

EDITORIAL

Union Budget 2012-13 Why This Jugglery Jee!

- Piyush Pant

The Union Budget 2012-13 was presented by Finance minister Pranab Mukerjee amidst great hope and expectations. As the Indian economy is reeling under the pressure of high inflation and the Union Government is committed to bring down the fiscal deficit, it was being hoped that Finance Minister would present a budget which will provide liquidity to the consumers to off-set the ever increasing commodity prices and will also provide further fillip to the reform process to achieve the targeted rate of growth. In certain quarters, even it was being said that this being the last non-election budget of UPA Government, Mr. Mukerjee will bring some drastic pro-corporate proposals in order to attract more foreign investment in the economy. But surprisingly the FM proved a disappointment on both the counts.

In fact, obsessed with somehow reducing the Fiscal Deficit, the Manmohan Singh government insists on reducing the subsidies meant for the social sector in the name of cutting expenditure and not giving much weight to increasing revenue generation through the productive mode. It has got the easy way of generating revenue by resorting to increase in indirect taxes like service tax and excise duties, thereby putting lots of financial burden on common man. Says the economist Jayati Ghosh- "The budget is highly regressive in both taxation and spending terms, and will raise prices of essentials, so aam aurat and aam aadmi are not happy.Surprisingly even corporate India foreign investors, who would seem to be main beneficiaries, are up in arms against the Budget. They are protesting about the lack of movement in areas like FDI in retail and other deregulation as well as the retrospective opening up of tax cases through amendments in the Direct Tax Code." Similar feelings have been expressed by Federation of Indian Chambers of Commerce and Industry (FICCI). It says-"The budget is not going to stimulate growth in the economy.....the finance minister seems to have adopted a policy of fiscal consolidation through raising revenue through the taxation mechanism rather than through mechanisms outside the taxation system." CII President B Muthuraman said he was expecting much more and the excise-related proposals would push up prices. The last word comes from the economist Surjit S Bhalla who says- "Budget 2012 is perhaps the second worst budget of all times. Only Indira Gandhi's 1970-71 budget which raised marginal taxes to 97 per cent comes close to it."

So what is it which makes Pranab Mukherjee's budget so direction-less? The reason perhaps can be that it lacks any clear roadmap to deliver the pronouncements. It lacks solutions and does not even provide a clear path to achieve the macro economic goals set by itself. The budget also lacks any reform measures and only makes a few passing remarks on some crucial issues like DTC, GST, National Manufacturing Zones, Micro and Small Enterprises (MSE) Procurement Policy and Small and Medium Enterprises (SME) Exchange.

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Though the Government seems keen to reduce the fiscal deficit (as is clear from Finance Minister's statement to contain the fiscal deficit at 5.1 per cent of GDP in 2012-13, lower than the anticipated 5.9 per cent during the current year), it hardly pays attention to mopping up the revenues. For instance, in the last year itself the government failed to attain its own targets of tax collection from the corporates and the rich. The target for corporate tax collection was set at Rs. 359990 crore, but only Rs. 327680 crore could be collected, leading to a shortfall of more than Rs. 32000 crore. Similarly, in case of personal income tax collection, the shortfall from the target set in 2011-12 Budget is Rs. 147 crore. In other words, the government could not collect direct taxes of around Rs. 32100 crore. On the other hand, in terms of indirect tax collections, the total collection was Rs.888 crore above what was projected in the last budget. Therefore, on the whole, tax collection fell short by more than Rs. 31000 crore from the target set last year. Besides, the non-tax revenue also fell short from the target by Rs.698 crore. All this resulted in total revenue short-fall of Rs. 22903 crore from last year's target. In addition, the corporate and the rich were given tax concessions worth 93612 crore rupees. Out of this Rs. 51202 crore were given to the corporate sector alone.

In this year's Budget too, nothing has been done to increase tax collection from the corporate sector. On the contrary reduction in the Securities Transaction Tax only shows that the government is rather more interested in protecting the interests of finance capital than the common man. No doubt Pranab Mukherjee would have eased the task of managing the economy in the long run if he had imposed higher taxes on the transactions in the stock market, brought back the long-term capital gains tax and disallowed the Mauritius-based tax heavens.

On the contrary, the Finance Minister is trying to reduce the fiscal deficit by raising resources through measures like increasing excise duty and service tax by 2 percent and bringing more services under tax-net. No doubt the government will be richer by 45,940 crores but it will further fuel already high rate of inflation and will dry up domestic demand, thereby putting at stake the principal objective of the budget i.e. "focussing on domestic demand-driven growth for recovery".

Somewhat similar is the story of expenditure account, which forms other vital component of reducing the Fiscal Deficit. According to the Budget, the expenditures are expected to go up by 13 per cent in the year 2012-13. But the Capital Account expenditures are expected to go up by 30 per cent and Plan expenditures by 22.2 per cent. Plan expenditure is 34.9 percent while Capital expenditures are at 13.75 per cent of the total expenditure. This will frustrate government's efforts to achieve its fiscal deficit target. Already the rise in the revenue deficit for the current fiscal year has exceeded the estimated figure and has shot up to 5.6 per cent. The main reasons for huge increase in the revenue deficit can be attributed to less recovery of taxes and non-tax revenues, besides the lower borrowings by the government in the open market.

As far as social sector spending is concerned, the Budget has, this time, increased the overall spending. For example, allocations for school education have been increased by around 17 percent compared to the current year's revised estimates. But this is mostly for the elementary education whereas the secondary education requires much more spending. Similarly the outlay for ICDS has also been substantially increased. But the increase is more about the remuneration of anganwadi workers and helpers, which was implemented in the middle of this fiscal year and resulted in increase in actual spending by about Rs. 3000 crore. Despite projecting the Food Security Bill as government's fulfilment of its promise to the Aam Aadmi, the Finance Minister has left the food subsidy almost untouched at the current level (Rs. 75000 crore compared to Rs 73000 spent in the year 2011-12).

But the worst treatment has been given to its most important Flagship scheme called 'Mahatma Gandhi National Rural Employment Act(MNREGA). In the year 2011-12 , only Rs 31,000 crore (around three-quarters of the budget amount) was spent, and now for the year 2012-13 the allocation has been reduced to only Rs. 33,000 crore.



Union Budget 2012-13: The Highlights

Finance Minister Pranab Mukherjee presented the Union Budget for the year 2012-13, his seventh. At the very beginning of his speech Mr Mukherjee said that a "year of recovery interrupted" meant that it was time to take tough decisions. The idea ahead of the budget was that fiscal deficit needed to be controlled by cutting subsidies and raising taxes. The finance minister has raised taxes and promised cuts in subsidies. Here are the highlights of the Budget.

- ☞ Income tax exemption limit raised to Rs.2 lakh to provide relief of Rs.2,000 for all assesseees; 20 per cent tax on income over Rs.10 lakh, up from Rs.8 lakh.
- ☞ Deduction of up to Rs.10,000 from interest from savings bank accounts.
- ☞ Defence to get Rs.1.93 lakh crore during 2012-13.
- ☞ Service tax rate raised from 10 per cent to 12 per cent to bring in Rs.18,660 crore.
- ☞ Number of proactive steps taken on black money (stashed away abroad); information has started flowing in, prosecution to be initiated; White Paper in current session.
- ☞ No change in corporate taxes but measures to enable them better access funds.
- ☞ Withholding tax on external commercial borrowings reduced from 20 per cent to five per cent for power, airlines, roads, bridges, affordable houses and fertiliser sectors.
- ☞ National Skill Development Fund allocated Rs.1,000 crore.
- ☞ Four thousand residential quarters to be constructed for paramilitary forces with an allocation of Rs.1,185 crore.
- ☞ National Population Register to be completed in two years.
- ☞ Excise duty raised from 10 to 12 per cent.
- ☞ Cinema industry exempted from service tax.
- ☞ Branded silver jewellery fully exempt from excise duty.
- ☞ Customs duty on warning systems/track upgrade equipment for railways reduced from 10 per cent to 7.5 per cent.
- ☞ Import duty on equipment for iron ore mining reduced from 7.5 to 2.5 per cent.
- ☞ Allocation of Rs.200 crore for research on climate change.
- ☞ Irrigation and water resource company to be operationalised.
- ☞ National mission on food processing to be started in cooperation with state governments.
- ☞ Integrated Child Development Scheme to be strengthened and restructured with allocation of Rs.15,850 crore.
- ☞ Allocation of Rs.14,000 crore for rural water supply and sanitation.
- ☞ Infusion of Rs.15,888 crore in public sector banks, regional rural banks and NABARD in 2012-13.
- ☞ Infrastructure will require Rs.50 lakh crore in 12th Plan, half of this from the private sector.
- ☞ Completion of highway projects 44 per cent higher than in previous fiscal.
- ☞ External commercial borrowing of up to \$1 billion permitted for airline sector.
- ☞ External commercial borrowings permitted to low-cost housing sector.
- ☞ From 2012-13, full subsidies for providing food security; in other sectors to the extent the economy can bear this.
- ☞ Hope to raise Rs.30,000 crore from disinvestments.
- ☞ New equity savings scheme to provide for income tax deduction of 50 per cent for those who invest Rs.50,000 in equity and whose annual income is less than Rs.10 lakh.
- ☞ Corporate market reforms to be initiated.
- ☞ Bills on micro-finance institutions, national land bank and public debt management among those to be introduced in 2012-13.
- ☞ Addressing malnutrition, black money and corruption in public life among five priorities in year ahead.
- ☞ India's inflation structural, driven largely by agricultural constraints.
- ☞ Current account deficit 3.6 per cent in 2011-12; this put pressure on exchange rate.
- ☞ Growth in 2012-13 estimated at 7.6 per cent; expect inflation to be lower.
- ☞ Better monitoring of expenditure on government schemes.

This is Not Fiscal Consolidation

By: Indira Rajaraman

Going into Part B of his budget speech in Parliament, Pranab Mukherjee complained that the life of a Finance Minister is not easy. He has everyone's sympathy there. That said, there were a number of features in the fiscal policy of the Government of India for the forthcoming fiscal year (FY13) which generated unease among those listening to him.

The fiscal deficit in the current year was widely expected to exceed the budget estimate of 4.6 per cent of GDP. In the event, it is higher by a good 1.3 per cent, at 5.9 per cent. Off-hand, I am unable to think of any other year in which the disparity between achievement and intent was so wide. What is even more remarkable is that a fiscal deficit for FY13 at 5.1 per cent of GDP is called a return to fiscal consolidation, when it is higher by half a per cent of GDP than what was budgeted for the current year.

No follow-up

The failure to meet targets is blamed on reduced tax collections owing to slowing real growth, and on the rise in the global price of oil from \$ 90 a barrel as projected at the start of FY12, to \$ 115 a barrel. But there is no coherent follow-up on these identified causes with what will be done going forward.

On the rising petroleum subsidy bill, all we have is a promise in paragraph 22 that Central subsidies will be restricted in FY13 to 2 per cent of GDP, which is still a whopping Rs 2 lakh crore. No further details follow on what will be cut and what protected within this overall ceiling. The need of the hour is for a clear link between the retail price of assorted petroleum products and the global price of oil, through an announced, and analytically defended, pattern of subsidies. This has already been successfully done for non-urea fertilizers, although we continue to hold down the price of urea, with terrible consequences for soil fertility.

The longer term challenge is for a concerted nationwide effort at providing effective intra-city public transportation, and at increasing the share of rail traffic in transportation of goods. There is a clear link to the rail budget presented two days earlier. The Union Budget offered a second opportunity to defend the first tentative steps attempted there to generate revenues for expansion of the rail network, but it was allowed to slip.

In the forest of 61 paragraphs dealing with the minutiae of innumerable indirect tax proposals, which felt more like a pre-reform budget speech, there were some that were consistent with the need to contain the petroleum subsidy, such as the switch to a fully ad valorem excise of 27 per cent on large cars. The hike could have been much higher, since these cars clog city roads and substantially increase the oil import bill by slowing

traffic all round. What struck a discordant note was the hike in the basic customs duty on bicycles from 10 to 30 per cent, and on bicycle parts from 10 to 20 per cent. The interests of buyers of non-motorised vehicles should surely take precedence over the interests of domestic producers of these vehicles.

On measures to tackle slowing growth, the other identified cause of fiscal failure, there were some good measures scattered through the speech. Even more than the new Direct Tax Code, the Goods and Services Tax (GST) needs to be speedily enacted for economic integration of the country. The move to a negative list of services is in the right direction, but the hike in the standard rate of excise and service taxation to 12 per cent raises the Central stake in the eventual GST rate. What the states will have to say about that remains to be seen. Eventual agreement on the configuration of the GST will take a great deal of patience and political stewardship, but the expected completion of the information technology platform for the dual-track levy by August 2012 is a necessary and welcome first step. There are a number of measures to deepen the capital market and encourage investment in infrastructure. Amendments to an assortment of financial legislation are listed for passage through Parliament, although it would have helped if the key direction towards which the amendments nudge the legislation in question had been described succinctly in the budget speech.

