LOK SAMVAD

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EDITORIAL

Budget Unleashes the Remaining Part of SAP

- Piyush Pant

The budget presented by Finance Minister Pranab Mukerjee has clearly signaled that the UPA government is no longer concerned about the plight of Aam Aadmi. Perhaps the absence, this time, of left parties as their allies has given it the leeway to move further ahead on the road to privatization and cater to the interests of upper middle class and the corporate sector. But the most prominent signal emanating from this year's budget is that it is a step forward in implementing the second part of the World Bank dictated agenda of structural adjustment. Under the first part, measures such as devaluation of rupee; new industrial policy allowing more foreign investments; part disinvestment of government equity in profitable public sector enterprises; reform of the financial sector by allowing in private banks; liberal import and export policy were taken up and now the second leg of implementation is being undertaken by mainly focusing on reducing the fiscal deficit through initiating cuts in social sector spending,drastically reducing various subsidies and undertaking tax-reforms leading to greater share of indirect taxes. That's why this year's budget cuts down food subsidy by Rs. 424 crore and fertilizer subsidy for poor farmers by Rs.3,000 crore and proposes a number of indirect taxes in order to raise an additional Rs. 6,000 crore over the last year. The heaviest fall has been affected in subsidies for petroleum products reducing it to mere Rs. 3,108 crore in 2010-11 from Rs. 14,954 crore in the year 2009-10. It is interesting to know that in the budget estimate for 2009-10 petroleum subsidy was pegged at Rs. 3,109 crore, although finally it reached Rs. 14,954 crore (as per revised estimates).

The cuts in subsidies have been sought to be filled up by making hike in the custom's duties on petrol and diesel to 7.5 percent from 2.5 percent and in excise duty on non-branded (normal) petrol and diesel by Rs. 1 a litre. The other instrument recourse to which has been taken, in the budget, to reduce the fiscal deficit is indirect taxation. Forty thousand crore of additional resources have been mobilized by raising indirect taxes on a wide range of mass consumption goods. It is a common knowledge that indirect taxes are both inflationary and regressive in nature and would particularly hurt those who are already suffering due to the rise in food prices and don't have means to match the rising prices.

A man belonging to Bengali 'bhadralok', Pranab babu did succeed in projecting his budget as gentle man's gift to the middle class but in the garb of giving relief to various sections of society, he, in fact, has done every thing to widen the gap between the rich and the poor. The poor are already reeling under the pressure of high prices of essential commodities; the budget will further contribute to the inflationary pressures on the economy, leading to further deprivation of the people. It is a common understanding that hike in the prices of diesel invariably leads to the increase in the prices of essential commodities due to the increase in the transportation costs. The much touted relief provided by the Finance Minister to the employees belonging to the middle class

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in the form of giving relief in Income-tax is again a deception. It is not the middle class but the upper middle class which will be benefited by having more money as savings. In fact as per the new tax slabs, everyone who earns an income of above Rs. 8 lakh would pay a lower tax of Rs. 51,500.Those earning taxable income of up to Rs. 3 lakh annually or 26 to 27 thousands monthly have been totally ignored by the minister. Earlier they paid a tax of 10 percent on income above Rs.1.60 lakh and with the revised slabs too, they continue to do so. It seems that the Finance minister wants the call centre and corporate sector employees to have more money to spend in the Malls and serve the interests of the market.

How the Budget is tilted towards benefiting the corporate sector is clear from the fact that it has provided about one lakh crore as various tax exemptions to the rich including lowering of rates of personal income tax over certain income slabs, a reduction in surcharge on corporate income tax from 10 per cent to 7 per cent and concessions for corporate business entities in various forms. This practice is catching fast with the government. During the year 2009-10, the tax revenues foregone on account of exemptions provided amounted to Rs. 80,000 crore in respect of corporate income tax, Rs. 41,000 crpre in respect of personal income tax and Rs. 4,20,000 crore in respect of excise and customs duties taken together. If we look at the succeeding years, we find that between 2007 and 2009, the tax revenue forgone under corporate income tax amounted to Rs. 131000 crores. If we take the years 2008-09, 2009-10 and 2010-11 together then the total tax concessions to the corporate tax payers and rich sections, in these consecutive budgets, amount to almost 500,000 crores.

As for the much-hyped focus on the social sector, the Budget does pay some attention to a few of the important sectors/issues such as women and child development, the development of minorities, technical education and rural housing, but the overall allocations and proposals for the social sectors in it seem to fall much below the expectations. Though the allocation for social sector in the total expenditure in the Union Budget had been stepped up from 8.9 per cent in 2007-2008 to 10.4 per cent in 2008-09 but it remains at 10.4 per cent in the budget estimates for 2010-11. Similarly Union government's total allocation for education in the budget stands only slightly better than the year 2009-10. It stands at 0.71 per cent of GDP while it was 0.64 per cent of GDP in 2009-10 (Revised Estimate). But such small and gradual increases in the budget outlays for education can not result in any visible increase in overall public spending in the country. Particularly, when the government has made the Right to Education a Fundamental Right for children, such small increases will not help in the successful implementation of the Act. Isn't it paradoxical that while the Union Government took extra pain to get the Right to Education Bill passed in parliament, Budget 2010-11 maintains complete silence on how the Act will be financed?

The same story repeats itself in the health segment of the social sector as well. It should not be forgotten that the UPA had made a commitment in the National Common Minimum Programme in 2004 that the total public spending on health would be raised to the level of 2 to 3 per cent of GDP. This was also emphasized in the 11th Five Year Plan. But sadly the Budget shows a negligible increase from 0.35 per cent of GDP in 2009-10 (R.E.) to 0.36 per cent of GDP in 2010-11 (B.E.) for the allocations for the Ministry of Health and Family Welfare. Thus it can be seen that the government is much short of the target of raising the total public spending on health to 2 to 3 per cent of GDP.

Even for NREGS, which is supposed to be the most successful initiative of the UPA government, the provisions in the Budget have been raised by a meager 2. 5 %, from Rs. 39,100 crore in 2009- 10 to Rs. 40,100 crore in 2010-11.

Challenges

- To quickly revert to the high GDP growth path of 9% and then find the means to cross the 'double digit growth barrier'.
- To harness economic growth to consolidate the recent gains in making development more inclusive.
- To address the weaknesses in government systems, structures and institutions at different levels of governance.

Overview of the economy

- India among the first few countries in the world to implement a broad-based counter-cyclic policy package to respond to the negative fallout of the global slowdown.
- The Advance Estimates for Gross Domestic Product (GDP) growth for 2009-10 pegged at 7.2%. The final figure expected to be higher when the third and fourth quarter GDP estimates for 2009-10 become available.
- The growth rate in manufacturing sector in December 2009 was 18.5% — the highest in the past two decades.
- A major concern during the second half of 2009-10 has been the emergence of double digit food inflation. Government has set in motion steps, in consultation with the State Chief Ministers, which should bring down the inflation in the next few months and ensure that there is better management of food security in the country.

Consolidating growth

Fiscal Consolidation

- With recovery taking root, there is a need to review public spending, mobilise resources and gear them towards building the productivity of the economy.
- Fiscal policy shaped with reference to the recommendations of the Thirteenth Finance Commission, which has recommended a calibrated exit strategy from the expansionary fiscal stance of last two years.
- It would be for the first time that the Government would target an explicit reduction in its domestic public debt-GDP ratio.

Tax reforms

- On the Direct Tax Code (DTC) the wide-ranging discussions with stakeholders have been concluded – Government will be in a position to implement the DTC from April 1, 2011.
- Centre actively engaged with the Empowered Committee of State Finance Ministers to finalise the structure of Goods and Services Tax (GST) as well as the modalities of its expeditious implementation. Endeavour to introduce GST by April, 2011

People's ownership of PSUs

- Ownership has been broad based in Oil India Limited, NHPC, NTPC and Rural Electrification Corporation while the process is on for National Mineral Development Corporation and Satluj Jal Vidyut Nigam. This will raise about Rs 25,000 crore during the current year.
- Higher amount proposed to be raised during the year 2010-11.

Fertiliser subsidy

- A Nutrient Based Subsidy policy for the fertiliser sector has been approved by the Government and will become effective from April 1, 2010.
- This will lead to an increase in agricultural productivity and better returns for the farmers, and overtime reduce the volatility in demand for fertiliser subsidy and contain the subsidy bill.

