, factors impacting on rising wage inequality include industry wage premiums resulting from changes in trade policy that favour workers in specific industries, the increasing size of the informal economy, which generally has lower wages and less favourable working conditions, and a shortage of high-skilled workers.

The study said that the competitiveness of a high-wage economy is not immediately threatened by lower labour costs elsewhere, as countries with low labour costs are usually also characterised by lower productivity levels.

It highlighted how competitiveness is determined by the combined outcomes of elements of the productive process – the cost of utilising labour (labour compensation) and labour productivity (output per person employed) – and by exchange rate fluctuations.

The study's analysis of competitiveness in the 'unit labour costs' indicator shows that:

- In the European Union-15, it is not so much high labour costs but lower productivity in the manufacturing sector and appreciation in the Euro that has threatened the competitive position of the region vis-a-vis the United States.
- The manufacturing unit labour cost level in Japan has not only been high relative to the United States, but also in comparison with that of the EU-15. However, since the mid-1990s, the gap has decreased due to a moderation in wage growth in Japan, a weakening of the yen-$ exchange rate in 2005 and an improvement in the comparative productivity performance of Japanese manufacturing.
- The Republic of Korea has shown rapid improvement in labour productivity relative to the United States, but unit labour costs in the country have increased due to rapid wage increases during the early 1990s.
- Productivity has weakened in Mexico, but because labour compensation levels are lower, unit labour costs have also remained lower than in the United States.

The United States continued to show the highest labour productivity levels measured as value added per person employed. Despite faster productivity growth rates in some European Union countries, especially the new EU Member States, the productivity gap, measured in value-added per person employed, between the United States and most developed economies continued to widen. One exception is Ireland where this measure of the productivity gap with the US has been steadily narrowing since 1980.

However, if productivity is measured by value-added per hour, some European countries are more productive than the US and for others the gap is less wide. However, most Europeans work shorter hours and have longer holidays than their US counterparts.

Among other key findings in the ILO study are:

- Women are continuing to catch up with men in terms of participation in labour markets throughout the world. Nevertheless, women continue to be disproportionately engaged in low-wage, low-productivity and part-time jobs, and in many regions such as the Middle East, North Africa and South Asia, women's participation in the labour market still lags far behind.
- While the most severe working poverty is growing in Africa, it is declining in Asia and Central and Eastern Europe.
- Youth unemployment rates are typically at least twice as high as adult rates and are sometimes much higher. However, in most countries, the illiteracy rates of adults are higher than those of youth, suggesting that young people are increasingly better prepared for the labour market.
- Developed economies and the European Union are faced with a growing number of 'under-utilised' labour resources, including the unemployed and involuntary part-time workers looking for a full-time job. In both France and Italy, the rate of 'under-utilised' labour reached 21% in 2004, up from 17% in 1994 in France and 12% in Italy.

America's Nuclear Hypocrisy Undermines its Stance on Iran

By: Sanford Gottlieb

Even as he was telling Iran not to produce nuclear weapons, President Bush was urging Congress to pay for a new nuclear weapon designed to destroy underground military facilities.

Although the nuclear "bunker-buster" is still on the drawing board, Iran can be expected to charge the United States with atomic hypocrisy during the current war of words.

No less than a conservative Republican from Ohio, Rep. David L. Hobson, has thwarted Mr. Bush's push for the bunker-buster for the past two years. Mr. Hobson chairs a House subcommittee that appropriates money for the nuclear weapons complex. He persuaded the House not to spend a cent for research on the bunker-buster. The Senate followed.

What worries him most about this weapon, Mr. Hobson has said, "is that some idiot might try to use it."

Defense Secretary Donald H. Rumsfeld told a Senate subcommittee in April that 70 countries are pursuing "activities underground."

"We don't have a capability of dealing with that," he testified. "We can't go in and get at things in solid rock underground." Mr. Rumsfeld suggested he needs the relatively small bunker-buster to avoid using "a large, dirty nuclear weapon."

Yet at the time of his testimony, Mr. Rumsfeld probably saw a study from the National Academy of Sciences estimating that the small bunker-buster, if used in an urban area, could cause more than a million deaths.