Infrastructure

On infrastructure, the multi-headed hydra which obstructs real growth in India, there is a whole section of 26 paragraphs which seeks to remove key constraints in a number of areas, such as viability gap funding for public private partnership projects, supply of coal and other fuels for power generation, operation of tolled roads, and the high operating costs of airlines. But many of these measures to remove obstacles are distressingly discretionary in nature, thus making the sectors in question hang on the outcome of inter-ministerial groups and other such bodies. This is at variance with the broad objective of reform, which was to release the economy from the stranglehold of gatekeepers.

Infrastructure bottlenecks are removed not by new initiatives alone, but by persistence with initiatives introduced in previous years. In September 2010, a cess on coal at Rs. 50 per tonne was introduced to fund transmission lines for evacuation of electricity from renewable energy generation points to consumption centres. This has raised the cost of thermal generation, but we know nothing about whether the transmission lines intended came into existence at all.

(Courtesy: The Hindu)

Indian Budget Raises Taxes and Prices

By: Deepal Jayasekera

India's annual budget, presented by Finance Minister Pranab Mukherjee to the national parliament on March 16, increased consumption taxes and cut subsidies on essential items. Its main impact will be to hit the working people and rural toilers with higher prices, particularly for fuel and fertiliser.

With inflation already running at 9 percent for much of 2011, further burdens are being placed on the masses in an effort to satisfy the financial markets by cutting the budget deficit and government debt levels.

Borrowing from William Shakespeare's Hamlet in an attempt to justify the social assault, Mukherjee told lawmakers: "I must be cruel only to be kind." Prime Minister Manmohan Singh declared that his government had no choice but to "bite the bullet." Singh promised further "tough" decisions in consultation with business leaders.

Nevertheless, global market analysts condemned the government for giving no details on how it would reach its target of cutting the budget deficit to 5.1 percent of gross domestic product for 2012, and for failing to deliver promised "free-market" reforms to investors. Swiss & Global Asset Management's Vincent Lagger told London's Financial Times that the budget contained "no big announcement whatsoever."

The budget revealed the damaging impact of the international slump, particularly in Europe, India's biggest export market. It cut growth predictions to 7.6 percent, significantly lower than last year's prediction of 9 percent, a level that Singh had previously warned was necessary to ward off unemployment and social unrest.

Indian big business had called for several long-awaited economic "reforms" to be included in the budget, such as further opening the retail sector, banking, insurance and pension funds to foreign investment. The Congress Party-led United Progressive Alliance (UPA) government had repeatedly announced such measures, but put them on hold due to popular opposition and resistance from coalition partners, including the West Bengal-based Trinamool Congress.

The government already confronts anger among ordinary people over high inflation and deteriorating living standards, expressed in recent strikes and peasant protests. On February 28, over 100 million workers joined a countrywide general strike to oppose the government's socio-economic policies.

The rising discontent was reflected in the five state assembly elections held in February-March. Most importantly, in Uttar Pradesh, Congress came in

fourth, winning just 38 seats, well below its target of over 100 seats, despite an intensive campaign. In Punjab in the north, Congress lost to Siromani Akali Dal, a regional party, while in Goa on the west coast it lost to the main opposition party, the Hindu supremacist Bharatiya Janatha Party.

The budget showed the depth of the economic problems faced by the UPA government because of the global downturn and declining foreign investment. The fiscal deficit in the 2011-12 financial year is expected to reach 5.9 percent of GDP, exceeding the budget estimate of 4.6 percent. The central government's debt has reached 45.5 percent of GDP. The Reserve Bank of India has raised interest rates 13 consecutive times since March 2010 in an unsuccessful attempt to contain inflation, making credit expensive for business. The declining growth rate has made it impossible for Congress to pursue its "inclusive growth" policy, which promised increased social spending in an attempt to contain discontent.

For the second year in a row, the budget reduced social spending in real terms. Rural development programs were slashed by 8 percent, with a substantial cut in the government's much-hyped rural employment guarantee scheme. Education and health received nominal increases of 18 percent and 14 percent respectively, but much of that will be eaten away by soaring prices.

In the biggest blow to working people, the budget increased excise and service taxes from 10 percent to 12 percent and capped subsidies at 2 percent of GDP, with a further cut to 1.7 percent to follow. Prime Minister Singh admitted that this "fiscal consolidation" would mean "adjusting the prices of petroleum products." Mukherjee also announced, a few days before the budget, a cut in interest rates on Employees Provident Fund deposits from 9.5 percent to 8.25 percent.

Among the measures favouring big business, was duty tax relief for sectors such as agriculture, infrastructure, mining, railways, roads, civil aviation, manufacturing, health and nutrition, and the environment.

Mukherjee set a target of 300 billion rupees (\$US6 billion) to be raised through disinvestment—partial privatisation—of public sector enterprises, and proposed to spend 50 trillion rupees developing infrastructure, in partnerships with business. To attract foreign investment, overseas airlines will be permitted to invest in domestic aviation companies, and foreign

investors will get access to the corporate bond market. Last week, in the railways budget, the government dropped a plan to raise passenger fares for the first time in eight years, a move that would have severely affected millions of commuters. The Business Standard condemned the “irresponsible rollback” in the face of opposition from coalition partners, saying it “cast a shadow” on whether the government’s pledges to reduce the budget deficit were “even slightly believable.” The next day, March 24, Mukherjee pledged to take “some difficult decisions” in coming months.

The budget increased military spending by 18 percent, on top of last year’s 11 percent hike. The Indian elite is aggressively pursuing its geo-political interests at the expense of working people. India’s defence expenditure is 1.9 percent of GDP and 13 percent of the government’s total expenditure, compared to

China’s defence budget of 1.3 percent of GDP. The rising military spending will inevitably fuel tensions with China as well as India’s other rival neighbour, Pakistan. According to the Stockholm Peace Research Institute, India has become the world’s largest arms importer, surpassing China.

India’s main Stalinist parliamentary party, the Communist Party of India (Marxist), or CPM, criticised the budget as “regressive” for “imposing greater burdens on the working people.” It was silent, however, about the increased military spending, indicating its agreement with New Delhi’s geo-strategic offensive. For all the Stalinists’ rhetorical criticisms, the CPM-led Left Front played a critical role in establishing the ruling UPA coalition in 2004 and gave it crucial direct parliamentary backing for four years.

(Courtesy: WSWS)



Nothing More Than an Accounting Statement

By: Arun Jaitley

The only way that the UPA government could have avoided committing a mistake in this Budget was to waste the opportunity and do nothing at all. And that's what it did. It decided to treat this budget not as an exercise which changes the direction of policy but to convert it into a mere accounting statement. Admittedly, the sentiment in relation to the economy is low. There is a dip in investment. Foreign investment has gradually reduced. Even domestic investors are looking for better investment destinations outside the country. Any Finance Minister would have wanted to reverse this sentiment. The government is beleaguered after the recent Assembly elections. The morale of the leadership is low. The budget was a historic opportunity to take some positive steps and boost the morale of its own cadres. However, the Finance Minister chose not to utilise this opportunity. He wanted to save the government from any adverse comment and therefore decided not to take any important steps.

Two Ways Out

There were two courses open to him. The post-1991 course would have been to make the economy more efficient and competitive. More rational taxation, investment in roads, better infrastructure, more reforms, more investment attraction were certainly an important course open to the Finance Minister. He decided not to use this well-tried and tested course. He went back to the pre-1991 experiment of

higher taxation and higher governmental expenditure — a step which may make the economy more sluggish and non-competitive.

He increased exercise duty by two per cent across the board. He expanded the net of service tax and increased the taxation slab by two per cent. He tinkered with several other entries and imposed one of the highest tax burdens in recent budgeting history. The impact of this higher taxation would indeed be adverse on the economy. The only boost to infrastructure comes from external commercial borrowings or tax-free bonds. The most alarming figure in the budget is the 5.9 per cent fiscal deficit. This appears to be understated because the full import of the subsidy burden is not reflected in this figure. After a huge dose of higher taxation and a hope that the expanded economy will give him higher collections, the Finance Minister has accounted for a higher corporate taxation amounting to Rs.45,547 crore, a higher income tax of Rs.23,907 crore, a higher custom duty of Rs.33,964 crore, a higher central excise of Rs.43,655 crore and a higher service tax of Rs.29,000 crore.

Despite this monstrous burden on the common man, he pegs the fiscal deficit at 5.1 per cent on the unrealistic assumption that the subsidies in the next year would reduce. In reality, the actual subsidy burden for 2011-12 overshot the budget 2011 estimates by a whopping Rs.73,000 crore. Even if the additional

impact of Food Security Bill is omitted, the actual burden of fiscal deficit in the coming year could be much higher.

Defence continues to be a neglected sector. The marginal increase in the allocation for defence equipment would be subsumed by inflation during the course of the year.

Once the government goes to the market for borrowings, amounting to Rs.4,79,000 crore the private sector runs the risk of being crowded out of the market itself.

The government's flagship scheme Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) had a dismal performance this year. Needless to say that the government has reduced the allocation of NREGA by Rs. 7,000 crore in the coming year. The economic policy formulation and its implementation require clarity, leadership and a larger consensus. This government appears to have attempted neither of them.

If the government wants to live and fight, it has to discard its do-nothing approach.



Fiscal Deficit Can Spin Out of Control

By: Amarendu Nandy

The macroeconomic backdrop in which this year's Finance Bill was presented was — a sharp slowdown in real GDP growth (6.9 per cent as against last year's Budgetary target of around 9 per cent); widening central fiscal deficit (revised estimate of 5.9 per cent of GDP as against last year's budgetary target of 4.6 per cent of GDP); and continuing pressure due to inflation (projected to be in the range of 6.5-7 per cent by the end of March 2012).

And of course, one can't disregard the ever-constant 'compulsions of a coalition government' factor, which now acts as a perfect alibi for the government to procrastinate on much-needed structural economic reforms.

Unfortunately, the Finance Minister has miserably failed to address these concerns to the extent that fiscal policy now seems irrelevant to improve India's macroeconomic prospects.

In fact, the Budget pronouncements may actually weaken the fiscal consolidation process; taking India towards a lower growth trajectory (perceptions regarding India's business environment aren't going to improve with pronouncements like 'retroactively' taxing cross-border share sales, thereby negatively impacting foreign investor sentiments and foreign investments into India); and may further hike inflation in the coming fiscal.

Fiscal Targets

On the fiscal consolidation front, the numbers appear quite dodgy. Subsequent to missing the 2011-12 fiscal targets of 4.6 per cent of GDP by a wide margin, the Finance Minister now proposes to reduce the deficit by 0.8 percentage points from the current revised estimate of 5.9 per cent of GDP. The budgetary target of 5.1 per cent of GDP in the 2012-13 fiscal actually

represents approximately one percentage points fiscal fall vis-à-vis the trajectory provided by the Thirteenth Finance Commission, suggesting that the deficit should have been 4.2 per cent of GDP next year! Even the government's own 2011-12 Medium Term Fiscal Policy document put the target at 4.1 per cent of GDP next year.

Now, of the proposed 0.8 percentage points reduction in fiscal deficit, the Budget documents suggest that approximately 75 per cent reduction is estimated to come through non-tax revenue sources, including 2G, 4G and phase III FM radio spectrum auctions, and transfer of surplus from RBI, which suggests more reliance on short-term resource mobilisation gains, rather than a long-term focus on fiscal discipline through structural reforms in government expenditure. Further, the Finance Minister has assumed that with the non-tax revenue component being highly inelastic, it will be possible to raise non-tax receipts from Railways and posts by periodic revision in user charges!

If the post-Railway Budget scenario is any indication, may we say R.I.P. to such an impractical assumption? The proposed amendment to the FRBM Act, 2003, will only shift the goalpost of fiscal consolidation. Resorting to fiscal engineering, like devising a new fiscal indicator called the 'effective revenue deficit', may make the government's achievement on the fiscal front look relatively respectable, but it will dilute focus in achieving real fiscal prudence.

Subsidy

On the expenditure front, the FM has, of course, estimated that there will be an approximately 14 per cent drop in food, fuel and fertiliser subsidy than the revised estimated for the current fiscal, thereby

bringing down the total subsidy expenditure to GDP ratio to 2 per cent.

The calculations can horribly go wrong, thanks to National Advisory Council's populist and half-baked Food Security Act, which will add an estimated Rs 30,000 crore to subsidies. In the run-up to the 2014 general elections, more such schemes can be expected.

The oil subsidy component is proposed to be reduced by nearly 36 per cent compared to the previous fiscal, assuming a price of \$115/barrel of crude oil for calculations. The FM has, again, under-Budgeted fuel subsidy, as experts indicate that crude prices shall average anywhere between \$125-150 per barrel in the next fiscal, particularly if the Iran crisis persists.

In such a scenario, fuel subsidy could add an estimated Rs 40,000 crore to government borrowing. An alternative would be to 'bite the bullet' by raising prices on kerosene, diesel, and petroleum products.

Given the fragile political arithmetic, the question is if the government will show the political will to effect deregulation on all energy products.

Revenue Deficit

What is more worrying is that the budgeted revenue deficit at 3.4 per cent of GDP is high, and accounts

for two-thirds of the fiscal deficit.