Petroleum and Diesel pricing policy

- Expert Group to advise the Government on a viable and sustainable system of pricing of petroleum products has submitted its recommendations.
- Decision on these recommendations will be taken in due course.

Improving Investment Environment

Foreign Direct Investment

- Number of steps taken to simplify the FDI regime.
- Methodology for calculation of indirect foreign investment in Indian companies has been clearly defined.
- Complete liberalisation of pricing and payment of technology transfer fee and trademark, brand name and royalty payments.

Financial Stability and Development Council

- An apex level Financial Stability and Development Council to be set up with a view to strengthen and institutionalise the mechanism for maintaining financial stability.
- This Council would monitor macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and address interregulatory coordination issues.

Banking Licences

- RBI is considering giving some additional banking licenses to private sector players. Non Banking Financial Companies could also be considered, if they meet the RBI's eligibility criteria.

Public Sector Bank Capitalisation

- Rs.16,500 crore provided to ensure that the Public Sector Banks are able to attain a minimum 8% Tier-I capital by March 31, 2011.

Recapitalisation of Regional Rural Banks (RRB)

- Government to provide further capital to strengthen the RRBs so that they have adequate capital base to support increased lending to the rural economy.

Corporate Governance

- Government has introduced the Companies Bill, 2009 in the Parliament to replace the existing Companies Act, 1956, which will address issues related to regulation in corporate sector in the context of the changing business environment.

Exports

- Extension of existing interest subvention of 2% for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises.

Agriculture Growth

- Government will follow a four-pronged strategy, covering

(a) Agricultural production

- Rs.400 crore provided to extend the green revolution to the eastern region of the country comprising Bihar, Chattisgarh, Jharkhand, Eastern UP, West Bengal and Orissa.
- Rs.300 crore provided to organise 60,000 "pulses and oil seed villages" in rain-fed areas during 2010-11 and provide an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas.
- Rs.200 crore provided for sustaining the gains already made in the green revolution areas through conservation farming, which involves concurrent attention to soil health, water conservation and preservation of biodiversity.

(b) Reduction in wastage of produce

- Government to address the issue of opening up of retail trade. It will help in bringing down the considerable difference between farm gate, wholesale and retail prices.
- Deficit in the storage capacity met through an ongoing scheme for private sector participation — FCI to hire godowns from private parties for a guaranteed period of 7 years.

(c) Credit support to farmers

- Banks have been consistently meeting the targets set for agriculture credit flow in the past few years. For the year 2010-11, the target has been set at Rs.3,75,000 crore.
- In view of the recent drought in some States and the severe floods in some other parts of the country, the period for repayment of the loan amount by farmers extended by six months from December 31, 2009 to June 30, 2010 under the Debt Waiver and Debt Relief Scheme for Farmers.

- Incentive of additional one per cent interest subvention to farmers who repay short-term crop loans as per schedule, increased to 2% for 2010-11.

(d) Impetus to the food processing sector

- In addition to the ten mega food park projects already being set up, the Government has decided to set up five more such parks.
- External Commercial Borrowings to be available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.

Infrastructure

- Rs.1,73,552 crore provided for infrastructure development which accounts for over 46% of the total plan allocation.
- Allocation for road transport increased by over 13% from Rs.17,520 crore to Rs.19,894 crore.
- Rs.16,752 crore provided for Railways, which is about Rs.950 crore more than last year.

India Infrastructure Finance Company Limited (IIFCL)

- IIFCL's disbursements are expected to touch Rs.9,000 crore by end March 2010 and reach around Rs.20,000 crore by March 2011.
- IIFCL has refinanced bank lending to infrastructure projects of Rs.3,000 crore during the current year and is expected to more than double that amount in 2010-11.
- The take-out financing scheme announced in the last Budget is expected to initially provide finance for about Rs.25,000 crore in the next three years.

Energy

- Plan allocation for power sector excluding RGGVY doubled from Rs.2230 crore in 2009-10 to Rs.5,130 crore in 2010-11.
- Government proposes to introduce a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks.
- A "Coal Regulatory Authority" to create a level playing field in the coal sector proposed to be set up.
- Plan outlay for the Ministry of New and Renewable Energy increased by 61% from Rs.620 crore in 2009-10 to Rs.1,000 crore in 2010-11.
- Solar, small hydro and micro power projects at a cost of about Rs.500 crore to be set up in Ladakh region of Jammu and Kashmir.

Environment and Climate change

- National Clean Energy Fund for funding research and innovative projects in clean energy technologies to be established.
- One-time grant of Rs.200 crore to the Government of Tamil Nadu towards the cost of installation of a zero liquid discharge system at Tirupur to sustain knitwear industry.
- Rs. 200 crore provided as a Special Golden Jubilee package for Goa to preserve the natural resources of the State, including sea beaches and forest cover.
- Allocation for National Ganga River Basin Authority (NGRBA) doubled in 2010-11 to Rs.500 crore.
- Schemes on bank protection works along river Bhagirathi and river Ganga-Padma in parts of Murshidabad and Nadia district of West Bengal included in the Centrally Sponsored Flood Management Programme.
- A project at Sagar Island to be developed to provide an alternate port facility in West Bengal.

Inclusive development

- The spending on social sector has been gradually increased to Rs.1,37,674 crore in 2010-11, which is 37% of the total plan outlay in 2010-11.
- Another 25% of the plan allocations are devoted to the development of rural infrastructure.

Education

- Plan allocation for school education increased by 16% from Rs.26,800 crore in 2009-10 to Rs.31,036 crore in 2010-11.
- In addition, States will have access to Rs.3,675 crore for elementary education under the Thirteenth

Finance Commission grants for 2010-11.

Health

- An Annual Health Survey to prepare the District Health Profile of all Districts shall be conducted in 2010-11.
- Plan allocation to Ministry of Health & Family Welfare increased from Rs.19,534 crore in 2009-10 to Rs.22,300 crore for 2010-11.

Financial Inclusion

- Appropriate Banking facilities to be provided to habitations having population in excess of 2000 by March, 2012.
- Insurance and other services to be provided using the Business Correspondent model. By this arrangement, it is proposed to cover 60,000 habitations.
- Augmentation of Rs.100 crore each for the Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund, which shall be contributed by Government of India, RBI and NABARD.

Rural Development

- Rs.66,100 crore provided for Rural Development.
- Allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme stepped up to Rs.40,100 crore in 2010-11.
- An amount of Rs.48,000 crore allocated for rural infrastructure programmes under Bharat Nirman.
- Unit cost under Indira Awas Yojana increased to Rs.45,000 in the plain areas and to Rs.48,500 in the hilly areas. Allocation for this scheme increased to Rs.10,000 crore.
- Allocation to Backward Region Grant Fund enhanced by 26% from Rs.5,800 crore in 2009-10 to Rs.7,300 crore in 2010-11.
- Additional central assistance of Rs.1,200 crore provided for drought mitigation in the Bundelkhand region.

Urban Development and Housing

- Allocation for urban development increased by more than 75% from Rs.3,060 crore to Rs.5,400 crore in 2010-11.
- Allocation for Housing and Urban Poverty Alleviation raised from Rs.850 crore to Rs.1,000 crore in 2010-11.
- Scheme of one per cent interest subvention on housing loan upto Rs10 lakh, where the cost of the house does not exceed Rs 20 lakh — announced in the last Budget — extended up to March 31, 2011. Rs.700 crore provided for this scheme for the year 2010-11.
- Rs.1,270 crore allocated for Rajiv Awas Yojana as compared to Rs.150 crore last year.

Micro, Small & Medium Enterprises

- High Level Council on Micro and Small Enterprises to monitor the implementation of the recommendations of High-Level Task Force constituted by Prime Minister.
- Allocation for this sector to be increased from Rs.1,794 crore to Rs.2,400 crore for the year 2010-11.
- The corpus for Micro-Finance Development and Equity Fund doubled to Rs.400 crore in 2010-11.

Unorganised Sector

National Social Security Fund for unorganised sector workers

- National Social Security Fund for unorganised sector workers to be set up with an initial allocation of Rs.1000 crore. This fund will support schemes for weavers, toddy tappers, rickshaw pullers, bidi workers etc.
- Rashtriya Swasthya Bima Yojana benefits extended to all such Mahatma Gandhi NREGA beneficiaries who have worked for more than 15 days during the preceding financial year.
- A new initiative, "Swavalamban" will be available for persons who join New Pension Scheme (NPS), with a minimum contribution of Rs.1,000 and a maximum contribution of Rs.12,000 per annum during the financial year 2010-11, wherein Government will contribute Rs.1,000 per year to each NPS account opened in the year 2010-11. Allocation of Rs.100 crore made for this initiative.