Pursuit of the bunker-buster and Mr. Rumsfeld's testimony confirm the administration's shift away from nuclear deterrence toward possible use of nuclear weapons in war. Under Mr. Bush's doctrine of pre-emption, the U.S. Strategic Command (STRATCOM) has added missions to its war plans. STRATCOM's global strike plan foresees the use of nuclear weapons to pre-empt an imminent threat from weapons of mass destruction or to destroy an adversary's WMD stockpiles.

The Pentagon's draft "Doctrine for Joint Nuclear Operations" describes these new missions. The draft was discovered on the Pentagon Web site in September by Hans Kristensen, now with the Federation of American Scientists. When Mr. Kristensen shared his find with the media, the draft disappeared from the Web site. But STRATCOM's war plans remain in force.

"You may win this year," Mr. Rumsfeld told Mr. Hobson in 2005, "but we'll be back." Meanwhile, Congress has mandated that any future earth-penetrator weapon must be based on conventional explosives.

The Pentagon had hedged its bets. In 2004, the Defense Department awarded a contract to Boeing to design and test a huge conventional bomb, to be known as the Massive Ordnance Penetrator. It would be the biggest conventional bomb in the U.S. arsenal, capable of demolishing "multistory buildings with hardened bunkers and tunnel facilities."

So why has the administration been pressing for a nuclear version?

The United States still has a massive Cold War arsenal. About 5,000 hydrogen bombs and warheads are deployed on intercontinental ballistic missiles, submarines and bombers; another 5,000 are held in reserve. In addition, 600 to 700 tactical nuclear weapons are ready for battlefield use.

Russia has fewer than 5,000 H-bombs deployed but many thousands more in reserve, and 3,000 tactical nuclear weapons. Many Russian nuclear weapons are not fully secured. Britain, France, China and Israel have several hundred nuclear weapons each. India and Pakistan are slowly building their arsenals.

In addition to the bunker-buster, the Bush administration wants new nuclear warheads to replace old ones. Daryl G. Kimball, executive director of the Arms Control Association, is dubious. He thinks the replacement process could be a back door to new warhead concepts, not what's needed when trying to persuade Iran to keep out of the nuclear club. A more meaningful approach, says Mr. Kimball, would be to slash the swollen U.S. and Russian arsenals.

Yet under the Treaty of Moscow, by 2012, both nuclear behemoths could still deploy 2,200 long-range nuclear weapons, not counting those in reserve and tactical arms. The world will still bristle with the most destructive of weapons of mass destruction 22 years after the Cold War's end.

That's not a prospect likely to dissuade the insecure leaders of Iran.

U.S. War Spending to Rise 44% to $9.8 Bn a Month

By: Jeff Bliss

U.S. military spending in Iraq and Afghanistan will average 44 percent more in the current fiscal year than in fiscal 2005, the nonpartisan Congressional Research Service said.

Spending will rise to $9.8 billion a month from the $6.8 billion a month the Pentagon said it spent last year, the research service said. The group's March 10 report cites "substantial" expenses to replace or repair damaged weapons, aircraft, vehicles, radios and spare parts.

It also figures in costs for health care, fuel, national intelligence and the training of Iraqi and Afghan security forces -- "now a substantial expense," it said.

The research service said it considers "all war and occupation costs," while the Pentagon counts just the cost of personnel, maintenance and operations.

The House approved emergency funding that includes the military spending last night by a vote of 348-71. The measure authorizes $72 billion for war costs and almost $20 billion for hurricane relief. The Senate is expected to pass it next month.

Congress already has approved $50 billion in supplemental war funding for the current fiscal year, which ends Sept. 30, after spending $100 billion last year. To date, Congress has approved about $337 billion for the wars since Sept. 11, 2001.

2007 Funding

The administration has said it also will seek $50 billion in war funding for fiscal 2007 to serve as a bridge fund until needs are assessed. That will be on top of the $439.3 billion defense budget the president submitted.

The request the House approved last night includes $67.6 billion for war operations, much of it in costs for personnel and repair and replacement of equipment; about $4.9 billion to train and equip Afghan and Iraqi security forces; and about $2 billion for defenses against roadside bombs, which have been a leading cause of death for U.S. servicemen in Iraq.

To date, 2,310 members of the U.S. military have died in Iraq since the war began three years ago, 1,808 of them in combat, according to the Pentagon.