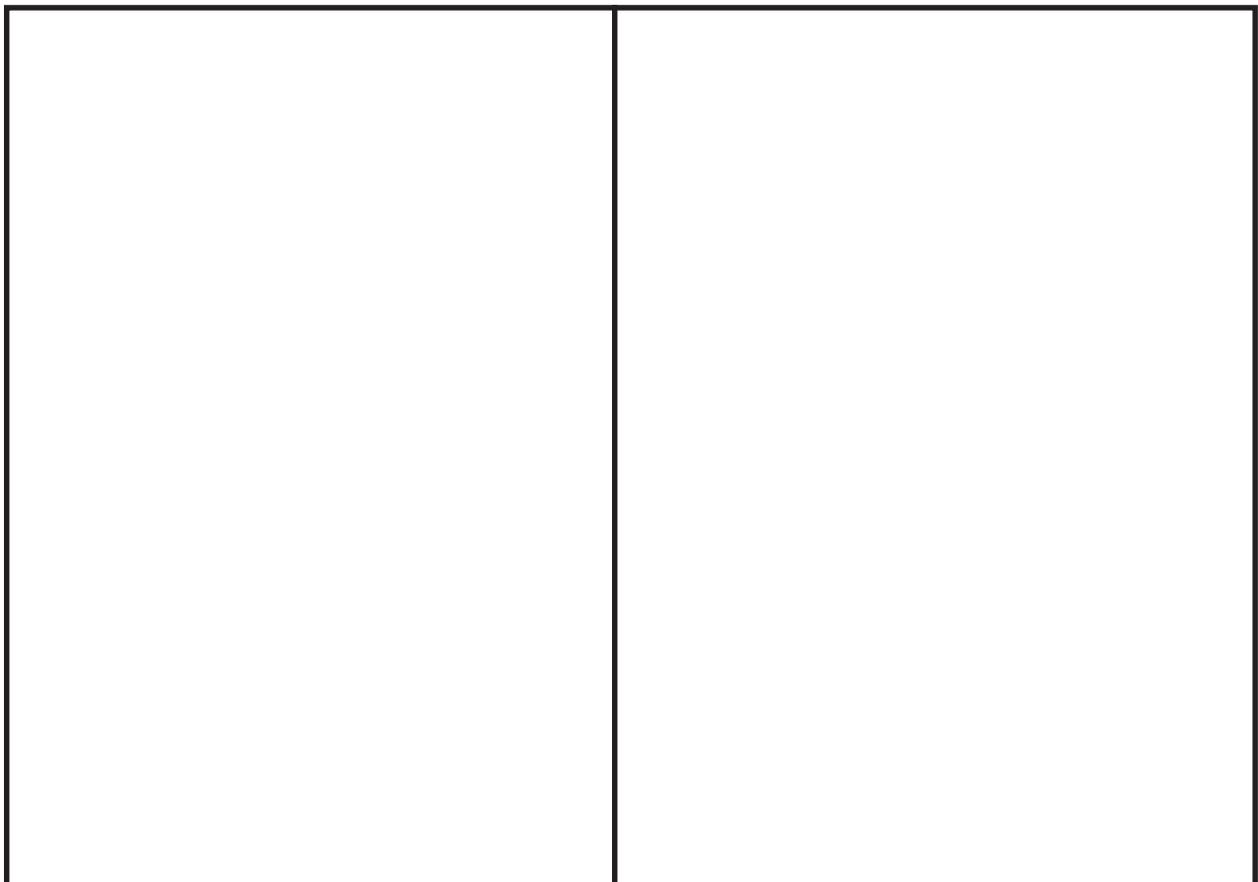
The primary deficit has also been persistent at around 2 per cent of GDP for the past couple of years. What these effectively mean is that the government has to borrow as much as Rs 5.6 trillion to just finance its current expenditure next fiscal, with no assets created to service the borrowings in process.

In fact, government credit, as a proportion of private credit, is estimated to rise by 2-3 percentage points, to 52 per cent in 2012-13. Higher government borrowings will reduce the supply of loanable funds, will effectively harden the interest rates, will crowd out private investments, and will negatively impact growth.

With less money available for companies to borrow, the central bank shall, therefore, have to resort to more pro-active open market operations to generate liquidity. Quietly, but surely, the FM has passed on the baton to the RBI to reconstruct the fiscal health of the economy!

Overall, the FM has failed to press for growth and reforms in the agenda. India is passing through a structural slowdown, requiring next generation structural reforms. The FM, perhaps, reads it as a cyclical slowdown, and hence has only done a usual reactive job!

(Courtesy: Business Line)



Budget 2012-13 provides conclusive proof that the United Progressive Alliance (UPA) government has lost its way. It has managed the remarkable feat of upsetting almost everyone and making no one happy. The Budget is highly regressive in both taxation and spending terms and will raise prices of essentials, so aam aurat and aam aadmi are not happy. Farmers, still the bulk of the workforce in India and the source of food for the country, are adversely affected by the rising prices of inputs and have little to celebrate in the fiscal policy. Surprisingly, even corporate India and foreign investors, who would seem to be the main beneficiaries, are up in arms against the Budget. They are protesting against the lack of movement in areas like foreign direct investment (FDI) in retail and other deregulation as well as against the retrospective opening up of tax cases through amendments in the Income Tax Act.

The Budget provides deeper evidence of the UPA government losing its way because it seems to have forgotten the importance of its own “flagship schemes”. These schemes (which were ultimately brought in and implemented also because of outside pressure from the Left parties) were the basic building blocks of any success achieved by UPA-1. The Common Minimum Programme worked out with the internal and external allies created a cohesive framework within which the government operated despite the many pulls and pushes and despite the contradictions of implementing progressive and pro-poor policies within a broadly neoliberal economic policy framework. In fact, these schemes contributed in no small measure to the electoral victory of the Congress in 2009 and the subsequent emergence of UPA-2.

Social Sector Spending

Of course, India must be the only country in the world where basic public delivery of essential social services is thought of in terms of “schemes” that are provided as “populist spending” gifts by a government to a supposedly grateful population. In most other countries, the job of the government is precisely to deliver nutrition, health, education, sanitation and, indeed, employment or at least the conditions that enable more employment and livelihoods. Perhaps because we persist in seeing these as “schemes”, we are grateful for so little and happy when spending on something does not decline even if it is still at abysmally low levels of spending.

So, in Budget 2012-13, overall social sector spending has increased. This is certainly welcome, but only because we are so grateful for crumbs. For example, allocations for school education have been increased by around 17 per cent compared with the current year's revised estimates, though the increase is mostly in elementary education. As it happens, secondary education increasingly needs much more money, but the increased outlay barely keeps pace with the projected inflation (which incidentally is likely to be much higher than the anticipated 7.2 per cent because of the inflationary effect of the Budget itself).

Similarly, the outlay for health and family welfare has gone up by nearly 22 per cent compared with the current year's revised estimates, but that reflects a significant shortfall in spending in the current year – of Rs.1,643 crore. In any case, at a total of only Rs.30,702 crore, spending on health by the Central government is still embarrassingly low in relation to India's projected GDP – only 0.3 per cent! Compare this with the promise made by the UPA-1 government to increase health spending to 3 per cent of GDP. Even the poorest countries of sub-Saharan Africa manage better ratios than this, and it helps to explain why India performs so poorly in all international indices of human development and conditions of life.

The National Rural Health Mission (NRHM) was always low on ambition and attempted to provide essential public service “on the cheap” by using the unpaid or underpaid services of local women who were involved in some minimal training. Even now, the appallingly low remuneration provided to Accredited Social Health Activists (ASHAs) and the expectation that they should carry the burden of the public health system is shameful. But even the pathetically small amount provided for the NRHM (around Rs.16,000 crore in the current fiscal year) has not been utilised fully, and there is an estimated shortfall of nearly Rs.650 crore. In the face of such disinterest, even the paltry increase by around Rs.2,400 crore proposed in the Budget must be taken with a pinch of salt since it is not clear how much will be spent.

The Budget also provides for a substantial increase in outlay for the Integrated Child Development Services (ICDS) compared with the previous year's Budget estimates. But this essentially reflects the increase in remuneration for anganwadi workers and helpers, which was implemented in the middle of this

fiscal year and which therefore raised the actual spending by about Rs.3,000 crore. In fact, the effective increase in projected spending in comparison to the current year's revised estimates is hardly anything. The increase in outlay needs to be much more because the ICDS is still not fully universal despite seven years of Supreme Court strictures and because ICDS workers still do not receive legal minimum wages.

Food Subsidy Allocation

The food subsidy allocation provides another big disappointment. The UPA government has trumpeted the proposed Food Security Bill as the fulfilment of its promise to the aam aadmi. This has become even more important as in the past four years food prices have skyrocketed. They are likely to increase in the coming year, not only because of global pressures but also because of the impact of this Budget on fuel and fertilizer prices. But the government has already displayed a rather cynical approach to the Food Security Bill, seeking to reduce it to a travesty of the original intent.

In this context, the fact that the Finance Minister has maintained the food subsidy at more or less the current level (Rs.75,000 crore compared with Rs.73,000 crore spent in 2011-12) seems to confirm that cynicism. Obviously, the Finance Ministry at least does not anticipate that the Food Security Act when it is passed will lead to an increase in the Central government's spending commitments in order to ensure minimally adequate foodgrains to all citizens. Indeed, we are even supposed to be grateful that the food subsidy bill has not actually been cut along with the fuel and fertilizer subsidies. So low are the current expectations that there was actually applause in Parliament when the Finance Minister graciously declared that there would be no cut in the food subsidy.

Finally, the most important flagship scheme of all – the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) – is being given such obvious step-sisterly treatment by the Central government that it is now an open question whether the scheme will actually survive in the medium term. The combination of vested interests that have come together to undermine this scheme need not be gone into here, but the effects are obvious in the spending data. In the current year, only Rs.31,000 crore was spent (around three-quarters of the budgeted amount)

and the government has been quick to reduce the coming year's allocation to only Rs.33,000 crore. Since, on average, less than half the promised 100 days of work are being provided across India, this suggests that the government has stopped taking its own scheme seriously and may even be part of the attempt to undermine it.

But the concerns around employment involve more than the MNREGA. Overall, the macroeconomic policy context is unfavourable to more productive employment generation, and this Budget does little to address the problem. In fact, by raising the costs facing micro and small entrepreneurs, it may be making the issue of sufficient livelihood for petty producers even worse. Remember that more than half of India's workforce is self-employed, and the other half is dominated by workers in very small enterprises. In such a context, the complete absence of any positive approach towards small business in the Budget is of a piece with the overall large corporate-oriented strategy of this government, but it is worrying nonetheless.

It is also remarkable that the government is apparently unaware of the policy challenges thrown up by the large pool of young people – growing numbers of whom are going through relatively expensive private tertiary education in the hope of gaining a better life through employment. Nothing in the Budget suggests that employment generation for these different categories of potential workers is even on the radar of the Central government, even though ignoring this challenge is fraught with all sorts of risks.

Why all this should be so is a real mystery. Does the government not realise that its economic success and continued political existence depend increasingly on a greater focus on the domestic market, on ecologically sustainable production trajectories based on more employment in decent conditions, and on better delivery of essential goods and services? Is it not aware of the changing aspirations of people, especially younger people, in both rural and urban areas? Is it news to the government that sustainable economic growth cannot be generated without a healthy and educated population with access to the minimum basic amenities of life? Why does it continue to neglect these issues to the detriment of society as a whole and even at the threat of its own survival?

(Courtesy: Macro Scan)



A Corporate Versus a People's City Budget

By: Shamus Cooke

How are government budgets created, and in whose interests? In Portland, Oregon the city recently held the second and last of its public budget forums, where the community could offer feedback to help craft the city's budget. Over 200 people attended the meeting at Cleveland High School, much more than city officials anticipated based on the lack of chairs, food, and electronic remote controls that were handed out to attendees to provide answers to survey questions (this writer was among the many not fortunate enough to receive a clicker or a chair).

Those who had remote controls responded to the demographic questions that began the event, and revealed that much of the city was vastly under-represented; the poor, minorities, and the largest working class neighborhoods of North and outer East Portland.

The attendees spent the first hour of the two-hour event being talked to. What we were told was as much ideology as fact. For example, city officials based their budget on the following premise: Because the recession has caused a major drop in tax returns, large cuts in services and jobs had to be made. There was no alternative. Zero mention was made of raising taxes on those who could afford it — the wealthy and corporations. There was also zero mention of using the city's large financial reserves to save jobs and prevent cuts. Shockingly, there was no mention of the layoffs the city was planning, or the immense need to create new jobs in a city that has a much higher unemployment rate than the nation's average. With a "cuts only" budget, creating jobs cannot be a topic of conversation.

After the "cuts only" solution was presented, much of the event was dedicated to discovering the community's "priorities," presumably with the intention of having the least prioritized services being cut, since cuts were mandatory. This inevitably pitted the different attendees against each other, with large sections of the crowd cheering for parks and recreation or transportation instead, in the hopes that their services or jobs wouldn't be cut. If one accepts the city's premise of a "cuts only" budget, this must be the sad outcome.

Why did the city limit its options so? Unfortunately, Portland is simply following a national trend on a city, state, and federal level where Democrats and Republicans have agreed that taxing the wealthy and corporations must not be an option in addressing the social crisis that resulted from the Great Recession, regardless of the vast inequality of wealth that has erupted over the last 30 years. Presumably governmental officials have chosen this route because

their political parties depend on the wealthy for campaign contributions to ensure winning elections and staying in power.