Skill development

- National Skill Development Corporation has approved three projects worth about Rs.45 crore to create 10 lakh skilled manpower at the rate of one lakh per annum.
- An extensive skill development programme in the textile and garment sector to be launched by leveraging the strength of existing institutions and instruments of the Textile Ministry to train 30 lakh persons over 5 years.

Social Welfare

- Plan outlay for Women and Child Development stepped up by almost 50%.
- The ICDS platform being expanded for effective implementation of the Rajiv Gandhi Scheme for Adolescent Girls.
- "Saakshar Bharat" to further improve female literacy rate launched with a target of 7 crore non-literate adults which includes 6 crore women.
- Mahila Kisan Sashaktikaran Pariyojana to meet the specific needs of women farmers to be launched with a provision of Rs.100 crore as a sub-component of the National Rural Livelihood Mission.
- Plan outlay of the Ministry of Social Justice and Empowerment enhanced by 80% to Rs.4500 crore. With this enhancement, the Ministry will be able to revise rates of scholarship under its post-matric scholarship schemes for SCs and OBC students.
- Plan allocation for the Ministry of Minority Affairs increased by 50% from Rs.1,740 crore to Rs.2,600 crore for the year 2010-11.

Strengthening transparency and public accountability

- Financial Sector Legislative Reforms Commission to be set up to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.
- Rs.1,900 crore allocated to the Unique Identification Authority of India (UIDAI)for 2010-11. UIDAI will be able to meet its commitments of issuing the first set of UID numbers in the coming year
- A Technology Advisory Group for Unique Projects (TAGUP) to be set up to look into various technological and systemic issues for effective tax administration and financial governance.
- Independent Evaluation Office (IEO) chaired by the Deputy Chairman, Planning Commission to be set up to evaluate the impact of flagship programmes.

Security and Justice

- Allocation for Defence increased to Rs.1,47,344 crore including Rs.60,000 crore for capital expenditure.
- About 2,000 youth to be recruited as constables in five Central Para Military Forces from Jammu and Kashmir in the year 2010.
- Planning Commission to prepare an integrated action plan for the thirty-three left wing extremism affected districts. Adequate funds will be made available to support the action plan.
- Government has approved the setting up of the National Mission for Delivery of Justice and Legal Reforms to help reduce legal backlog in courts from an average of 15 years at present to 3 years by 2012.

BUDGET ESTIMATES 2010-11

- The Gross Tax Receipts are estimated at Rs7,46,651 crore.
- The Non Tax Revenue Receipts are estimated at Rs1,48,118 crore.
- The net tax revenue to the Centre as well as the expenditure provisions in 2010-11 have been estimated with reference to the recommendations of the Thirteenth Finance Commission.
- The total expenditure proposed in the Budget Estimates is Rs.11,08,749 crore, which is an increase of 8.6% over last year.
- The Plan and Non Plan expenditures in BE 2010-11 are estimated at Rs.3,73,092 crore and Rs.7,35,657 crore respectively. While there is 15% increase in Plan expenditure, the increase in Non Plan expenditure is only 6 per cent over the BE of previous year.
- Fiscal deficit for BE 2010-11 at 5.5% of GDP, which works out to Rs.3,81,408 crore.
- Taking into account the various other financing items for fiscal deficit, the actual net market borrowing of

the Government in 2010-11 would be of the order of Rs.3,45,010 crore. This would leave enough space to meet the credit needs of the private sector.

- The rolling targets for fiscal deficit are pegged at 4.8% and 4.1% for 2011-12 and 2012-13, respectively.
- Against a fiscal deficit of 7.8% in 2008-09, inclusive of oil and fertilizer bonds, the comparable fiscal deficit is 6.9% as per the Revised Estimates for 2009-10.
- Conscious effort made to avoid issuing bonds to oil and fertilizer companies. Government would like to continue with this practice of extending Government subsidy in cash, thereby bringing all subsidy related liabilities into Government's fiscal accounting.

PART B TAX PROPOSALS

- The Centralized Processing Centre at Bengaluru is now fully functional and is processing around 20,000 returns daily. This initiative will be taken forward by setting up two more Centres during the year.
- The Income Tax department has introduced "Sevottam", a pilot project at Pune, Kochi and Chandigarh through Aayakar Seva Kendras, which provide a single window system for registration of all applications including those for redressal of grievances as well as paper returns. The scheme will be extended to four more cities in the year.
- Automation of Central Excise & Service Tax, has already been rolled out throughout the country this year. Similarly, a Mission Mode Project for computerization of Commercial Taxes in States has been approved recently. With an outlay of Rs1133 crore of which the Centre's share is Rs800 crore, the project will lay the foundation for the launch of GST.
- The income tax department to notify SARAL-II form for individual salaried taxpayers for the coming assessment year.
- Scope of cases which may be admitted by the Settlement Commission expanded to include proceedings related to search and seizure cases pending for assessment. Scope of Settlement Commission also expanded in respect of Central Excise and Customs to include certain categories of cases that hitherto fell outside its jurisdiction.
- Bi-lateral discussions commenced to enhance the exchange of bank related and other information to effectively track tax evasion and identify undisclosed assets of resident Indians lying abroad.

Direct Taxes

- Income tax slabs for individual taxpayers to be as follows:

  Income upto Rs1.6 lakh: Nil
  Income above Rs1.6 lakh and upto Rs 5 lakh: 10%
  Income above Rs5 lakh and upto Rs 8 lakh: 20%
  Income above Rs 8 lakh: 30%
- Deduction of an additional amount of Rs 20,000 allowed, over and above the existing limit of Rs1 lakh on tax savings, for investment in long-term infrastructure bonds as notified by the Central Government
- Besides contributions to health insurance schemes which is currently allowed as a deduction under the Income-tax Act, contributions to the Central Government Health Scheme also allowed as a deduction under the same provision.
- Current surcharge of 10% on domestic companies reduced to 7.5%.
- Rate of Minimum Alternate Tax (MAT) increased from the current rate of 15% to 18% of book profits.
- To further encourage R&D across all sectors of the economy, weighted deduction on expenditure incurred on in-house R&D enhanced from 150 per cent to 200%. Weighted deduction on payments made to National Laboratories, research associations, colleges, universities and other institutions, for scientific research enhanced from 125% to 175%.
- Payment made to an approved association engaged in research in social sciences or statistical research to be allowed as a weighted deduction of 125 per cent. The income of such approved research association shall be exempt from tax.
- Benefit of investment linked deduction under the Act extended to new hotels of two-star category and above anywhere in India to boost investment in the tourism sector.
- Allow pending projects to be completed within a period of five years instead of four years for claiming a

deduction of their profits, as a one time interim relief to the housing and real estate sector. Norms for built-up area of shops and other commercial establishments in housing projects to be relaxed to enable basic facilities for their residents.

- Limits for turnover over which accounts need to be audited enhanced to Rs60lakh for businesses and to Rs15 lakh for professions.
- Limit of turnover for the purpose of presumptive taxation of small businesses enhanced to Rs60 lakh.
- If tax has been deducted on payment by way of any expense and is paid before the due date of filing the return, such expenditure to be allowed for deduction. Interest charged on tax deducted but not deposited by the specified date to be increased from 12% to 18% per annum.
- To facilitate the conversion of small companies into Limited Liability Partnerships, transfer of assets as a result of such conversion not to be subject to capital gains tax.
- "The advancement of any other object of general public utility" to be considered as "charitable purpose" even if it involves carrying on of any activity in the nature of trade, commerce or business provided that the receipts from such activities do not exceed Rs10 lakh in the year .
- Proposals on direct taxes estimated to result in a revenue loss of Rs26,000 crore for the year.