The hurricane money approved last night will go toward housing, enhancing levees and public safety projects in Louisiana and Mississippi following the devastation caused by Hurricane Katrina last August, the administration has said.

Spending on the wars and hurricane relief will help widen the federal budget deficit to a record $423 billion this fiscal 2006, an increase from last year's $319 billion deficit, the administration forecast last month.

$87 Billion Already

Of the $87 billion already approved for hurricane relief and rebuilding, $31 billion has been earmarked for health and social services, school repairs, payments to farmers and unemployment insurance; $41 billion is going for temporary housing and flood insurance payments and $15 billion is set aside for levee and road repairs and repairs to damaged federal facilities, according to the administration.

The measure passed last night includes an amendment to prohibit a Dubai-owned company from operating port facilities in the U.S. DP World, the third-largest container port operator, has already promised it will sell its U.S. operations to a U.S. buyer. Most lawmakers conceded the issue was moot but wanted their opposition to the original deal to be on record.

Other amendments provide extra money for anti-drug operations in Colombia and peacekeeping efforts in the Darfur region of Sudan.

(Courtesy: Bloomberg.com; March 17, 2006)

Nuclear Reactors Found to Be Leaking Radioactive Water

By: Matthew L. Wald

Washington: With power cleaner than coal and cheaper than natural gas, the nuclear industry, 20 years past its last meltdown, thinks it is ready for its second act: its first new reactor orders since the 1970's.

But there is a catch. The public's acceptance of new reactors depends in part on the performance of the old ones, and lately several of those have been discovered to be leaking radioactive water into the ground.

Near Braceville, Ill., the Braidwood Generating Station, owned by the Exelon Corporation, has leaked tritium into underground water that has shown up in the well of a family nearby. The company, which has bought out one property owner and is negotiating with others, has offered to help pay for a municipal water system for houses near the plant that have private wells.

In a survey of all 10 of its nuclear plants, Exelon found tritium in the ground at two others. On Tuesday, it said it had had another spill at Braidwood, about 60 miles southwest of Chicago, and on Thursday, the attorney general of Illinois announced she was filing a lawsuit against the company over that leak and five earlier ones, dating to 1996. The suit demands among other things that the utility provide substitute water supplies to residents.

In New York, at the Indian Point 2 reactor in Buchanan, workers digging a foundation adjacent to the plant's spent fuel pool found wet dirt, an indication that the pool was leaking. New monitoring wells are tracing the tritium's progress toward the Hudson River.

Indian Point officials say the quantities are tiny, compared with the amount of tritium that Indian Point is legally allowed to release into the river. Officials said they planned to find out how much was leaking and declare the leak a "monitored release pathway."

Nils J. Diaz, the chairman of the Nuclear Regulatory Commission, said he would withhold judgment on the proposal until after it reached his agency, but he added, "They're going to have to fix it."

This month, workers at the Palo Verde plant in New Mexico found tritium in an underground pipe vault.

The Union of Concerned Scientists, which is critical of nuclear power safety arrangements, said recently that in the past 10 years, tritium had leaked from at least seven reactors. It called for a systematic program to ensure there were no more leaks.

Tami Branum, who lives close to the Braidwood reactor and owns property in the nearby village of Godley, said in a telephone interview, "It's just absolutely horrible, what we're trying to deal with here." Ms. Branum and her children, 17-year-old twin girls and a 7-year-old boy, drink only bottled water, she said, but use municipal water for everything else. "We're bathing in it, there's no way around it," she said.

Ms. Branum said that her property in Godley was worth about $50,000 and that she wanted to sell it, but that no property was changing hands now because of the spill.

A spokesman for Exelon, Craig Nesbit, said that neither Godley's water nor Braidwood's water system was threatened, but that the company had lost credibility when it did not publicly disclose a huge fuel oil spill and spills of tritium from 1996 to 2003. No well outside company property shows levels that exceed drinking water standards, he said.

Mr. Diaz of the regulatory agency, speaking to a gathering of about 1,800 industry executives and government regulators last week, said utilities were planning to apply for 11 reactor projects, with a total of 17 reactors. The Palo Verde reactor was the last one that was ordered, in October 1973, and actually built.