Because politicians tell us that we cannot take money from the wealthy, money must be taken instead from public workers through wage and benefit cuts or layoffs; or be taken from other working people in the form of fee increases, sales taxes, or cuts to service provided by public workers in the form of school, community center and park closures, transportation cuts (buses, trains and roads), crumbling infrastructure, library closings, etc.

Public comment at Portland's budget meeting was severely restricted. After we gave the Mayor our budget "priorities" via remote control, we were split into large groups to talk with city officials who led large departments — each were mobbed by dozens of attendees begging not to have their programs cut.

This writer joined a large contingent of city workers who pinned down Portland's Chief Accounting Officer, who was asked why the city refused to spend the hundreds of millions of dollars of reserve funds. The official revealed in coded language that much of the funds were needed to calm the fears of rich investors, who profited from buying Portland's Municipal Bonds. Without maintaining a large cash horde Portland's AAA bond rating could be threatened, and investors might worry about the return on their investment. This dynamic is present all over the U.S., as cities have chosen this "attract the wealthy" model of budgeting (so-called Urban Renewal), to the detriment of working and poor people.

On May 5th in Portland a coalition of community groups and labor unions are organizing a Community Assembly to create a People's Budget. This event will begin with the exact opposite premise as the Mayor's event; because the recession has caused a major drop in tax returns, we must raise revenue by taxing those who can afford it while using available reserve funds to save and create much needed jobs (the private sector has failed to solve the jobs depression; the public sector must step in to help relieve the crisis).

Instead of ignoring or blaming public workers for the recession, we plan to honor them and the services they provide to the public, while giving support to the various ongoing union campaigns that are fighting cuts. Instead of prioritizing a "cuts only" budget, we will prioritize our needs — for jobs and against cuts. Instead of hiding Portland's Urban Renewal scheme, we plan to bring it into the light, along with other ways that the city has shaped its policies with the rich investor first in mind.

(Shamus Cooke is a social worker, trade unionist and writer for Workers' Actions)

(Courtesy: CounterCurrents.org)

Obama's Nuclear Disarmament Hoax

By: Peter Symonds

Gathering of world leaders at the Nuclear Security Summit in South Korea was the occasion for a great deal of cynical posturing about nuclear disarmament and world peace.

US President Obama took the lead, telling students at Hankuk University that the summit's deliberations on "nuclear terrorism" were part of "our vision of a world without nuclear weapons." Under his presidency, he declared, the US had signed a new START treaty with Russia to reduce nuclear warheads, committed itself to not developing new warheads, and "narrowed the range of contingencies under which we would ever use or threaten to use nuclear weapons."

No one should be fooled by this high-blown rhetoric. The ruling classes have always prepared for war under the banner of peace. The slogan of "disarmament" is the means not only for duping working people, but of ensuring military advantage over any rivals, both immediate and potential.

As Obama admitted, even if the START treaty is fully implemented, the US will have a massive nuclear arsenal—more than 1,500 deployed nuclear weapons and around 5,000 warheads—that can obliterate any potential rival or alliance of rivals. As for "narrowing the range of contingencies", the US has never renounced a first nuclear strike—that is, the "right" to use nuclear weapons in a pre-emptive war of aggression.

While it is not upgrading American nuclear warheads, the Obama administration is committed to spending at least \$600 billion over the next decade to modernise weapons production facilities and delivery systems. These include a new generation of land-based ballistic missiles, a new fleet of nuclear-armed submarines and 100 new strategic bombers.

What is under way is not nuclear disarmament, but an arms race. The key index of this new build up is not the absolute number of nuclear warheads, but the sophistication of the delivery systems and their ability to evade detection and defensive measures. Moreover, while limiting the number of "deployed nuclear warheads," the US retains the ability to rapidly construct tens of thousands of new ones from its huge stockpile of 400 tonnes of highly enriched uranium.

Under the guise of "disarmament", the US is determined to maintain its absolute nuclear supremacy. The real purpose of the South Korean summit was to bar access to fissile material and thus nuclear weapons to countries that do not already have nuclear weapons. In that way, the US does not have to take a potentially nuclear-armed foe into account as it wages new wars of aggression.

Obama, the evangelist of nuclear disarmament and world peace, also used the opportunity in Seoul to renew his threats against Iran and North Korea. At Hankuk University, he ominously warned Tehran that "time was short" to reach a "diplomatic resolution" to the confrontation over Iran's nuclear program. Having imposed what amounts to an economic blockade on Iran, the US and its European allies are demanding that Tehran dismantle facilities and

programs developed legitimately under the Nuclear Non-proliferation Treaty (NPT).

Obama's stance on Iran is utterly hypocritical. Iran has signed the NPT, its nuclear facilities are monitored by the International Atomic Energy Agency (IAEA), and its leaders insist that they will not build nuclear weapons. Yet the Obama administration is preparing to wage war on Iran even as it turns a blind eye to Israel, India and Pakistan, all of which have nuclear weapons and refuse to sign the NPT or allow IAEA inspections.

Obama has repeatedly declared that "all options are on the table" for dealing with Iran—that is, the use of nuclear weapons is not ruled out. More than once, the American media has reported that Pentagon planners have considered employing nuclear bombs to destroy Iran's underground uranium enrichment plants.

As with the US-led invasions of Afghanistan and Iraq, the main objective in launching an illegal war of aggression against Iran is to establish a regime in Tehran conducive to the economic and strategic interests of US imperialism. The Obama administration, like its predecessor, is determined to assert US dominance over the energy-rich regions of the Middle East and Central Asia as a means of dictating terms to Washington's European and Asian rivals.

The worsening global capitalist crisis is profoundly exacerbating geo-political tensions. Far from diminishing the danger of nuclear war, the Obama administration has significantly heightened it. Over the past three years, it has shifted the US strategic focus to Asia in what amounts to a "full court press" against China. Throughout the region, the US has strengthened alliances and strategic partnerships, established new military basing arrangements and staged diplomatic and military provocations against China.

Obama's comments in Seoul about the dangers of North Korea's nuclear weapons were not directed primarily against Pyongyang, but against its ally Beijing. At a press conference, he accused China of consistently "rewarding bad behaviour, turning a blind eye to deliberate provocations" by North Korea. The localised wars of the 1990s and 2000s now assume a new and far more dangerous form as American imperialism confronts nuclear-armed China across a region with numerous potential flashpoints.

Leon Trotsky explained in 1938 in the Transitional Program, the founding document of the Fourth International, that "disarmament" was one of the abstractions employed by the bourgeoisie and its agents to deceive people as war was prepared. "The entire question revolves around who will disarm whom," he wrote. "The only disarmament which can avert or end war is the disarmament of the bourgeoisie by the workers."

The only force on the face of the planet capable of preventing a catastrophic nuclear war is a unified, revolutionary movement of the international working class to abolish capitalism and establish socialism.

(Courtesy: WSWWS)

Kudankulam Anti-Nuclear Struggle and the Politics of Foreign Hand

By: Asit Das

Manmohan Singh, the Prime Minister of India, in a very derogatory malafide intention and to malign the anti-nuclear movement in Kudankulam (Tamil Nadu), said in an interview that the people's resistance to the Kudankulam nuclear power plant and people who are campaigning against GM foods, are supported by a foreign hand. Apart from the interview, Manmohan Singh's servitude to national and international capital has made him resort to the worst kind of slander and repression on anti-nuclear struggle in Kudankulam, including the struggle against other nuclear plants all over India. One protestor was shot dead by Maharashtra police in Jaitapur last year. In Kudankulam, thugs of Manmohan Singh's party (Congress) have violently attacked the activists of anti-nuclear struggle in Kudankulam.

With hundreds of thousands of farmers committing suicide, millions of hectares of land are forcibly grabbed; thousands are dying of hunger and disease. This accusation of 'foreign hand' is a cruel joke on the hapless, millions of whom are suffering state repression and their land, resources, livelihood and dignity are being snatched away. The bogey of foreign hand has been played by post-independent rulers to divert the rising discontent of the masses.

I am reminded of Marx's famous remark on Shakespearean tragedy; history repeating itself from tragedy to farce. Late Indira Gandhi had been invoking foreign hand to suppress the rising mass anger, radicalization of the working class and widespread peasant revolts. Governments, at both the state and centre, justify pushing destructive projects and other anti-people policies countering all the valid questions raised by invoking the elusive foreign hand.

To suppress the legitimate voice emanating from Kudankulam anti-nuclear movement, Manmohan Singh has also played the card of foreign hand. Therefore, it is necessary to examine who is this foreign hand, what is its motive, and whom does it represent and serve. And then it is important to expose the real foreign hand.

Ofcourse, there is a foreign hand, but nobody understands this better than the toiling people of the Indian sub-continent and the broad masses of the third world. They are still suffering from the imperialist plunder.

The horrors of the foreign hand are imprinted in the living memory of the peasants, workers, artisans, women and other producing sections of the third world. The ghastly tales of colonial plunder and ethnic

genocide are testimony of what the foreign hand did to the conquered territories. The accounts are dripping in blood. It is this foreign hand which butchered 2.5 million Mexican Indians in the 5th century. It is the foreign hand which plundered the resources in Latin America, North America, Australia and Africa.

The foreign hand eliminated the indigenous population of modern day Canada, USA and Australia, and forced the remaining to stay in reserve ghettoizing them as "natives" and aborigines. Marx has vividly described this murder, plunder and brutalization of the natives and third world people including the first world peasantry, in his chapter on "Primitive Accumulation" in Capital Vol. 1.

The Adivasis, peasants, dalits, ethnic and national minorities of the Indian sub-continent understood the real meaning of foreign hand when British imperialism colonized them, looted their natural resources, subjugated them into service, took away their dignity, wiped out their economy, eliminating the artisans and ruining the peasantry. They suffered the subjugation by the foreign hand for three centuries. The agony was not over even after the transfer of power in 1947. Now they have to suffer the super imperial foreign hand of the US.

India and Foreign Hand:

Indian toiling people like the peasants, workers, Adivasis and dalits have suffered the cruellest aspects of the foreign hand. The deceit, sadism and the helplessness of a colonized people cannot be worse when the British imperialists under the premiership of Winston Churchill diverted grain for British war abroad, resulting in the Great Bengal Famine where millions of people died of starvation. "We got a taste of foreign hand". Hence, we really cannot forget the foreign hand and so we are still struggling to fight that foreign hand. Broad masses of the working people and other artisans cannot forget the fact that their indigenous textile industries and other crafts were destroyed.

The Adivasis are offering stiff resistance to the present foreign hands like Wall Street, hot money flowing via POSCO, Vedanta, Areva, etc., and their local agents like Manmohan Singh who have thrown open their resources, forests, livelihood and habitats cheaply for rapacious national and multinational corporations. It is the continuation of a glorious tradition of Adivasis' rebellions led by Birsa Munda, Sidhu Kano, in the Santhal Parganas, and Chhitu Kirad in the Bhil region of western MP and eastern Gujarat.

From Rajmahal Hills in the east to Khandesh in the west, the heroic Adivasi uprisings fought against the then foreign hand - the marauding British imperial invaders, who were out to usurp their land, livelihood and territories. They brutally colonized northeast. Even in the post-independent era the Indian state betrayed the democratic aspiration of the people of northeast and resorted to the worst kind of neo-colonial plunder, brutally suppressing the peoples' aspirations for a dignified life with barbaric state repression under draconian laws like AFPSA. The Adivasis had the bitter taste of foreign hand when their forests were snatched away by the British imperialists. Under the Indian Forest Act, they were declared intruders in their own habitat. There was massive deforestation for the sleepers for British Railways to plunder the natural resources of India, most of which is in Adivasi regions. Even after the transfer of power in 1947, the neo-colonial extractive plunder continues for cheap natural resources for world imperialism and their junior partners in the third world.

In India, the contemporary symbol of Uncle Sam's hand is Manmohan Singh. Like the earlier foreign hand, the British imperialists, the present dispensation is continuing with extreme repressive measures like Operation Green Hunt.

The post-war era was also the defining moment of national liberation struggle and decolonization. After the victory of the Chinese revolution and the emergence of an assertive socialist bloc, Sputnik was sent to space and Valentina Tereshkova created hopes in working women that socialism provides the necessary base for every working woman to develop her potential. Socialism was in the air, it was hope of the oppressed masses. The idea of socialism reinvigorated the trajectory of history towards national liberation, equality and dignity. World imperialism, now led by the USA, faced its nemesis in socialism. Socialism was the guiding compass for the struggle for justice, democracy and equity. The European bourgeoisie took recourse to social democracy and welfare state to legitimize itself and fend off challenges posed by the socialist camp and militant trade union movement in their own countries trying to co-opt its own working classes.

Therefore, one has to deconstruct the project of decolonization in the third world countries in the context of growing attraction of the idea of socialism and the need for legitimacy of the third world ruling classes. Foreign hand again played a significant role in the lives of the oppressed masses in the third world in the so-called post-colonial world. Post-colonialism is the biggest myth because of the neo-colonial exploitation of the people and natural resources of the third world.