Indirect Taxes

- Rate reduction in Central Excise duties to be partially rolled back and the standard rate on all non-petroleum products enhanced from 8% to 10% ad valorem.
- The specific rates of duty applicable to portland cement and cement clinker also adjusted upwards proportionately. Similarly, the ad valorem component of excise duty on large cars, multi-utility vehicles and sports-utility vehicles increased by 2 percentage points to 22%.
- Restore the basic duty of 5% on crude petroleum; 7.5% on diesel and petrol and 10% on other refined products. Central Excise duty on petrol and diesel enhanced by Re.1 per litre each.
- Some structural changes in the excise duty on cigarettes, cigars and cigarillos to be made coupled with some increase in rates. Excise duty on all non-smoking tobacco such as scented tobacco, snuff, chewing tobacco etc to be enhanced. Compounded levy scheme for chewing tobacco and branded unmanufactured tobacco based on the capacity of pouch packing machines to be introduced.

Agriculture & Related Sectors

- Provide project import status with a concessional import duty of 5% for the setting up of mechanised handling systems and pallet racking systems in 'mandis' or warehouses for food grains and sugar as well as full exemption from service tax for the installation and commissioning of such equipment.
- Provide project import status at a concessional customs duty of 5% with full exemption from service tax to the initial setting up and expansion of

  — Cold storage, cold room including farm pre-coolers for preservation or storage of agriculture and related sectors produce ; and

  — Processing units for such produce.
- Provide full exemption from customs duty to refrigeration units required for the manufacture of refrigerated vans or trucks.
- Provide concessional customs duty of 5% to specified agricultural machinery not manufactured in India;
- Provide central excise exemption to specified equipment for preservation, storage and processing of agriculture and related sectors and exemption from service tax to the storage and warehousing of their produce; and
- Provide full exemption from excise duty to trailers and semi-trailers used in agriculture.
- Concessional import duty to specified machinery for use in the plantation sector to be, extended up to March 31, 2011 along with a CVD exemption.
- To exempt the testing and certification of agricultural seeds from service tax.
- The transportation by road of cereals, and pulses to be exempted from service tax. Transportation by rail to remain exempt.
- To ease the cash flow position for small-scale manufacturers, they would be permitted to take full credit

of Central Excise duty paid on capital goods in a single installment in the year of their receipt. Secondly, they would be permitted to pay Central Excise duty on a quarterly, rather than monthly, basis.

Environment

- To build the corpus of the National Clean Energy Fund, clean energy cess on coal produced in India at a nominal rate of Rs.50 per tonne to be levied. This cess will also apply on imported coal.
- Provide a concessional customs duty of 5 per cent to machinery, instruments, equipment and appliances etc. required for the initial setting up of photovoltaic and solar thermal power generating units and also exempt them from Central Excise duty. Ground source heat pumps used to tap geo-thermal energy to be exempted from basic customs duty and special additional duty.
- Exempt a few more specified inputs required for the manufacture of rotor blades for wind energy generators from Central Excise duty.
- Central Excise duty on LED lights reduced from 8% to 4% at par with Compact Fluorescent Lamps.
- To remedy the difficulty faced by manufacturers of electric cars and vehicles in neutralising the duty paid on their inputs and components, a nominal duty of 4% on such vehicles imposed. Some critical parts or sub-assemblies of such vehicles exempted from basic customs duty and special additional duty subject to actual user condition. These parts would also enjoy a concessional CVD of 4% r
- A concessional excise duty of 4% provided to "soleckshaw", a product developed by CSIR to replace manually-operated rickshaws. Its key parts and components to be exempted from customs duty.
- Import of compostable polymer exempted from basic customs duty.

Infrastructure

- Project import status to 'Monorail projects for urban transport' at a concessional basic duty of 5% granted.
- To allow resale of specified machinery for road construction projects on payment of import duty at depreciated value.
- To encourage the domestic manufacture of mobile phones accessories, exemptions from basic, CVD and special additional duties are now being extended to parts of battery chargers and hands-free headphones. The validity of the exemption from special additional duty is being extended till March 31, 2011.

Medical Sector

- Uniform, concessional basic duty of 5 per cent, CVD of 4% with full exemption from special additional duty prescribed on all medical equipments. A concessional basic duty of 5% is being prescribed on parts and accessories for the manufacture of such equipment while they would be exempt from CVD and special additional duty.
- Full exemption currently available to medical equipment and devices such as assistive devices, rehabilitation aids etc. retained. The concession available to Government hospitals or hospitals set up under a statute also retained.
- Specified inputs for the manufacture of orthopaedic implants exempted from import duty.

Infotainment

- To address the difficulties experienced by film industry in importing digital masters of films for duplication or distribution loaded on electronic medium vis-a-vis those imported on cinematographic film, owing to a differential customs duty structure, customs duty to be charged only on the value of the carrier medium. The same dispensation would apply to music and gaming software imported for duplication.
- In all such cases the value representing the transfer of intellectual property rights would be subjected to service tax.
- Provide project import status at a concessional customs duty of 5% with full exemption from special additional duty to the initial setting up "Digital Head End" equipment by multi-service operators.

Precious Metals

- Rates on precious metals indexed as follows:
  — On gold and platinum from Rs.200 per 10 grams to Rs.300 per 10 grams
  — On silver from Rs.1,000 per kg to Rs.1,500 per kg.
- Basic customs on Rhodium – a precious metal used for polishing jewellery reduced to 2%.

- Basic customs duty on gold ore and concentrates reduced from 2% ad valorem to a specific duty of Rs.140 per 10 grams of gold content with full exemption from special additional duty. Further, the excise duty on refined gold made from such ore or concentrate reduced from 8% to a specific duty of Rs.280 per 10 grams.

Other Proposals

- Full exemption from import duty available to specified inputs or raw materials required for the manufacture of sports goods expanded to cover a few more items.
- Basic customs duty on one of key components in production of micro-wave ovens, namely magnetrons, reduced from 10% to 5%.
- Value limit of Rs1 lakh per annum on duty-free import of commercial samples as personal baggage enhanced to Rs.3 lakh per annum.
- Outright exemption from special additional duty provided to goods imported in a pre-packaged form for retail sale. This would also cover mobile phones, watches and ready-made garments even when they are not imported in pre-packaged form. The refund-based exemption is also being retained for cases not covered by the new dispensation.
- Toy balloons fully exempted from Central Excise duty.
- Reduction in basic customs duty on long pepper from 70% to 30%;
- Reduction in basic customs duty on asafoetida from 30% to 20%;
- Reduction in central excise duty on replaceable kits for household type water filters other than those based on RO technology to 4%;
- Reduction in central excise duty on corrugated boxes and cartons from 8% to 4 %;
- Reduction in central excise duty on latex rubber thread from 8% to 4%; and
- Reduction in excise duty on goods covered under the Medicinal and Toilet Preparations Act from 16% to 10%.
- Proposals relating to customs and central excise are estimated to result in a net revenue gain of Rs.43,500 crore for the year.

Service Tax

- Rate of tax on services retained at 10 per cent to pave the way forward for GST.
- Certain services, hitherto untaxed, to be brought within the purview of the service tax levy. These to be notified separately.
- Process of refund of accumulated credit to exporters of services, especially in the area of Information Technology and Business Process Outsourcing, made easy by making necessary changes in the definition of export of services and procedures.
- Accredited news agencies which provide news feed online that meet certain criteria, exempted from service tax.
- Proposals relating to service tax are estimated to result in a net revenue gain of Rs3,000 crore for the year.
- Proposals on direct taxes estimated to result in a revenue loss of Rs26,000 crore for the year. Proposals relating to Indirect Taxes estimated to result in a net revenue gain of Rs.46,500 crore for the year. Taking into account the concessions being given in the tax proposals and measures taken to mobilise additional resources, the net revenue gain is estimated to be Rs. 20,500 crore for the year.

(Courtesy: Indiabudget.nic.in)

Budget 2010 Offers Much for the Rich, Nothing for the Poor!

By: Rajesh Tyagi

Amidst applause by the big business groups, Finance Minister Pranab Mukherjee, presented $239 billion budget of Union Government in Lok Sabha (Lower chamber of parliament), for the financial year 2010-2011. Stock markets showed a rare rally, as the budget was being presented by the Minister. On BSE sensex, a record surge of more than 300 points was recorded. With the Government's pledge to cut fiscal deficit, without corresponding cut in the profits of capitalists and the luxuries of the bosses, and even at the cost of steep inflation, Government borrowings, expansion in the net of indirect taxes, hike in fuel prices, etc.etc., i.e. a pledge to put all burden on the back of the working people, there was jubilation in business world.