As the agency prepares to review license applications for the first time in decades, it is focusing on "materials degradation," a catch-all term for cracks, rust and other ills to which nuclear plants are susceptible. The old metal has to hold together, or be patched or replaced as required, for the industry to have a chance at building new plants, experts say.

Tritium, a form of hydrogen with two additional neutrons in its nucleus, is especially vexing. The atom is unstable and returns to stability by emitting a radioactive particle. Because the hydrogen is incorporated into a water molecule, it is almost impossible to filter out. The biological effect of the radiation is limited because, just like ordinary water, water that incorporates tritium does not stay in the body long.

But it is detectable in tiny quantities, and always makes its source look bad. The Energy Department closed a research reactor in New York at its Brookhaven National Laboratory on Long Island, largely because of a tritium leak.

And it can catch up to a plant after death; demolition crews at the Connecticut Yankee reactor in Haddam Neck, Conn., are disposing of extra dirt that has been contaminated with tritium and other materials, as they tear the plant down.

After years of flat employment levels, the industry is preparing to hire hundreds of new engineers. Luis A. Reyes, the executive director for operations at the regulatory commission, told the industry gathering last week, "We'll take your résumé in hard copy, online, whatever you can do," eliciting laughter from an audience heavy with executives of reactor operators and companies that want to build new ones.

(Courtesy: Commondreams.org)

Asia

Indian state government workers strike

Three hundred thousand state government workers in the south Indian state of Karnataka walked out on March 9 to demand a 10 percent interim allowance backdated from January 1 this year. The payment is to be made pending the implementation of salary increases awarded by the Fifth Pay Commission.

The state government employees also want legislation to regulate government transfers, pension benefits based on the last drawn salary and the provision of time-bound promotions. Strikers demonstrated in city centres and held protest rallies throughout the state.

While union officials called off the strike after two hours, a government warning that stringent action would be taken against strikers under the Karnataka Civil Services (Prohibition of Strikes) Act had little impact on workers. There was almost total participation in the protest by state employees in Mysore, Mangalore, Hubli-Dharwad, Gulbarga, Belgaum, Bellary, Udupi and Bijapur. Attendance at government offices in the state's capital Bangalore, including the Secretariat, was extremely low.

Work in village councils also came to a standstill during the protest.

South Indian workers fight for pension benefits

State Bank of India employees in the south Indian state of Kerala protested outside local branches on March 10 to demand improved pension payments.

In a separate dispute, power workers from the Tamil Nadu Electricity Board demonstrated on March 10 in Tiruvannamala district against the state government's stand on pension benefits. Until recently workers who had served 30 years of service were eligible to receive a pension based on 50 percent of their last drawn salary but this has been cut by the state government. Workers also want 50 percent of their Dearness Allowance merged with their basic pay.

Indian Telecom contract workers protest for wage hike

Telecom contract workers and their families in Coimbatore, Tamil Nadu, protested on March 9 in support of a six-point charter of demands. The protest followed demonstrations on February 27 at local Telecom branches over the same issues.

The charter includes a minimum daily wage of 92 rupees ($US2) for 430 contract workers involved in housekeeping; the compulsory provision of Provident Fund (PF) and Employment State Insurance (ESI) benefits in line with the Central Government scheme; prompt salary distribution to contract workers involved in laying and maintenance of cables; and compulsory overtime payment.

The demonstrations were organised by Telecom Contract Workers Union together with Bharat Sanchar Nigam Limited Employees Union. Contract employers earlier had ruled out any wage increase.

Imphal municipal strike results in garbage piling up

Imphal municipal workers in the northeast Indian state of Manipur who are members of the Imphal Municipality Employees Union and Imphal Municipality Employees and Workers Welfare Organisation, went on strike on January 19 to demand the payment of salaries outstanding for the past 21 months.

Pakistani college teachers demonstrate

A large number of college teachers marched from the Government Muslim Science College to the Press Club in Hyderabad in Sindh Province in the southeast of Pakistan on March 7. A sit-down protest outside the club caused delays to traffic for over an hour.

The teachers want job confirmation for casual teachers, the filling of 800 vacant teaching posts, the lifting of a ban on transfers on sections of teachers, and posts for 120 principals. They warned that if the demands were not met by March 15, thousands of college teachers would begin large-scale protests. The teachers are members of the Sindh Professors and Lecturers Association (SPLA).