Absolutely intellectual slaves of imperialism and the compradors of the third world helped to perpetuate this neo-colonial exploitation. For the past two decades, Manmohan Singh has been the most crucial foreign hand in India for ruthlessly implementing the policies of neo-colonial exploitation in India. The so-called project of "Decolonization" proved to be fraudulent. Imperialism changed it from colonial exploitation to neo-colonial exploitation where the broad masses of people of the third world have entered into a direct contradiction with world imperialism.

The Bretton Woods Institutions like World Bank, and IMF of late WTO, were used as instruments of neo-colonial exploitation of the third world. In the post-war period, the cruelty of the foreign hand did not stop despite the rhetoric of "Decolonization" and "Non-Alignment". It became more ruthless, cruel, barbaric and genocidal in the post-war period, under the leadership of the super imperial state - United States of America. The imperial horror continued. Vietnam was carpet-bombed, people sprayed up poisonous chemicals, Korea was invaded, Allende and Patrice Lumumba were murdered, hundreds of plots were made to assassinate Fidel Castro, and the great revolutionary Che Guevara was murdered. Tin-pot dictators were imposed on Latin America to further enlarge the open veins of neo-colonial exploitation of its natural resources and sucking the blood of its working people. Compradors were installed in the name of regime change and so-called democracy (truly meaning exploitative bourgeois democracy and class rule). The predatory rule of the imperialist camp was managed by the local elites for their western masters as Manmohan Singh is doing now. The foreign hand was its most repulsive and sadistic impact in the recent decades.

Iraq and Afghanistan were mercilessly invaded by US-led NATO troops. Millions were killed, while the ordeal of Palestine continues under Zionist Imperialist designs. Another anti-people predatory weapon of the foreign hand has also used the anti-democratic arbitrary instrument of economic sanctions. It tried to strangle Cuba through sanctions; for appeasing the Zionist lobby, the criminal cowboy has used it against Iran recently. But the most savage, cruel and sadistic exploitative use of this monster US foreign hand was the sanction against Iraq to capture Iraq's oil and the US imposed sanction has murdered 5 million Iraqi children much before its fascist attack on Iraq in 2003, overriding the democratic protests of the entire globe. The invasion on Iraq was most barbaric, ostensibly in the name of democracy and the non-existent weapons of mass destruction camouflaged to capture Iraq's oil and to bring it under US imperial hegemony. Left

thinker Ravi Sinha explains the attack on Iraq in the following words:

“We are all witness to and victims of the times characterized by monstrous brutalities of war and deep scars of deprivations, inequities and oppressions. We live under a world order wherein those who brought, for example, untold tragedy and destruction of Iraq, will never be brought to justice because they are global hegemony. They will not be questioned about the hundreds of thousands of dead and maimed Iraqi men, women and children; they will not be questioned about the thousands of dead and decapitated American soldiers; they will not be questioned about the trillions of dollars spent on the war and further trillions destroyed by the war; and they will not be questioned about the kind of Iraq they are leaving behind.”

Further, Ravi Sinha has this to say about our immediate neighbourhood:

“We on the sub-continent, too, have suffered grievously and felt the heat from far too close. Afghanistan is a continuing saga of tragedy; Pakistan has been made to pay too heavy a price; and India too has not managed to steer clear of catastrophe. And we know very well that when we count the countries that have suffered, the loss is borne invariably by the people and not by their rulers. [See Ravi Sinha's 'Three Formidable Barriers to the Advance of Democracy' keynote address at the joint convention of Pakistan-India Peoples' Forum for Peace and Democracy (PIPFPD) at Allahabad from 29 to 31 December 2011].

Well, this foreign hand is “US imperialism”. This is the story of real foreign hand, Uncle Sam's monstrous brutalities, the obscene saga of Yankee Imperialism. The recent global economic crisis in 2008 was created by the favourite nieces and nephews of Uncle Sam, the greedy Wall Street operators of finance capital supported by the super imperial US State, or the emperor of the modern empire. Therefore, it is necessary to expose the economic basis of US imperial power. Thus James Petras and Henry Veltmeyer write: “Imperialism has taken diverse forms over time: ‘pre-modern’, ‘modern’, or ‘post-modern’ - to use the language of Robert Cooper, advisor to Tony Blair - or, in more analytically useful terms, pre-capitalist or capitalist. Lenin, one of the major 20th century theorists of capitalist development and socialism, defined imperialism as the most advanced stage of capitalism, in which financial and industrial forms of capital are merged into large corporate monopolies that, through the dynamics of state power (military force, principally), engage in a process of carving up the world into markets for their capital and surplus production, converting subordinate

countries into colonies and local ruling classes into satraps and clients. However, whatever the form taken by imperialism, it entails the projection of state power in its various forms (economic, political and military) – whatever it takes for some nations to dominate others – to advance their class or national interests and subordinate other countries to these interests.

The dominant actor involved in this projection of power and creating the resulting relations of domination-subordination within the current arena of global politics is the capitalist nation-state. It has evolved diverse forms: democratic or authoritarian, and (with reference to its dominant policy agenda) liberal or neo-liberal. Other agents of imperialism include the largest capitalist corporations, which, in popular imagery or the dominant political “imaginary” of academic, roam the world in search of returns on their investment or capital. However, these corporations are not footloose or free from consideration of national interest. Indeed, the economic interest advanced and protected by the nation-states that make up what can be termed the “imperial state system”, a system currently dominated by the US state.

Furthermore, it is these states, in their projections of military and political power, that create the conditions needed for the home-based multinational corporations to take advantage of and operate profitably in the world's “emerging markets”. The US imperial state, both directly (via the departments of state and defense) and indirectly (via control over financial institutions such as the World Bank and the IMF), constitutes a directorate to manage the global systems. Just like the government of the country, the decision-making power concentrated in this directorate of the new world order (the world capitalist or imperialist system) is backed up by a repressive apparatus, the armed forces of the US State, whose maintenance and global operations cost US tax payers and US capital around \$300 billion a year in 2003, at least \$480 billion in 2004, and over \$500 billion in 2005, including Iraq and Afghanistan supplementary budgets. (See “Empire with Imperialism - The Globalizing Dynamics of Neoliberal Capitalism”, James Petras and Henry Veltmeyer. Aakar Books, New Delhi .)

Foreign Hand and the Post-Colonial Developmental Trajectory of India :

Like elsewhere in the third world, the project of decolonization in India was equally fraudulent. Behind the veneer of “Nehruvian socialism”, “self-reliance”, “import substitution” and “non-alignment”, the Indian ruling classes maneuvered their path in the cold war

rivalry to build what Prof. Randhir Singh calls “India specific capitalism”. True to the new Indian states commitment to the pre-independent “Bombay Plan”, the consumer goods sector was dominated by multinational corporations for which public money was spent to provide them infrastructure.

The public sector was projected as socialism, while in reality it was facilitating ruthless accumulation by imperialists and their Indian junior partners. Nehruvian socialism was extremely deceptive, American think-tanks like Ford Foundation imposed the so-called “Green Revolution” taking advantage of the humiliating PL-480 arrangements. Green Revolution opened up Indian agriculture for predatory penetration of imperialist capital. It was a big blow to the self-reliance and dignity of the Indian farmers. Hybrid seeds, pesticides (which were developed from Agent Orange used on Vietnamese) and chemical fertilizers were imposed on India to fill the coffers of the multinational corporations who control the seed and pesticide market. The entire Indian agriculture and the peasantry was mortgaged to the international agri-business, especially companies like Monsanto, Syngenta, Bayer, etc. This is the real foreign hand.

Primitive Accumulation: Neo-Liberal Regime and Manmohan Singh the Contemporary Foreign Hand in India :

Due to the accumulation crisis suffered by global capitalism, world imperialism gave up Keynesian “demand management”, “welfare state” to adopt neo-liberalism. Oil price shock, falling rate of profit and stagnation led to the abandonment of the Bretton Woods arrangements, dollar was delinked from gold, and the collapse of the socialist camp led the imperialist masters to “Washington consensus”. The third world rulers were arm-twisted to adopt the new mantra “market fundamentalism”, where “liberalization”, “privatization” and “globalization” became the buzzword. Pauperisation, dispossession and commodification were the order of the day. Public sector, built on the sweat and toil of the working class, was sold to private players at throw-away prices. The imperialist camp, led by the US, unleashed the worst kind of primitive accumulation on the third world peasantry under the neo-liberal world economic order, forcible depeasantization was ruthlessly imposed on the third world peasantry to create the new reserve army of labour for predatory capital.

Following the balance of payment crisis, this World Bank employee Manmohan Singh, a slave of imperialist economic training, was imposed on India as the Finance Minister. The rest is history. World imperialism never had a faithful puppet like Manmohan Singh. This foreign hand was most useful

and loyal to the imperialist masters, and institutions like IMF, World Bank and WTO dictated their policies to Manmohan Singh who sincerely implemented them. After the Narasimha Rao government, India has seen various formations like the United Front and the “India Shining” NDA rule marked by the ghastly Gujarat program. Manmohan Singh became the Prime Minister in 2004 entrenching neo-liberalism in India . Explaining this phase and the hegemony of the neo-liberal project, my friend Shanker writes about the hegemony of the Indian neo-liberal project, “In itself the media’s behavior may seem nothing surprising. The alienation of the English media from India’s polity, and the solipsism and blindness of the elite it speaks for are hardly anything new; indeed, if anything, 2004 was only a further exposure of what was already increasingly obvious”.

But, in a way, this was precisely the reason why it was significant, for hence it had direct implication for the role that the English media has played in the rise of Indian neo-liberalism. To discuss this role, it is first important to note that, in the absence of a political/institutional formation that has generated and detained Indian neo-liberalism as an ideology (in contrast to Thatcherism, Reaganism or other such forces), the effort to push neo-liberalism as a political project in India has taken place in a far more diffused and complex manner. The functions that such formation would play, rather than being concentrated and organized, have instead been dispersed to multiple centres of power in the Indian system.

For instance, one such function - the individual policy changes and reforms that are required has worked not through “public opinion” or the legislative system, but instead through backdoor operations primarily focused in the bureaucracy (and in cases that do require legislation, through “consensus” achieved by cross party action through neo-liberal elements without an organized formation). This was described by Rob Jenkins as a process of “reforms by stealth”.

The second such role, increasingly appropriate in a time of shifts towards accumulation by dispossession, has been played by the judiciary. This has been the elimination and dilution of, on the one hand, legal protection for labour and criminal procedure, and on the other the strengthening and widening of state, coercive powers over resources (forests and urban land being the two most striking examples).

However, the third, and in our context the most important function, has been the evolution and projection of a hegemonic ideological project for neo-liberalism in the Indian context. (See Shankar Gopalakrishnan: The UPA Moment: Shadows of a Growing Crisis for the Indian State ? In :

Neoliberalism, Primitive Accumulation and Politics in India .)

This loyal foreign hand called Manmohan Singh's biggest regret has been the opposition by mass movements of the urban and rural working classes, the peasantry and Adivasis to his big ticket reforms like:

- ◆ Dismantling of labour laws facilitating longer working hours, contractualisation of the workforce including the right to hire and fire.
- ◆ Withdrawal of food subsidies and withdrawal of PDS
- ◆ Privatisation of all major public sector enterprises
- ◆ Withdrawal of fertilizers and other subsidies to agriculture
- ◆ Pushing FDI in retail sector
- ◆ Pushing financial deregulators, banking and insurance sector reforms
- ◆ Unprecedented forcible land grab and expropriation of the peasantry
- ◆ Pushing the dangerous option of nuclear energy upon an unwilling population
- ◆ Severe repression of the mass movements the list is endless.

Like the British imperial invaders, under Manmohan Singh, the peasants and Adivasis are facing the brunt of most violent dispossession in this neo-liberal regime of accumulation through dispossession. Millions of hectares of land are being forcibly snatched, turning them into paupers and converting them into an impoverished army of reserve to serve as cheap contract labour for the private sector.

Singur, Nandigram, Kalinganagar, Kashipur, Bhatta Parsaul, etc., speak about the horrors of the 21 st century primitive accumulation in India pushed by Manmohan Singh. This loyal foreign hand not only has forced hundreds of thousands of farmers to commit suicide, but is also responsible for the extreme brutalization of the Indian society. His policies have produced poverty, destitution and marginalization. It is this foreign hand – the loyal slave of World Bank, that has created Arjun Sengupta's 77% subsisting on Rs. 20/- a day. His push to primitive accumulation has turned fertile lands into the deserts of destitution. All this is done to please his masters at the Capitol Hill and Wall Street. For this, I want to underline the role of International Finance Capital and its third world agent Manmohan Singh – the loyal foreign hand in India .

International Finance Capital, through its myriad institutions and the exercise of diplomatic pressure, has put in place in most developing countries, local servitors in key decision-making positions to

implement that particular set of policies which serve the interests of global finance and, to a lesser extent, of global industry. The core elements of these policies include, as is well-known by now, trade and investment openness, income deflating fiscal and monetary measures which reduce public development spending and social sector spending, privatization of public sector undertakings, an attack on labour unions, and an attack on the livelihood and assets of small producers mainly comprising peasants and artisans, in order to promote corporatization. In most developing countries, the peasantry and artisans numerically outnumber by far the class of wage paid workers.