As budget focussed upon the concerns and interests of big business, the expectations of the rich were all met. Capitalist bosses have thus welcomed the budget from all sides. Unlike the times, when Congress led UPA Government in the centre held power with the aid of support from left front and thus was forced to accede to maintain at least the farce of a centrist budget, this time Congress did not have any such compulsions, as none of its allies could exert any pressure. This, not only relieved the Congress from influence of its allies, the allies themselves were relieved of the responsibility of exerting any pressure.

More free hand was assumed by the Government to shift the burden of the budget upon the backs of the working people, as no elections except those for one State Assembly of Bihar, are in the offing, this year. With Congress having clear mandate for another four years at its disposal, the timing of presentation of the budget, doubtlessly, is most convenient for it to unveil its policy and proposals to favour the big business, in complete derogation to the interest and opinion of multi-millions of working people. This made the big business specially cheerful in advance, anticipating a budget without any hassles from allies or ineffective opposition.

Attitude of the business world, to the Union budget, is best expressed in the words of H.M. Nerukar, MD, Tata Steel, who lauded it saying that, "It has surprised mostly on the positive side. It is a good budget which lays out the target and road map of the Government to maintain growth momentum, while ensuing greater fiscal prudence in the near term".

Though the previous Governments whether supported by left or right, have presented budgets, essentially favouring the rich and burdening the poor, but the budget this year is peculiar in many of its projections.

This budget has raised the state borrowings to unprecedented height, with an abrupt 1.3% hike in the same. With this estimate Government borrowings would touch Rs.15,000 Crore per week. This is necessitated by the measures taken by the Government to set-off the losses of big business during the recent financial crisis. The direct aid, concessions and subsidies given to the business enterprise, resulted in huge fiscal deficit of $75.8 billion, part of which Government plans to make up through state borrowings. Repayments for these borrowings would give further push to future budget deficits and resultant inflation.

Fiscal deficit has gone on steep rise since 2007-08, surging from 2.7% to 6.2% of GDP in 2008-09. Measures proposed to curb the same could not have impact as the non plan expenditure, mainly for arranging luxuries for political and administrative bosses and ever-growing pilferage in public exchequer, has neutralised them, continuosly.

Even with such huge fiscal deficits and unparalleled borrowings creating immense pressure upon public exchequer, roll back of the huge and convenient stimulus measures, like concessions in direct financial aids and concessions in Excise and Taxes, offered to business enterprise last year during recession, has been put at very low pedestal. Huge allocations have been made to upgrade the infrastructure to stimulate trade and business, while no support is proposed for expanding and perfecting the infrastructure in social sectors like the public distribution system.

With continued focus upon divestment of public sector, another major arena, the Government has selected to make up for budget deficit by $8.6 billion, is through sale of stakes in public sector to private players. **Dismantling of public sector by turning it over to private sector, is one of the stark features of the budget. Under the cover of public-private partnership, large scale enterprise are planned, which would make it possible for the capitalist bosses to have at their disposal huge chunks of public money accumulated through state channels, including direct and indirect taxation, and utilise them with the aid of state bureaucracy, to mince private profits.**

Burdening lower income groups with proposals for additional taxes of Rs.20,000 Crore, the surcharge paid by companies is further lowered, while support

and incentives for SEZs would remain in place untouched.

The much trumpeted slogan of 'inclusive growth' is apparent landscape for a farce with no whisper in the budget to curb consumer price inflation, the biggest concern for working and poor people. Alongside no measures have been projected to boost food production and productivity. With Kharif production declining by 6.5% (18.5 million tonnes) over 2008-09 and a loss of 46.18 lakh hectares of cultivated land, the speculations of a good Rabi harvest in the budget is a distant dream.

Remarkable rise in fuel prices threatens not only to dilute the marginal benefits given to lower income groups, but a further shot in inflationary index. Direct rise of upto Rs.3 per litre in petrol and diesel prices would make direct impact on food prices, in which transportation cost is major component. In February alone the food prices rose by 17.5%. Government has though recognised the fears that surging prices of essential food items may trigger a double-digit inflation in food prices, which in its turn may spill over to steep general inflation, resulting in some sort of social unrest, even food riots, but fell short of addressing the issue. Allies of UPA, Trinamool Congress (TMC) and Dravid Munetra Kazhgam (DMK) have demanded rollback of hike in fuel prices to avoid cascading effect on overall prices.

Finance Minister, who went to answer the business magnates in New Delhi the very next day of delivery of his budget speech, acceding to worries of high inflation said that, "I had to take that risk of inflationary pressure to mobilise resources to prepare economy for a higher growth trajectory, to enable a reduction in Government borrowings and return to fiscal consolidation. In the course of time it will be absorbed". Rather, he should have put it more clear that in the course of time people will digest this 'bait'.

As the Government showed its readiness to demolish the regime of subsidies, gradually, the Chamber of Commerce and Industry was quick to respond, saying that, "the budget is inclusive and strikes right balance between growth propulsion and fiscal consolidation". The fact is that in the guise of 'rationalisation of subsidies' the Government is ready to undermine all subsidies, starting from fertilizers and fuel. No measures are however suggested to cut the non-plan expenditure, which makes the major component in structure of fiscal deficit.

Marginal raise in income tax slabs with restructuring thereof does not offer any substantial relief for those having yearly income upto Rs.5,00,000/-. Only those above it, the upper middle class would be beneficiary of it. Concessions in direct taxes for upper middle class, are coupled with burdens in indirect taxes, bringing twelve new items under service tax and raising of fuel prices.

The budget as a whole focuses upon keeping the economic recovery robust, counting chiefly upon the public savings and investments. In its bid to lower the fiscal deficit, whose main component is the non-budgetary aid given to propel the business in crisis last year, the government has chosen consciously to shift the burden upon the shoulders of unsuspecting poor working classes.

No provisions have been made in the budget to address the issue of ever rising unemployment in youth, which is one of the biggest social concerns, especially in urban areas, rural as well. Employment exchanges in Delhi alone have enlisted four lakh unemployed young people with them.

Inadequacy of budgetary allocations for basic social sectors like health and education may be gauged form the fact that this budget has gone down by .01% from 0.36 to 0.37%, this year, in budget allocations for health, despite the promises of UPA for an allocation upto 3%.

Price control system, a regulatory measure in the hands of the government for ensuring supply of essential commodities in the market at regulated prices, is the focussed casualty. The items in fuel, food and fertilisers would be left open to blind market forces. The Government has planned first to dissociate subsidies from 'price control system' and then to put the subsidies to an end.

However, it is not out of place to mention that the budget unveils the policy of Government only partially, while leaving the rest to be executed outside it. The reforms on the anvil like demolition of protections to workers under labour laws, relaxing cap on FDI etc. are the issues which are not addressed in the budget proposals are left to be tackled outside the same. Similarly, issues like demolition of subsidies on items of domestic use like cooking gas, are again left out in the budget to be dealt with separately and gradually.

Assurance of 'inclusive growth' in the long run, with the measures proposed in the budget does not seem to be serious word as the past record shows that fiscal consolidation of economy does not result in any relief to the working people. Budget, in nutshell, offers relief to the rich and promises to the poor. The promises, notably are made at a time when speculations about the world capitalist economy, going to take a double-dip are gaining ground. World Bank President Robert Zoellick though denied speculations about double-dip, but admitted the possibility of a re-plunge

of economy, saying that, "The world economy is no longer staring into the abyss but we're definitely not out of the woods by any means," Zoellick told a meeting of the Bretton Woods Committee. "I don't believe a double-dip is likely but the pace of recovery is going to be quite uncertain." He said: "As economies recover there were also hidden dangers and re-pricing of sovereign credit risk would be a challenge in 2010". Commenting upon the crisis in Greece, he said "It extends beyond Greece and in the case of the U.S., I think this will also be an issue for states and municipalities".

The Stalinist left -CPI and CPM- who staged a ceremonious protest against the budget, this time in the shape of a walkout from parliament, during budget speech of the Finance Minister, did not present a serious critique of the budget. Immediately after staging walkout, Sitaram Yechury, leader of CPM, told the press casually that the action was not well thought of, rather was spontaneous. TMC under Mamata Banerjee and DMK under M. Karunanidhi, have only registered a meek opposition to hike in fuel prices. None of the bourgeois parties or any of the Stalinist party has posed a serious challenge to the rabidly pro-rich budget of the Union Government.