In a separate dispute in Sind Province, a large number of Public Health Engineering Department employees protested outside the press club in Dadu on March 3. They want the salaries of 7,000 employees outstanding for three months paid. The demonstration was organised by the Public Health Engineering Employees Union.

Indonesian golf club workers protest

On March 7, gardeners, housekeepers, waitresses and security guards from the Klub Golf Senayan in central Jakarta demonstrated outside the manager's office, demanding transport and meal allowances on top of their basic salary.

The workers are currently paid 820,000 rupiah ($US89) a month, a little more than the 812,000 rupiah provincial minimum wage. Up until few months back they were paid just 720,000 rupiah. The club, which is run by PT Sinar Kemala, has asked for a month to consider the demand.

Strikes continue to erupt in Vietnam

The number of workers on strike at Taiwanese-owned shoe factory Pou Chen Vietnam in the country's southern Dong Nai province reached 8,000 on March

13. Employees are demanding improved wages and working conditions.

The strike was the latest in a series of wildcat walkouts since December by thousands employed in foreign-owned Asian plants in Vietnam. The country's strictly-controlled cheap labour workforce is the main attraction for overseas investors with unskilled workers in footwear, textiles and other export factories paid about $US2 a day.

The government and the state-controlled unions have opposed the strikes. Under Vietnamese law union members are required to seek official authorisation 20 days before even considering any strike action.

A letter in January to the government from the European Chamber of Commerce in Vietnam voiced concerns that the escalating strike action could spread to European-owned plants. It pointed out that one of the main attractions for foreign investors in Vietnam was that the workforce was "not prone to industrial action".

Senior Labor Ministry official Pham Minh Huan warned that action was needed "to limit the spread of strikes" because they created "an unstable environment for foreign investment".

Australia and the Pacific

ATM technicians strike

Striking automatic teller machine (ATM) technicians from National Cash Register returned to work on March 15 after a two-day strike across three states. Around two-thirds of the company's 150 technical staff walked out on March 13 after management refused to increase a 3 percent pay offer. The workers, who are members of the Australian Services Union (ASU), also want the company to drop plans to introduce adverse changes to working hours and eliminate an allowance paid to technicians using their own cars for work.

The strike affected ATM servicing in New South Wales, South Australia and Queensland and other computerised equipment at Qantas, KFC Corp and Apple computers. An ASU spokesperson claimed that the workers had a pay increase in the last five years.

ACT teachers stop work over wages

About 3,000 public school and Institute of Technology teachers in Canberra attended a four-hour stop-work meeting on March 14 and then marched to a rally outside the Australian Capital Territory (ACT) Legislative Assembly.

The protest was in support of a new wages and conditions agreement, including a 12 percent pay rise over three years to bring ACT teachers' wages in line with those paid in the neighbouring state of New South Wales.

Despite negotiations for the last eight months, the ACT Labor government has refused to increase its 9 percent pay rise offer over three years. The government claims that it has a budget deficit and cannot afford the extra $15 million per year needed to meet the teachers' claim.

Electricians strike over safety

Electricians at Energex in Queensland went on strike on March 16 over safety, wages, working conditions and other issues. The Electrical Trade Union (ETU) claims that the company is allowing the employment of unskilled labour in its new vegetation-management contracts.

An ETU spokesman said the union had complained to the Electrical Safety Office about "non-electrical workers, who do not have the necessary training, qualifications or experience, cutting vegetation that was touching live 11,000 volt power lines". He also said that Energex had dismissed the allegations as "unfounded", despite documentary evidence from a live-line auditor.

The union said that Energex was forcing contractors to offer the lowest price to gain work. This was impacting on wages, working conditions and "putting workers lives at risk," he said.

New Zealand hospital workers discuss pay campaign

On March 8, hospital orderlies, cleaners and food service workers, together with home support employees, attended stop-work meetings across New Zealand to discuss a campaign for a national collective work contract, including improved wages. About 100 workers from Waikato Hospital demonstrated in Hamilton during the stoppage.

A spokesman for Service and Food Workers' Union (SWFU) said some of the employees were being paid rates as low as $9.75 an hour and claimed that the move by District Health Boards over the past 15 years to contract out services had left wages lagging. To date, the SFWU has not announced the pay increase it will seek.

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