The attack on the peasantry's land assets and forest resources by the corporate sector – both domestic and foreign – usually aided by the ruling state power, is seen virtually everywhere in countries as diverse as India and China in Asia, and in Tanzania, Madagascar and Ethiopia in Africa. The bitter reaction which it has provoked, the resistance of the peasantry to corporate and state acquisition of its assets, is the stuff of the most significant unfolding of social and political mass mobilization to be seen today. What we see is a new phase of what Karl Marx had called “primitive accumulation of capital,” comprising the separation of small producers from their means of production. The difference between the earlier phase of primitive accumulation and the present one, however, is all-important. Earlier phases were transitional to industrialization in Europe and in the lands settled by Europeans and the new world. The present phase of primitive accumulation in developing countries is transitional not to capitalist industrialization but to the accumulation of riches at one pole of the social structure, with rising unemployment, pauperization, the proliferation of small-scale services, and increased absolute poverty at the other pole.

This conclusion of absolute immiserization is not generally accepted in the extant mainstream or even the so-called “heterodox” discussions of globalization. (see Utsa Patnaik: “Capitalism and the Production of Poverty”, *Social Scientist* Vol. 464-465.)

Manmohan Singh and his camp followers like Montek Singh Ahluwalia and Chidambaram (with their unflinching loyalty to World Bank/IMF guidelines to cut subsidies on essential items like food grains and kerosene, despite rising food prices) have made the working people's life hell. On the other hand, the working people have been subsidising the corporate sector. According to P. Sainath, since economic reforms led by this World Bank stooge Manmohan Singh started, the Indian government has subsidised the corporate sector to the tune of Rs. 20 lakh crores, while his lackeys in the media and Planning

Commission make a big hue and cry over MNREGA, proposed Food Security Act, etc.

POSCO is a test case, where this shameless comprador Manmohan Singh bends backwards to please his imperialist masters. Under pressure from the Korean President, the PMO directed the Ministry of Environment to give forest and environment clearance to the POSCO project. It is to be noted that both the Meena Gupta Committee and Saxena Committee had written in their reports about the serious violations of the Forest Rights Act and had recommended cancellation of the forest clearance. However, under pressure from the Prime Minister's Office, the Ministry of Environment was forced to give forest and environmental clearance to POSCO. These examples are numerous.

Biodiversity, GM Foods and the Foreign Hand:

Manmohan Singh is the foreign hand that facilitates “the great gene robbery” by multinational seed companies, especially Monsanto. Manmohan Singh is the foreign hand which has pushed Bt cotton down the farmers' throat. He is that foreign hand which like a vulture feeds on the corpses of tens of thousands of Bt cotton farmers who were forced to commit suicide. It is a cruel paradox of history when this imperialist lapdog talks about the foreign hand behind the anti-GM seed campaign. The reality is Manmohan Singh is trying to work very hard to be the best area sales manager for Monsanto.

Protesting against Manmohan Singh's interview to Science magazine about the foreign hand behind Kudankulam anti-nuclear struggle and anti-GM food campaign, eminent people like Justice V.R. Krishna Iyer, Prof. Romila Thapar and 17 others say in their letter to Manmohan Singh, “There has been wide coverage of your interview with the journal ‘Science’ on 24 February 2012, concerning the opposition to nuclear power plants and GM crops in India. You choose to resurrect the old bogey of a ‘foreign hand’, this time pointing to external funding of NGOs to oppose Indian development, as if they are some sort of a fifth columnist operating to undermine that nation's interest. This, we feel, is a highly inappropriate misrepresentation of facts. The misdemeanours of these NGOs, if any, may well be only minor infringements of the letter of restrictive law that enables government to harass them as is now being undertaken. In reality, what we are all fighting against is indeed a foreign hand operating at the behest of and from within your Government, supported by Indian and foreign commercial entities, to corporatize Indian agriculture and farming practices and the energy sector, without in-depth and impartial analyses which prioritise the country's security and safety. If

this is their sin, it is our too!

Your remarks, in essence, indict every signatory to this letter. Our individual and collective “unthinking state”, an unlikely charge as that is, does not unduly perturb us; on the other hand, your charge that all those who voice dissent of your government's policy on GM crops and nuclear power do not belong to the “thinking segment” of society, is an indictment of a large section of our citizenry. It betrays an inappropriate distinction between “thinkers” and “non-thinkers” solely on the basis of agreement or disagreement with government policy. Surely, this cannot be. Informed dissent and a healthy response to it by our government through trusted dialogue are vital for a functioning democracy. The absurdity of this position is therefore self-evident and it absolutely requires us to make a measured and robust response through addressing the key issues surrounding GM crops and the nuclear power sector.

The prominently visible foreign hand of the US, in these greatly important issues with ramifications of our country far into the future (and with regard to GM crops, irreversibly so), is squarely created and abetted by the UPA government. One indication of such collusion is the line-up of support your government has sought or received thus far from ABLE (Association of Biotechnology Led Enterprises). The Indo-US knowledge initiative on agriculture, the Indo-US CEOs Forum, the Indo-US Business Council, etc., all of which expose the distinct foreign influence, are deliberately brought into these critical policy areas. Along with your investigations of the so-called ‘anti-national misdeeds of the NGO’, why is your government not probing the influence peddled by these agencies and entities who are primarily furthering the interests of foreign governments and private multinational corporations? Or, is it that only those who support your policies are helping the nation, while those raising legitimate and scientifically based dissent are all branded as traitors working against the national interest?

(See the letter written by Krishna Iyer, Romila Thapar, Praful Bidwai, Admiral Ramdas and others to Manmohan Singh, dated 5 March 2012).

In fact, this insidious foreign hand Manmohan Singh is behaving like a ruthless field marshal of a foreign invading army. The great Second Green Revolution was declared with much fanfare after turning the fields of Punjab and Haryana barren and poisonous. Now this salesman of international agri-business is casting his greedy eyes on the eastern states of India.

The aim of Indo-US knowledge initiative on agriculture is a conspiracy to recolonise India. The plan is being implemented through the present day Mir Jafar

Manmohan Singh.

By submitting the Biotechnology Authority Bill in Parliament, this foreign hand is trying to impose legislative sanction for destroying Indian agriculture and handing it over to US-based seed giants. GM crops will not only damage health and environment, but our seeds will be lost forever and the entire peasantry will be mortgaged to the international agri-business led by Monsanto.

In the context of GM crops, Manmohan Singh's loyalty to his imperial masters is self-evident. GM crops were invented by the US; given their raison'd'etre of profit for the industry patent laws in that country and their commercialisation promoted at the behest of the White House to "foster the biotech industry" led by Monsanto, the international market leader holding 90% of crop patents. No GM crop is approved "as safe" by the US regulatory authorities in the US when they are put to market GM cotton and other crops. The industry has held sway; there is little regulatory oversight.

Indo US Nuclear deal, Kudankulam Struggle and the Foreign Hand

Yankee imperialism can never find such an obedient puppet like Manmohan Singh in the entire world who even staked his own Government to implement Indo US nuclear deal. The entire episode was akin to feudal loyalty of the peasant serf to the lord of manor. It is a well known fact that nuclear energy is an extremely obsolete screw driver technology which is not even preferred in Manmohan Singhs ideological Mecca, the United States .

Manmohan Singh's imperial masters who have themselves abandoned this in their own country found a loyal slave in Manmohan Singh to bail out their private nuclear corporations like Westinghouse to make super profits in a poor third world country like India , when in their own country the technology is destined for oblivion. After Fukushima disaster when the ruling classes of advanced capitalist countries are giving up nuclear power this intellectual slave of the neo-liberal West is so blind informationwise. So blocked in his thinking that while his master have outgrown the nuclear option this loyal slave still thrusting nuclear energy into our throat. Nuclear Energy in India becoming an instrument for super profits of American nuclear corporations. They have imposed their obsolete and dangerous technology in India .

The Indo US nuclear deal was not only an instrument for bailing out the American nuclear corporations but it was brazen attack on our sovereignty. It allows unrestricted entry into our nuclear installations by the Americans, it was an outrageous act by the US

imperialists to consolidate their hold in South Asia for their defense and geo-strategic interests. This foreign hand Manmohan Singh did everything in his capacity including striking a deal with Samajwadi Party to thrust the imperialist Indo-US nuclear deal on Indian people. The loyal Foreign hand in India was at full play during the debate on Indo-US nuclear deal. A conservative estimate puts it that the US nuclear corporation will make around 6 lakh crores of the business facilitated by the Indo-US nuclear deal, Uncle Sam will never find such loyal agent like Manmohan Singh any where else.

It is a common sense world over that nuclear energy is undesirable and dangerous. The per megawatt cost of nuclear energy is much higher than any other form of power generation. Yet this extremely dangerous and price-wise exorbitant this killer energy is being forcibly thrust on Indian people by loyal Foreign hand Manmohan Singh. Nuclear Energy hardly provides 1% of our power generation, and the official claim of being a clean and green source of energy is pure bullshit. The nuclear establishment clearly fails to account the embedded energy requirement to build a nuclear power plant. There is genuine and increasing public concern over the dangers of nuclear technology, particularly because the Indian nuclear establishment is directed by the government to expand their nuclear power activity on the basis of the import of untested reactors and in the absence of an independent and transparent nuclear safety regulator.

No nuclear power plant is 100% safe and for the government to make such a statement, as have been made only recently, stretch credulity and cone across as glib assurances in the back drop of the Fukushima accident, which has been particularly devastating and is fresh in people's mind. The accidents at Three Mile Island (1979) Chernobyl (1986) also involved human error and weak nuclear safety regulation. Japan is a technologically savvy country. Despite this, they have not been able to respond till date to the sheer scale of the Fukushima disaster to contain its impacts. In India, with our dense population, our lack of management skills, the unilateral decision-making at the highest political levels on the purchase of very complex and hither to untested nuclear reactors and technology systems without involving the national safety evaluation process, refusal to constitute a totally independent and transparent nuclear safety regulatory system in the country, and our singularly inefficient disaster mitigation abilities, etc. could altogether land us in a major nuclear disaster soon, if these deficiencies are not immediately corrected. Cost estimates of the Fukushima accident are currently placed at more than US \$16 billion and it is still rising. It will take decade to cleanup Fukushima and the

significant stretch of surrounding areas of radioactive contamination, and the clean up may never be complete, as evident from the Chernobyl experience where the Russians are setting up a sarcophagus to shield the stricken reactors from humanity and the environment.

Despite an assurance given by the Prime Minister's office on April 26, 2011 that "Action taken on previous safety reviews will be put in the public domain", neither the DAE nor NPCIL seems to make a mockery of the spirit of Article 19 of the constitution that entitles every citizen, as a fundamental right, to be informed about the functioning of any public authority, to the extent that its acts of omission and commission affect individual life. AERB, which is required to oversee and regulate the activities of DAE and NPCIL, continues to be subordinated to DAE and the new regulatory authority bill introduced by DAE before parliament, further more, does not ensure the independence of the regulator from the executive that controls it.

At many of our nuclear sites including Kudankulam, no truthful and comprehensive EIAs have been made and associated public hearing conducted as stipulated by law. Where representations of the local population have prepared scientific reports to the best of their ability, on their own, on pertinent safety deficiencies of a nuclear plant, and DAE has ignored those reports and not responded to the concerns expressed. A typical example is the recent PMANE expert group's report dated 12 th Febuary 2012, which the Kudankulam protest groups prepared and submitted to the DAE. This report highlights serious questions about the safety of the Kudankulam site based on geotechnical and oceanographic considerations, backed by independent and scientific data and publications from academic and research institutions. Through all this, the AERB which must come forth and defend the safety of these plants, has maintained a stoney silence, whereas, in any civilized country, it is the regulator's duty to defend what they have approved as safe. In India , it is because the AERB is a captive regulator who seeks permission of the DAE before they speak publicly on any issue.

Let us be clear that nuclear power, like most other power technologies, is not 100% safe and can never be. But, given that the downside risk of a nuclear accident can be immeasurable and the empirical evidence from the past three core meltdowns the world has witnessed reinforces such a possibility, how safe it can be will depend on the integrity of our regulators and our leaders who on the other hand are constantly manipulating the system, including the safety regulator. Our government has not yet realized that there is a strong positive correlation between the

transparency of a safety regulator and the degree of eventual safety obtained. While the public is kept entirely in the dark on how safety is assured, the Prime Minister personally continues to endorse the relentless claims of DAE and NPCIL that nuclear power technology is 100% safe. On that basic there is little reason for comfort.

The enactment of the current civil liability law by the government betrays the PM's stance on safety claims. The government has gone out of its way to bow to pressures and demands exerted by the US and Western MNCs to ensure that civil nuclear liability law shields reactor suppliers from accident liability in excess of the ridiculously low cap of Rs 1500 crore (equivalent to US \$ 300 million). Evidently, foreign reactor suppliers themselves are not as confident as the PM seems to be of the safety of their own reactors and want the Indian tax payer to bear what could be an astronomical part of the liability in case of a nuclear accident. The latest estimate of the Fukushima liability has touched US \$ 16 billion, compared to the cap of US \$ 300 million imposed by the civil nuclear liability law that the Indian government has enacted. Further more, yielding further to MNCS' pressure, the government has framed the rules under the liability law, exceeding the limits set by the law itself, imposing limitations on the definition of "consequential" casts and the timespan within which the Indian operator can prefer accident claims against reactor suppliers. The easy terms that the Indian government has agreed to in this matter are truly a national betrayal; a constitutional aberration in letter and spirit.