The bourgeois governments, the managing committees of capitalists, present budgets offering everything what can be offered to capitalist, political and administrative bosses and have only false promises to offer to the working people. Whatever little they seem to offer to common people, stands diluted soon through the channels of inflation and price hike etc. Only the government of the working class can really prepare and present a budget aimed at management and welfare of public affairs and public welfare. Striving towards a socialist revolution is thus the only legitimate answer of the working class to the apathy of the bourgeois governments and their capitalist-landlord bosses.

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Interview : Prabhat Patnaik

'Cutting Food Subsidy to Reduce the Deficit is Reprehensible'

Economist and political commentator Prabhat Patnaik is a strong critic of the government's economic policies. In 2008, Patnaik, who has taught at JNU since the 1970s, was appointed to a four-member team of the UN to recommend reforms to the global financial system. In an interview with **Pragya Singh**, *he attacks Pranab Mukherjee's budget and questions the government's commitment to remove inequalities in society. Excerpts:*

In what ways are the UPA-I budgets different from the UPA-II budgets?

UPA-I depended on Left support. Its budgets could not press ahead with the neo-liberal agenda. On financial liberalisation, opening up retail trade, "labour market flexibility", disinvestment, and privatising PSU banks, the Left put up stout resistance. Simultaneously, the Left, with progressive sections within Congress and the NGOs, pushed through important legislations like NREGA. Some progressive steps, some small steps towards neo-liberalism—products of an underlying tussle—characterised those budgets. With UPA-II, there is a brazen attempt to push the neo-liberal agenda and enlist upper middle-class support for it. The reduction in direct taxes, even as diesel prices are raised and food subsidies cut, to the detriment of the poor, in the midst of food price inflation, is indicative of this Thatcherite strategy. But it is doomed. Unlike Thatcher's Britain, the upper middle-class here is relatively small, while victims of neo-liberalism are in an overwhelming majority.

Are budgets mere financial statements—no longer political? Does anyone outside Delhi care?

On the contrary, the budget is more of a political exercise than ever before. A massive effort is being made to shift the basic nature and orientation of our economy, by unleashing what Marx had called "primary accumulation of capital", i.e. destroying the peasant, small producer and small trader base, and letting corporate capital and MNCs take over. The budgets, engaged in this gigantic task, are highly political. They are so political that they try hard to pretend they are not. This shift in the orientation of the economy affects people outside Delhi far more than it affects Delhi. Take the latest budget. The diesel price hike will have a far more adverse effect on the fishermen of Kerala or the peasants of Andhra Pradesh than on much of Delhi.

The government has advocated tighter purse-strings, fiscal prudence and lower subsidies. Is there an alternative?

During an economic slowdown, far from tightening purse-strings, the government must spend more. Enlarging the fiscal deficit for this is perfectly justified, which explains the "stimulus package". But even under these circumstances, government expenditure financed by wealth taxation is preferable to fiscal deficit, since it keeps down wealth and income inequalities. Those who talk of "fiscal prudence" are

not concerned with inequalities, and never advocate taxing the rich to reduce deficit. They want government to spend less and balance what it spends by taxing the poor.

Curtailing deficit by reducing food subsidy or restricting pds is the very opposite of what we should do. It amounts to appeasing financial and corporate interests by hurting the poor. Overcoming the current food price inflation requires supply management. It requires extension of PDS, indeed its universalisation, and hence a corresponding increase in food subsidy. Cutting food subsidy, as the latest budget has done, is in my view reprehensible. And so is the cut in fertiliser subsidy in the context of prevailing farm practices.

The argument against large social sector projects such as NREGS is that they haven't worked as well as they could....

To say that they have not worked as well as they could is no argument. I have travelled extensively in Kerala looking at NREGS projects and can vouch for the tangible benefits they have brought to the poor. Of course, there may be corruption, but that has to be dealt with separately. Abandoning them because of this would be absurd. NREGS is a rights-based programme, not an act of charity. Any dilution would amount to an attack on people's rights. Nobody should have the temerity to interfere with the essence of NREGS, which is why I find this talk of replacing it disturbing. A direct cash transfer is not rights-based and hence not universal. The NREGS, though only for rural people, is universal for them: a millionaire, if he registers and applies for work under NREGS, has a right to employment. Cash transfer by its nature is targeted, which means government can arbitrarily limit the number of beneficiaries, either by fiat, or, indirectly, through spuriously low poverty estimates.

Is creating employment the biggest issue today? What can the budget do?

Yes, it is. Poverty is linked to existence of unemployment and underemployment. The unemployed and underemployed keep wage rates of the employed tied to a subsistence level, while they themselves earn even less, which explains poverty. Under such circumstances, labour productivity increases lead to a rise not in wage rates, but in the share of surplus. Hence, a rise in inequality is built into the process of growth, as long as it does not lead to exhaustion of labour reserves. Such exhaustion requires not minor budgetary changes, but a change in the development trajectory.

What measures could ease the distress in the farms?

In the post-independence period, the state protected, promoted and nurtured peasant agriculture against world market fluctuations, corporate capital and MNCs. Not that peasant agriculture remained in its pristine form; there was a tendency towards capitalist development with both landlords and rich peasants turning to capitalist farming. But it arose from within agriculture itself, not from encroachment by big capital from outside. Neo-liberalism has meant a withdrawal of state support to peasant agriculture and opening agriculture to corporate capital and MNCs. This is at the root of peasant distress: their costs have gone up, even as they have got exposed to world market prices and direct dealings with MNCs.

Their distress can be alleviated by the resumption of state support for peasant agriculture. Protection from world price fluctuations, reviving the Commodity Boards, institutional credit support to peasantry, remunerative prices through public procurement, resuming government extension services, keeping corporate capital and MNCs out of agriculture, extending PDS in the countryside (since the majority of peasants are net foodgrain buyers), public investment in rural infrastructure and irrigation, and launching a large-scale research effort. But these steps entail going back on the neo-liberal agenda.

Peasant agriculture-led growth will also break the vicious circle of poverty and unemployment, since the demand pattern arising from such growth is typically for employment-intensive products. But this growth will have to be broad-based, for which egalitarian land reform is a must.

There are demands to further liberalise banking, insurance and retail. Would this amount to a failure to protect domestic industry?

Such liberalisation will further accentuate the divide in our society. Opening up retail will mean displacement of petty traders by big corporate and MNC chains, which will be net employment-destroying. Opening up banking and insurance will mean ending social control over finance. It would mean a shift of end-use of credit from productive spheres to consumer credit and speculation, a shift of focus from the national economy towards the global economy, and of direction from the peasant and small-scale sector towards large-scale and affluent borrowers.

It will worsen the condition of peasants and small producers, pushing them further into the arms of moneylenders, raising their cost of credit and making them more prone to dispossession and destitution. It will also make the domestic economy vulnerable to the caprices of international speculators. India has been immune to East Asia-type financial crises, and has escaped the current crisis precisely because its financial sector has not been opened up. (Its banking sector, having only 7 per cent foreign assets, was not troubled by "toxic securities".) But this immunity will go if it "opens up".

(Courtesy: Outlookindia.com)

Danger of Inflation

By: C.P. Chandrasekhar

Government inaction on food-price inflation amounts to an implicit declaration that it is inevitable and has little to do with policy.

Well before Budget 2010-11 was presented, inflation had emerged as the principal economic problem in the country. With food-price inflation running at close to 20 per cent, even the United Progressive Alliance (UPA) government at the Centre had been forced to recognise it as a problem that deserved as much attention as the objective of achieving a 9 or 10 per cent rate of growth, if not more.

In fact, the increase in the prices of rice, atta and sugar in cities, averaged across the major regions, had been so rapid as to be alarming, especially over the past two years, with rice prices increasing by nearly half in the northern cities and more than half in the southern cities. Atta prices have, on average, increased by around one-fifth from their level of two years ago. The most shocking increase has been in sugar prices, which have more than doubled across the country. Prices of other food items, ranging from pulses and dal to milk and vegetables, have also shown dramatic increase, especially in the past year.

Yet, there is little of substance that the government appears to be doing to rein in prices, with the Budget contributing to aggravating rather than redressing the problem. The proposed reduction in subsidies on fertilizers and the increase in duties on petroleum and petroleum products would increase the cost of production (including the cost of irrigation) and the cost of transportation, pushing up farm-gate, wholesale and retail prices further. The across-the-board increases in indirect taxes will only make things worse. This is surprising, since questions of food security and the right to food have become such urgent political and social issues in India today. Rapid aggregate income growth over the past two decades has not addressed the basic issue of ensuring the food security of the population. Instead, nutrition indicators have stagnated and per capita calorie consumption has actually declined, suggesting that the problem of hunger may have got worse rather than better. So, despite apparent material progress in the past decade, India is one of the worst countries in the world in terms of hunger among the population. The number of hungry people in India is reported by the United Nations to have increased between the early 1990s and the mid-2000s.