As far as Kudankulam unit 1 and 2 are concerned, the sketchy EIA report completed several years ago does not contain a comprehensive risk analysis, estimation of the probabilities of core-melt down or major radioactive releases, the factoring in of potential human errors, or a proper site evaluation from the geotechnical and oceanography points of view. We believe not even a cursory examination of such issues was done when the site was finalized, or even thereafter. Even if NPCIL claims that such an analysis has been carried out, they have not placed it in public domain. When DAE and NPCIL choose to function amidst shroud of secrecy with the implicit approval of the Prime Minister, it hardly seems fair on the part of the government to demand that the people who are going to be directly affected should refrain from raising their concerns. Why should this be? If the government has decided to investigate NGOs who have allegedly received foreign funding, it is appropriate and even more necessary to investigate thoroughly, the circumstances under which unusual accommodation with western MNC's has been made by the same government. (See the

appendix to the letter written to the Prime Minister by eminent citizens)

The US pressure on the civil nuclear liability bill shows the impact of foreign hand in the nuclear matters in India . The struggle against the nuclear power plant at Kudankulam is the struggle against this foreign hand.

Manmohan Singh, Operation Green Hunt and state repression in India :

This foreign hand called Manmohan Singh's grips are tightening over throats of helpless peasants, Adivasis women, religious and national minorities. Manmohan Singh outclasses puppets like Batista, Marcos, Pinochet and other monsters in his competition to appease his imperial masters. How he crawls in front of his masters from the white house is proved by the fact that he broke the tradition and protocol and went to receive Obama personally at the Delhi Airport. How he behaves as a starry eyed teenager was noticed when to meet President Bush he fell into love with him. This Uncle Sam's favorite butler whose entire training has been in institutions like world bank designed for imperialist hegemony, has been ruthlessly commodifying every necessary life needs of Indian people i.e. food, shelter, water, rivers, land, forest and so on. Life for the poor has become most difficult in the era of forward trading and speculative finance capital.

As soon as Manmohan Singh was sworn in as Prime Minister, he declared Maoists to be the greatest internal threat to India . Thus he declared a war on the poorest and poor people who are struggling for survival and dignity against snatching away their water, forest land, life, livelihood and dignity. At the behest of his imperial masters Manmohan Singh has launched a war on his own people to snatch away their land, forest, mines and water for rapacious plunder by international and national corporates. He installed

another running dog of imperialism Chidambaram as Home Minister who in equal desperation to please his imperial masters launched "Operation Green Hunt". Tens of thousand of paramilitary forces with the tacit help of the army were deployed to severely crush the poorest of the poor's uprising against total destitution and state repression. Hounds of the Indian ruling classes BSF, CRPF, COBRA, GREYHOUND were unleashed on the struggling Adivasis' from Jangalmahal to Chattisgarh to Narayana Patna. Thousand were murdered, raped and tortured. Custodial torture, death and rape has become order of the day in the name of "Operation Green Hunt". The recent brutal custodial torture of Soni Sori will put to shame even the most cruel dictators. There is a witch-hunt on oppressed nationalities and minorities. Kashmir , North-East and the Batla house encounter are stark indicators of what is being done to the oppressed nationalities and minorities in this country. The recent arrest of the Delhi based journalist Mr Kazmi under pressure from the imperialist Zionist lobby is a test case, how Manmohan Singh operates on behalf of CIA and Mossad. This Foreign hand Manmohan Singh's hand is dripping in Blood from Kashmir to North-East, and regions from Bastar to Jangalmahal. We have seen blood dripping from this hand at Jaitapur, Kalinganagar, Nandigram, Narayan Patna, Kashipur, Sompetta, Bhatta parsaul and Tappal, the list is endless.

The people in Fatehabad, Jaitapur, Mithivirdi, Chutka are fighting to shove off this foreign hand off their back, to save themselves from the disasters of nuclear power plant. The struggle in Kudankulam is a struggle against this Foreign hand Manmohan Singh who is forcibly pushing the nuclear power plant into their throat. To save the people and environment of this and to free ourselves from the clutches of US imperialism this hand needs to be chopped off.



LONG LIVE COMRADE D. P. SINGH !

We are shocked at the sudden demise of our colleague, friend and vibrant social activist **Dhirendra Pratap Singh.**

Nevertheless, his zeal for actively supporting the cause of people's movements will always keep us motivating.

A Permanent Poverty

By: R Balasubramaniam

More than 110,000 families in Mysore district were recipients of the State Government's largesse on 3 March, at an annual function where the Chief Minister hands out benefits under different schemes to them. This event has now been labeled Sarkari Savalattu Santhe (literally, Government Fair of Schemes).

It is truly a market, wherein different products are being made available to people. The only difference is that you cannot get what you really want and need, but will have to take what a patronizing Government is willing to give. I am not trying to make a point that many of the people receiving these much-needed benefits are undeserving of getting them. I am only trying to argue the case that the Government may not have truly understood the difference between political doles and true development.

Every single party and political leader of the recent past has been guilty of indulging in such theatrics where thousands of crores of rupees worth of goods and services are distributed to 'beneficiaries'. We have seen many such mega-events take place in different district headquarters, with either the Chief Minister himself or the district minister-in-charge personally 'gifting' away these Government benefits.

Despite endless schemes to 'benefit' the poor, why is each new generation as poor as the one before it, or worse?

One can understand that it is the Government's responsibility to ensure that the poorest of the poor do not lose out on the benefits of development. But one would like to be convinced that it is the poorest and the most deserving that are actually getting these benefits. We need to look at the ground realities.

The state of Karnataka has 1.2 crore families, and the Government has determined that 98 lakh families are living below the poverty line. It is indeed ironical that on the one hand the Government touts the State as one of the most progressive in the country, but on the other hand has tacitly distributed BPL cards to nearly 80 per cent of the population. Clearly, a big chunk of BPL card holders (estimated to be 49 per cent) are not truly poor, but an even greater tragedy is that despite this generous distribution, five per cent of the real poor do not have a BPL card. In such a scenario, one can imagine whose benefit these schemes are truly serving.

If money spent on such tamashas had truly benefited the poor, one wonders why we still have so much poverty around us, and why would we need an annual fair of these things? Every time a new Chief Minister takes over in Government - and this is true all over India - he is quick to have special packages for his native district. Thousands of crores of funds from the public exchequer is treated as their own personal funds and sanctioned to keep their constituents happy and satisfied. Most of the decision-making is done based on political realities, rather than on the development

consequences that one wants to achieve.

Apart from treating our own citizens as mere recipients of their patronage, these events also snatch away people's dignity and self-respect. How will our MLAs feel if they are made to stand in line and receive their iPads and laptops from a more-than-generous Government under full public and media glare? Our deserving poor cannot be made to feel like mere beneficiaries and given doles under such visibility and public gaze. They need the help of a Government machinery that understands their poverty and gently facilitates their social and economic mobility upwards towards self-reliance.

Mahatma Gandhi always said that our poor had to be treated with the greatest respect and the State should never make a mockery of their poverty. What events like these do is exactly the opposite. In order to achieve narrow political gains, it makes the poor vulnerable and robs them of their dignity and self-respect. It also disempowers them and takes away the human spirit of enterprise.

What our Chief Ministers and their cabinet colleagues have to ask themselves is whether their numerous development schemes are truly initiating and promoting the needed development? Is the return on investment proportional to the thousands of crores of rupees spent? Who is to ensure accountability in the system? Will the political or the bureaucratic executive take the responsibility of ensuring that this money will be well spent and every person receiving the benefits is truly deserving of the same and will join the economic mainstream?

We have had numerous such events happen in the past and we as citizens of this State would like to know how much of poverty have they helped in alleviating. Instead of mere doles, shouldn't the Government take a fresh look at its own budgetary allocations to the poor, the development of the scheduled castes and tribes, as well as the marginalized?

It is also the Government's responsibility to inform the citizenry who is paying for these mega events. Is it coming out of the public exchequer, and if yes, under which head of account is it accounted for? If not, are the myriad contractors involved in the scheme paying for the same (as is the case generally)? We have the right to know.

Unless the Government decides that its concern for development goes beyond petty politics and revolves around genuine social concern for the poor, and is willing to subject itself to measurement and accountability, good governance will continue to be a casualty. The State will only be helping its citizenry to merely cope with poverty instead of permanently climbing out of it.

(Courtesy: India Together)

The Government of India released its new Draft Water Policy on 31st January 2012, opening it up for comments. The Draft Policy seeks to replace the current one that was adopted in 2002. The objective of the Draft Policy "is to take cognizance of the existing situation and to propose a framework for creation of an overarching system of laws and institutions and for a plan of action with a unified national perspective." Unfortunately, not all parts of the proposed framework are a change for the better.

One such crucial element of the framework that represents a change for the worse is the push in the policy for privatisation and commodification of the water sector.

Pushing to Privatise

The Draft Policy declares, in Section 13.4 that, "13.4 The "Service Provider" role of the state has to be gradually shifted to that of a regulator of services and facilitator for strengthening the institutions responsible for planning, implementation and management of water resources. The water related services should be transferred to community and/or private sector with appropriate "Public Private Partnership" model."

It is significant to note the clause relating to the same theme in the current water policy (2002 Policy). Clause 13 of the 2002 Policy states: "Private sector participation should be encouraged in planning, development and management of water resources projects for diverse uses, wherever feasible." The shift from a tentative statement in 2002 to the emphatic decision in 2012 is of great interest. This shift is hardly warranted by the experience on the ground of privatisation in the water sector. Rather, it goes against all the accumulated evidence of the last ten years.

Before we take a look at this evidence, it would be important to clarify what we mean by privatisation.

By Public Private Partnership, we understand any venture in which the private sector is involved in a manner that it exercises control on some (or all) part(s) of the water supply system, from production, transmission, treatment to delivery. Typical EPC (Engineering, Procurement and Construction) contracts would therefore not be considered a PPP, but an O&M management contract would. We also refer to any such PPP arrangement as privatisation.

The reason for this definition is that we really don't need to transfer ownership of water or the water resource itself to any private hands for all the problems seen in PPP projects to emerge. The many problems

of PPP / privatised projects emerge from the essential contradiction between the motives of a private company and the societal obligations to provide water which is a life sustaining resource, and this does not require it to really own the resource.

Often, an argument is advanced by the Government and other votaries of privatisation that we are not privatising water, but only involving private parties in managing it and providing related services. In effect, this argument has little relevance as the projects with private sector participation lead to many major problems even without privatising the water or water resource. Of course, if the water resource itself was privatised, this would lead to even greater problems.

At the same time, most private water projects will result in some sort of de facto ownership of water by the private operator, mostly through earmarking of the water for them or by creating a first right on the water resource. This is essentially because no private operator would undertake a project unless it is assured of its raw material. In this case water. The most well known case is the case of Sheonath project in Chattisgadh where the private operator has been allowed to construct an anicut on the Shoenath river to supply water to the Borai Industrial Estate. The operator promptly stopped the people from using any part of a 23 km stretch of the river, including for purposes like bathing, fishing and for small crops. Similar earmarking of resources is a part of most private projects.

At the same time, private projects also create restrictions on the access of people to other water resources. In several cases, there have been attempts to shut down public standposts. In the Khandwa (M.P.) BOT project where the city's water supply has been handed over to a private company for 25 years, the agreement with the private company includes a restriction that no competing facility will be allowed. What constitutes a competing facility is not defined, so this can well be stretched to mean private wells and other common water sources. This has been seen in other parts of the world, for example in Cochabamba in Bolivia.

Let's return to the evidence of the last decade, During this time, Governments at both, central and at state levels have tried to push privatisation in the water sector in a big way. However, it has failed to deliver in any meaningful manner. Many projects failed to take off. High profile attempts to introduce privatisation in cities like Delhi and Mumbai had to be given up. Projects that did take off ran into huge problems. For example, the flagship project of Tiruppur

water supply - touted as a model in the early 2000s - today languishes due to lack of off-take and falling revenue, and has been asking for Government bail out. Only a handful of projects are trudging along, and the jury is still out on their efficacy.

The real question is whether to make water systems work well, do we need privatisation or more accountability?

Attempts to push privatisation of irrigation have met a similar fate. The Nira Deogarh project near Pune, slated to be the first privatised irrigation project could not move beyond the call for Expressions of Interest. A condition of the World Bank loan to the state of Madhya Pradesh requiring it to privatise 25 minor irrigation projects and a medium-size one has remained a non-starter since 2004. This failure of privatisation is essentially due to its inherent limitations and the fundamental contradiction between water as a crucial element for survival and sustenance and water as a means of profit.

The attempts to push privatisation led not only to many strong protests and large scale resistance, but also led to the emergence of several alternatives to privatisation. At the heart of these alternatives are suggestions not only to make the public sector more accountable and efficient, but also to unambiguously enshrine water as a fundamental right, thus asserting the social obligation of the State for its provision.