These very depressing indicators were calculated even before the recent rise in food prices, which is likely to have made matters worse. Indeed, the rise in food prices in the past two years has been the highest since the mid-1970s, when such inflation sparked widespread social unrest and political instability. Between 2005 and 2007, the year-on-year increase in food prices fluctuated between 3 and 5.6 per cent. It rose to 7.9 per cent in 2008, 12.9 per cent in 2009 and 19.4 per cent as of January 2010.

What is especially remarkable is that food prices have risen even when the general price index (for wholesale prices) was either flat, as in 2009 when the overall inflation rate was only around 2 per cent, or much lower at around 8.5 per cent as of January 2010. If, despite this, the government has chosen to underplay this problem, it must be because of its neoliberal preoccupations diverting its attention from the pursuit of its declared objective of "inclusive" growth.

To the extent that it recognises inflation, the Centre has chosen to identify price trends over the past few months as being the collateral fallout of policies and developments in the domestic and world economy. Among the reasons being cited are increases in the minimum support price for farm produce, increases in international prices, increases in demand "due to the increase in purchasing power" resulting from higher growth, excess liquidity in the system, "inefficiencies" in the marketing of farm produce, and the high cost of intermediation. While action to deal with some of these has been promised in the past and that promise reiterated more recently, many of the factors seen as driving inflation are either out of the Centre's control or otherwise positive economic outcomes that cannot be countered.

Not surprisingly, when under attack for not doing much to curb inflation and in fact adopting policies that would aggravate it, the government has argued that inflation is restricted to a few commodities and can be dealt with through appropriate management of supplies. New taxes in the Budget, it argues, would have marginal or negligible implications for prices. It almost seems that the government expects the problem to somehow go away. But this is unlikely for three reasons, among others. First, as the Reserve Bank of India's recent policy review statement notes, "the global rates of increase in the prices of sugar, cereals and edible oils are now appreciably higher than domestic rates", so the opportunity to use imports to contain domestic food prices is limited. Second, even where imports can be resorted to, managing distribution to reach supplies where they are needed is not easy given the limited spread of the public distribution system (PDS). Third, global oil prices are still rising, at a time when the government is committed to linking domestic prices to international prices. It is the resulting erosion of its ability to ensure low inflation while pushing for reasonable growth that the government's anti-inflation propaganda seeks to conceal.

Policy failures

Thus, the government's views and inaction amount to

an implicit declaration that food price inflation of some intensity is inevitable and that such inflation has little to do with policy. The evidence suggests that the real situation is very different, with food-price increases being the result of major failures of state policy. Domestic food production has been affected adversely by neoliberal economic policies that have opened up trade and exposed farmers to volatile international prices even as internal support systems have been dismantled and input prices have been rising continuously. Inadequate agricultural research, poor extension services, overuse of groundwater, and incentives for unsuitable cropping patterns have caused degeneration of soil quality and reduced the productivity of land and other inputs. Women farmers, who constitute a large (and growing) proportion of those tilling the land, have been deprived of many of the rights of cultivators, ranging from land titles to access to institutional credit, knowledge and inputs, and this too has affected the productivity and viability of cultivation.

But in addition to production, factors such as poor distribution, growing concentration in the market and inadequate public involvement have been crucial in allowing food prices to rise in this appalling manner. Successive governments at the Centre have reduced the scope of the PDS. Even now, in the face of the massive increase in prices, the Central government has delayed the allocation of foodgrains to States for their Above Poverty Line population. This has prevented the public distribution system from becoming a viable alternative for consumers and one that thwarts speculation and hoarding.

In addition, the decision to allow corporates (both domestic and foreign) to enter the market for grain and other food items has led to some increase in concentration of distribution. This has not been studied adequately, but it has many adverse implications, one of them being that farmers benefit less during periods of high prices because the gains are garnered by middlemen.

Thus, it has been found that the gap between farm-gate and wholesale prices is widening. A similar story is evident in terms of the gap between wholesale and retail prices. In the case of rice, the gap between average wholesale and retail prices has widened considerably – even doubled – across the four major zones of the country. As for wheat, the pattern is more uneven, but the retail margins are very large indeed, as expressed by the difference between the wholesale price of wheat and the retail price of atta (which is the most basic first stage of processing).

Underlying this tendency are forces that allow marketing margins – at both wholesale and retail levels – to increase. This means the direct producers, the farmers, do not get the benefit of the rising prices, which consumers in both rural and urban areas are forced to pay. The factors behind these increasing retail margins need to be studied in greater detail. The role of expectations, especially in the context of a poor monsoon that was bound to (and did) affect the kharif harvest adversely, should not be underplayed. But that refers only to the most recent period of rising prices, whereas this process has been marked for at least two years now.

In addition to this, there is initial evidence of a process of concentration of crop distribution, as more and more corporate entities, both national and international, get involved in this activity.

International experience suggests that their involvement in food distribution initially tends to bring down marketing margins and then leads to their increase as concentration grows. This may have been the case in certain Indian markets, but this is an area that merits further examination.

Many people have argued, convincingly, that increased and more stable food production is the key to food security. This is certainly true, and it calls for concerted public action for agriculture, on the basis of many recommendations that have been made by the Farmers' Commission and others. But another very important element cannot be ignored: food distribution. Here, too, the recent trends make it evident that an efficiently functioning and widespread public system for distributing essential food items is important to prevent retail margins from rising.

So, one surprising element in the Budget is the reduction in the nominal outlay for Food and Public Distribution from Rs.56,721 crore in 2009-10 to Rs.56,133 crore in 2010-11. This amounts to a significant cut in real expenditure. The UPA government has pledged to bring a Food Security Act, but that needs to be universal in coverage (rather than confined to the Below Poverty Line population) and provide enough volumes to meet minimum requirements.

A universal system of public food distribution provides economies of scale; it reduces the transaction costs and administrative hassles involved in ascertaining the target group and making sure it reaches them; it allows for better public provision because even the better-off groups with more political voice have a stake in making sure it works well; it generates greater stability in government plans for ensuring food production and procurement.

But even before such a law is passed, it is clear that emergency measures are required to strengthen public food distribution, in addition to medium-term policies to improve domestic food supply. A properly funded, efficiently functioning and accountable system of public delivery of food items through a network of fair-price shops and cooperatives is the best and most cost-effective way of limiting increases in food prices and ensuring that every citizen has access to enough food. This, and therefore inflation control, is not a priority for this Budget.

India for Selective Assassination of it's Own Citizens?

By: Trevor Selvam

Recent statements from Indian leaders and police officers gives away the new strategy on the war on Naxalism. To make the movement "headless" by carrying out selective assassination of its leaders with the help of Israeli operatives

Plucky savvyness combined with unnecessary bravado has recently marked the attempts at media interface by some Maoist leaders. There are benefits to reap and a price to pay, as a result. On the one hand, it has been a long time coming for the Maoists to come out of their jungle bases and give press conferences, or invite selected correspondents to visit their bases under armed escort. They correctly understood that their political program (and not their military campaign only) needed to be promoted and publicized. They realized that innovative tactics needed to be implemented to popularize their struggles and their demands and acquire some mainstream presence. It took them a long time to also realize that when you wish to take on the state of India, that you must at least marginally capture the imagination of some of those who read papers, surf the net, hang out in cafes and do occasionally get agitated about issues of justice, honesty and righteousness. Such people cannot be ignored. In fact their chatter can eventually affect the mood of the nation. For too long the media in India has been significantly successful in disorienting, deflecting and mesmerizing the minds of urban folks into imagining a country that is not up to par because it is behind the West in so many ways. This state of stupor persists, but there is now an increasing awareness in some circles at least, that India's postures about its growth, success and international stature can overnight become a hollow dream, if the word gets around that India has treated its first citizens with violence, deprivation, displacement and eventual genocide. The hollowness behind the growth figures, much of which has limited authenticity when seen in terms of the high current account deficit, high unemployment, incredible rise of prices, is also becoming evident even among the India- shining crowd. Despite all the bravado that Kamal Nath and Montek Ahluwalia indulge in, in Davos (after all they would all be seeking International jobs, very soon) the baseline figures of India's economic progress are quite undermined with the phenomenal rise in poverty, illiteracy, infant malnutrition, farmer suicides and poor potable water facilities and sanitation related fatalities. It is an interesting development that one of the Government's own bodies has declared that the assault on India's tribals "is one of the largest land grabs since Columbus", --that brigand, pirate and drunken sailor, who landed somewhere, near the Bahamas and declared he had found India.

Well, a section of India's population-I daresay a large section-- also needs to discover India. And, they are doing so. And it is because of that, there are some magazines on the net, and on print, that are taking the time to trek into the Naxalite bases and interview their leaders. Not everything is lost to the vacuous, hold the crotch, ape the West, get BPO-fever generation, MCed by the Shahrukh, Infosys, IPL and Kingfisher cultural nexus.

Initially, the Maoists' planned to let some of their spokesperson come overground. This experiment failed, as the Governments of West Bengal (GWB) and India (GOI) wasted no time in slapping them with Unlawful Activities charges and put them in the slammer. No one talks about them anymore, other than the struggling Civil Liberties organizations. They are forgotten. Fortunately for the Maoists, there are a large number of academics and sympathetic journalists, (as opposed to the band of poets, actresses and intellectuals who made a half hearted attempt to raise their voices on Lalgarh and then withdrew into their shells in no time at the first threats from the GWB) who have taken it upon themselves not to be intimidated and have spoken out in fairly clear terms both on TV and as well on the web and print media on the hypocrisy and superficiality of the mainstream media's analysis (or extreme lack of it) in parroting the GOI's and GWB's mendacious piety about non-violence, abjuring arms, law and order and "foreign hand."

In India, except for the alternate press and in most cases Tehelka, the media engages in sensationalist lies or they repeat the lies of the government and they get away with it. In India, an Inspector General of Police blatantly concocts lies about the wealth and assets of Chatradhar Mahato and also gets away with it, without anybody seeking litigation against spreading such falsehood. In India, the police go after the wives, husbands, children, brothers and sisters of those who are absconding or have launched cases against the police. In India, police chiefs openly boast about how to make a cold blooded execution look like an encounter and the Home Minister meets with those same experts to discuss democracy. In India, judges make pronouncements on corporate crime, based on whether it is good for India's image or not! In India, an 80-year old woman's breasts get chopped off and an 18-month old child's fingers get lopped off by anti-Naxalite vigilantes and the press orders a martini with

a twist and watches the sunset over Juhu.

Well, the Maoists have broken some ground in bringing to the surface the mess that lies below the pink obscenity that is the Indian parliament, where over one hundred and fifty criminally accused thugs occupy seats. The Maoists leaders have been audacious and dignified in giving interviews after much planning and deployment of their own security measures. It was necessary, because otherwise the Arnab Goswamis and the Barkha Dutts and their unapologetic clones were having a field day, dishing out report after report about the murderous Maoists, without analyzing what had been going on for several years, both at Abujhmarh and Lalgarh. For too long they were unable to convey their message to middle and upper class readers and net surfers about what they were fighting for. Now there is sudden mainstream discussion, on MOUs, Schedule 5 and 6, Abujmarh, Dantewada, Bastar and sites have sprung up all over the world that follow the Indian state's war against its own people.

It is now time for the Maoists to take stock of the situation. The Indian state was caught off guard, both on the ground and in the airwaves. They sent in their khaki-pant wearing, Enfield rifle toting constables after the Maoists and they came back soon, pissing in their pants. Then they sent in their AK-47 and Insas-rifle toting para-military forces after the Maoists. They also have come back with their tails between their legs. Then they deployed Special Forces with reptilian and canine names like Cobra, Greyhound or some other fearsome moniker like Garudas. Their boats were sunk and their anti-mine vehicles were blown up and their helicopters beat a hasty retreat.

Enter the Israelis

It has been known for several years that India has acquired over 4,000 Galil 7.62 mm super sniper rifles, and night vision sights, laser range finders and other targeting equipment. This is not an infantry rifle, but the ammunition is the same as an Indian INSAS and an AK-47, purchased from Rumania. This is also all separate, of course from thermal imaging equipment, satellite transmission of such images and use of Unmanned Aerial Vehicles, better known as drones. All from Israel in the main. In fact India takes up more than 50% of Israel's arms exports. It has also been known that India manufactures under license the Russian gas-fired, super sniper semi automatic Dragunov SVD59. Now comes the report of a special training session involving at least 30 top ranking officers who have just completed special training under "foreign" instructors. Nothing works in Indian media lingo than "foreign hand." But of course, in this case it does not matter, because the foreign hand is only for a good cause! These trainers are not bearded Jihadists or Asiatic desperadoes in the north east with Chinese made grenades. A report from the PTI states the following.

"Special task force to tackle Maoist insurgency"

Kolkata: The Maoist-infested states, including Jharkhand and Maharashtra, have set up a special task force in their bid to jointly tackle the Naxal problem, a senior West Bengal police officer said.

West Bengal, Bihar, Jharkhand, Chattisgarh, Orissa, Andhra Pradesh, Maharashtra and some other Maoist-hit states have selected 30 officers for the special task force to deal with the Maoist problem, he said.

The 30 selected officers had undergone a month-long training programme at Ghatsila in Jharkhand. Some foreign army officials, who have experience in tackling guerrilla warfare, also imparted them training, the police officer said."

Mr. Chidambaram had one of his associates state recently in a press conference that the strategy of his initiative is to render the Naxalites "headless." In other words he stated very clearly, that the target is to eliminate the leaders of the Naxalites. As per the same report, "a highly placed official in the security establishment told IANS earlier this week, "We believe there could be around 50 such leaders scattered all over. We are targeting them to make the entire movement headless and make a serious dent," the official said. "

In a special report cited by the BBC, the following was also stated by a security official, "So we are specifically targeting the Maoist leadership and you will see a lot of special operations based on specific intelligence."

The official said that "almost all the states are doing their bit, and that a special operation in West Bengal earlier this week - in which Maoist military wing chief Koteswara Rao narrowly escaped arrest - was a good example of that. "

It is significant that Ms. Mamata Banerjee, the Central Minister and self-appointed Bengal-saver, (and stand-up comedian, live theatre activist who attempted suicide with a black shawl and danced on JP Narayan's car) and who one walked in lock-step with LK Advani, was ready to beg and plead to the Naxalites to come and negotiate with her. She must be in on Mr. Chidambaram's deadly game plan.

She also knows that by the time of the next polls in West Bengal, if she cannot make a settlement in the continuously expanding Naxalite terrain, she will have a hard time putting up candidates to fight the CPI(M)

. She wants to make a deal with the Maoists, while all along claiming that they do not exist! She is a mockery of her own self and a pivotal Quasimodo for PCC.

Selective assassination

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Europe. For the past several years it is now well known that India has entered into very close collaboration with the IDF and over 32 non-disclosure arms and security agreements have been signed with them. The Mossad has titillated gun-and ammo freaks and underhanded counter-insurgency nutjobs with their secretive killing techniques. Assassination and murder that goes undocumented, un-prosecuted and never brought to light, when the Mossad is involved. The CIA fumbles, trips and gets blown up. Not the Mossad. That is why India has chosen them to deploy dirty tricks on India's citizens. Perhaps, Mr. Chidambaram would like to take out the Maoists leaders one by one and he has realized that it will not happen by sending in 100,000 troops and anti-mine trucks or IAF helicopters. So the next tactic is to walk away from the roads and get special forces trained to go into the jungles and "live there like guerillas" and seek the Maoists in their hideouts. Therefore high power sniper rifles, night vision sights have become necessary. The "headless" statement ondering if it is assassinations.

following: "The will be pressed g programme is e of West Bengal Bhupinder Singh told PTI.

"More officers would be recruited to strengthen the force after the completion of the training of the first batch," the DGP said.

They were given training on how to use highly sophisticated weapons and taught the technique to detect explosives, he said. They were also told how to survive in deep forest areas for longer period of time, the officer said. The main objective of the force will be to stay in forest areas near the base camps of the Maoists and to gather detailed information about their activities and their strength, Singh said."

It would be propitious of these Maoist leaders not to fall into the traps being laid out by the security forces.

(Courtesy: Countercurrents.org)