It is not only the civil society that is questioning the appropriateness of privatisation of water sector. For example, the Chawla Committee (Committee on Allocation of Natural Resources constituted by Government of India on 31 January 2011, under the chairpersonship of Shri Ashok Chawla, former Finance Secretary) presented detailed recommendations for eight sectors, namely coal, minerals, petroleum, natural gas, spectrum, forests, land and water. The general thrust of the Chawla committee's recommendations is a shift towards more market based processes for the allocation of these resources. However, for the water sector, it has not even mentioned the Public Private Partnerships or any of the other market mechanisms. On the contrary, it has emphasised that there are multiple dimensions of water use and allocation "with the primary use being that of life-support".

In November 2011, the Planning Commission's Working Group on Urban and Industrial Water Supply and Sanitation for the Twelfth Five-Year- Plan (2012-2017) submitted its report. The Report recommends that "Current PPP contracts in this sector must be carefully evaluated for lessons learnt before more schemes are sanctioned." (I was a member of the Working Group)

This recommendation needs some elaboration. In recent years, several 'pilot projects' have been undertaken to privatise water supply in some wards / parts of some cities. These include Nagpur, Hubli-Dharwad and others. These are being projected as great successes, and models to emulate on a large scale. In a way, these constitute the second wave of the 'model' projects. Our experience with the first wave should certainly make us more cautious in assessing the 'success' of such projects.

In the success of these projects, there are often factors like selection of a easy area for implementation of the pilot (Nagpur, where the area selected already had 16-18 hours of supply, good infrastructure) or significant external financing (Hubli-Dharwad) etc. Thus, it is essential to examine whether the success of these pilots is based on some of these factors which may not exist in other zones, and whether this success is only an initial success that will falter later. The recommendation of the Working Group is based on looking at all such facts.

In fact, the real question is whether to make water systems work do we need privatisation or more accountability? Such accountability would need to be in the form of a fundamental right of every citizen to water, legislative support to mandate quantity and quality of water and agreements / MoUs that require utilities to ensure quality of service.

It is surprising that all this evidence, all the doubts and reservations have been ignored by the Government to bring in an unequivocal push for privatisation. Therefore, it raises the questions of whether there are any other forces at work.

It appears that one major force is the push by agencies like the World Bank and Asian Development Bank, whose declared agenda is not only to introduce privatisation but also convert the entire sector to market based operations. This is also supported by other provisions of the Draft Water Policy. Unlike in the current policy, there is no explicit list of prioritisation amongst various water uses in the Draft Policy 2012. Section 3, on Uses of Water indicates that water for human survival and for ecological needs would have the highest priority.

Section 3.3 adds: "After meeting the minimum quantity of water required for survival of human beings and ecosystem, water must be used as an economic good with higher priority towards basic livelihood support to the poor and ensuring national food security."

In other words, water needed for basic livelihood support for poor and for food security has been treated as an economic good. The implications of this are hidden in Section 7 that deals with pricing of water.

Section 7.1 says: "Over and above the pre-emptive uses for sustaining life and eco-system, water needs to be treated as an economic good and therefore, may be priced to promote efficient use and maximizing value from water."

The words "maximising value from water" essentially mean monetary value, and indicate a shift to commercialisation of water. Such an objective of maximisation of value jeopardises livelihoods and food security related activities, as these often do not create as much monetary value as other activities.

The ADB, in its water policy calls for tradable water entitlements, which will lead allocation of water (through market buy-sell transactions) to "high-value" uses of water. The World Bank too calls for such a regime, arguing that once this is place, "... those requiring additional resources (such as cities) will be ...able to meet their needs by acquiring the rights of those who are using water for low-value purposes."

The World Bank itself elaborates on this elsewhere to say that "the value of water for irrigated foodcrops is a fraction of the value for urban and domestic purposes" and suggests, as an example, that the city

of Chennai could buy water from farmers near by to meet its need. This example of "maximising value" indicates how such a policy would lead to water being cornered by industry, big commercial users and big cities at the costs of farmers, poor people whose livelihoods depend on water and rural areas.

While the Draft Policy does not explicitly talk about such trading in water entitlements, it should be noted that the first Water Regulatory Authority in the country, set up in Maharashtra, under World Bank pressure, has the explicit mandate to facilitate such trading in water entitlements. The provision in the Draft Water Policy (Sec 13.1) that calls for setting up Water Regulatory Authorities in each state, read with the provision of treating water as an economic good to maximize value should leave us in no doubt that what is being envisaged is a transition to a full-fledged market system for the operation of the water sector.

This is likely to pose a grave risk to both livelihoods of the poor as well as food security of the country. In this sense, the Draft Policy is not only clearly anti-poor and anti-farmer, but also more generally a threat to the interests of the larger population.

British Education System Could be Completely Privatised by 2015

England's education system risks being completely privatised within three years, the leader of one of the country's largest teaching unions has predicted.

Christine Blower, general secretary of the National Union of Teachers (NUT), said the trade union movement could be haunted by "the spectre of a completely privatised education service by the end of the coalition's first term in government" unless it took significant action.

Blower said she was alarmed by the pace at which ministers wanted schools to cut links with their local authorities and become academies and free schools.

Academies and free schools are accountable to the education secretary, rather than their local authority and have greater freedom to change the timings of the school day, teachers' pay and the subjects they teach.

Some 40% of secondary schools in England are now academies, and Michael Gove, the education secretary, has recently come under renewed attack for forcing Downhills, a primary school in north London, to turn into an academy.

Blower said: "Unless we, as the trade union movement, in conjunction with community campaigning, are able to mount a significant campaign ... to put the brake on this and unless the Liberal Democrats start behaving consistently with their own policy, which is to oppose academies and free schools, there is the spectre of a completely fragmented and privatised [education] service that is not in anybody's interest," she said.

Blower said her union was examining whether it was possible to use the tribunal system to challenge the government's moves to force schools to become academies.

Delegates at the National Union of Teachers' annual conference in Torquay next week will call for industrial action against academies in some parts of the country. Others will argue that academies represent "the biggest attack yet on comprehensive education by any national government".

The NUT and the University and College Union, which represents lecturers, are staging a London-wide strike on Wednesday against government plans they claim make their members "pay more, work longer and get less in retirement".

Asia (India)

Nonadanga: Against Repression and Arrest

Parag, Krantikari Naujawan Sabha

The 'beautiful' and the 'developed' entwined as it is with power, must make war on its underside, the 'ugly', the toiling, and demolish it, hide it under the shine of corporate towers and election promises. The brutal violence of the present process of 'development' in India comes buttressed with State Repression. This is exposed yet again when the Trinamool-led West Bengal government with its brute police force and Kolkata Municipal Development Corporation (KMDA) bulldozed and burnt the houses of 800 slum-dwellers in Nonadanga, South Kolkata on 30th March 2012 in the name of 'beautification'. This is backed up with continuous state repression-residents who tried to resist their homes being demolished were beaten, picked up and put into police vans. Picking up pieces from their broken homes, setting up temporary shelters with vinyl sheets and a community kitchen, the residents organized a protest march the next day, and again on 4th April. This was met with brutal Police lathicharge and abuses, male plain-clothes personnel pounced on the women, kicked twenty-one year Rita Patra in her advanced pregnancy, split the head of two-and-a-half year old Joy Paswan. A sit-in demonstration was organized on 8th April- police forcefully arrested 67 people and again on 9th April, 114 student protestors were arrested from College Street. Seven activists of various mass organizations have been sent to police custody till 12th April with non-bailable warrants and allegations of 'stockpiling of arms and ammunitions in Nonadanga' doing the rounds in the Chief Minister's press statements. Yesterday and again today 11th April, a huge consignment of police has cordoned off

the entire area and the threat of imminent demolition even of the temporary tents and community kitchen looms large, reminding us of the situation in Singur of 2nd December 2006. A mass hunger strike has meanwhile started in the area by various progressive organizations, activists and intellectuals, which the state machinery is readying to crush.

The build-up to this has been the spate of eviction drives going on in the city under state supervision (read: repression) to hand over land to the corporate sharks at throw-away prices. All the roadside hawkers's huts and shops and markets along an 8 km stretch have been demolished by the side of E.M. Bypass a few days ago. For Mamata's 'poriborton', the working masses have to pay a price. The threat of an imminent eviction was looming large in Nonadanga days before the eviction drive. These are the people who have earlier been evicted from canal banks across Kolkata and have been resettled here and continue to be harassed by the networks of the local Trinamool and CPI(M) goons. Apprehending the worst, the residents met the Urban Development minister, Firhad Hakim who said that there will be eviction only for the 'newcomers'. On the day before the scheduled date of eviction, the dwellers again went to meet the Chief Minister, but were stopped and arrested by the police just as they started their journey from Nonadanga. People of the locality then formed an independent forum named Uchhed Protirodh Committee (Eviction Protest Committee), with the help of several people and organisations who are supporting the movement who are now being accused of being close to Maoists. *Radical Notes*

Blind Workers Demonstrate for Their Rights

March 28, 2012

Blind Workers' Union in mid of heavy deployment of police and barricades, staged a massive demonstration outside the Sarai Rohilla Railway Station in Delhi. Initially the unemployed blind workers tried to enter the railway station and block the rail traffic but the heavy contingents of police did not allow them to enter the railway track from any side. Thereafter these blind workers shouted anti-government slogans and held a protest meeting outside the station.

It is to be noted that the Blind Workers' Union has been raising the issue of violation of blind workers basic labour rights since November, 2011. We have been raising our voice against violation of basic labour rights like minimum wage, PF, bonus, overtime payment etc. The workers were deeply agitated over the fact that despite several representations to the

Ministry of Social Justice and Empowerment, there has been no concrete step taken either against the erring employers or to give these blind workers employment in public sector. These blind workers were thus forced to take up this drastic step so that general public becomes aware of their misery. These blind workers are demanding employment in public sector so that their rights are not violated by NGOs and private enterprises. In their most recent memorandum to Social Justice Ministry these blind workers demanded that the Ministry must make alternative provisions of jobs for these blind workers before 27th March or else they will be left with the alternative of either die of hunger or carry an all-out struggle against government.

In the protest meeting that was carried out outside

the station it was resolved that this struggle of blind workers should be taken as an ultimatum by the government. They further warned the government and ministry that if they fail to provide employment

immediately to these blind workers then from next month onwards they would be forced to carry out this Rail Roko in different parts of the country and next time they would even defy police.

Radical Notes

Europe

Spain Burns as Strikes Bring Nation to its Knees

By: Alasdair Fotheringham, The Independent (U.K.)

Friday, 30 March 2012 — A nationwide general strike fuelled by a groundswell of anger against crippling unemployment levels and severe ongoing austerity cuts culminated in dozens of large-scale evening demonstrations across Spain yesterday.

Approximately a quarter of a million protesters took to the streets in Barcelona, with some fringe groups attacking police vans and smashing shop windows until late into the evening. In contrast Madrid's almost equally large demonstration, where the crowds of chanting, whistling protestors filled the emblematic Puerto del Sol square and surrounding streets to bursting point, was reported as being totally peaceful.

"There's lots of people here, but we need even more, this country is going through an awful situation and its going to get worse," young protester Luis Ferrer, on the dole for three months, told *The Independent* in Madrid's demonstration.

"If we don't make ourselves heard now, we never will. I don't think we're going to end up like Greece, but they're using this recession to take away our rights as workers. It's just an excuse."

"The labour reforms they want to bring in are terrible and our wages are awful," Jose, a protestor in his twenties, added. "They want us to work more and more, put up taxes too and that's just not on."

Carrying tens of thousands of red trade union flags the mood amongst Madrid's marcher was largely good humoured, with one group of workers' chants of "we want limousines" drawing raucous laughter. However, most of the messages on posters and badges – "your profit is my recession", "we have no hope", and "no bread and no peace" being three of the most popular – were grim.

With over 110 marches taking place across Spain, by mid-evening police reported 176 arrests, 58 policemen and 46 protestors injured, with one demonstrator seriously hurt in a scuffle in Vitoria.

Large parts of Spain's heavy industry shut down, public transport systems operated only skeleton services, TV stations went off air, and more than 400 flights were

cancelled in the strike against the nation's labour reforms.

"The old quarter of Bilbao is closed down completely, Alain Laiseka, a Basque journalist said yesterday. "In the Mercedes factory in [Basque capital] Vitoria, which employs thousands of people, just 20 turned up to work this morning."

Overall trade unions claimed 77 percent of Spaniards had gone on strike. The figure was disputed by the government, whose Interior Ministry official Cristina Diaz said support for the strike had been "moderate at best."

Spain's second general strike in 18 months represented Prime Minister Mariano Rajoy's first major test of strength since he was elected with an overwhelming majority last November.

It came on the eve of the nation's budget announcement today (Friday), in which the nation's 100-day-old government is expected to slash public spending by 15 per cent in a bid to keep on track with EU deficit targets.

Politicians from Mr Rajoy's centre-right Partido Popular have repeatedly claimed that the labour reforms, which enables companies to sack employees and cut wages more easily, will go ahead regardless of the strike. Unemployment hit the five million mark in January – meaning nearly 23 per cent of the nation is out of work.

"My wife is looking for work, and as soon as these reforms came out, all the job offers re-appeared with far worse conditions," said one striker, trade unionist, and public service employee in Madrid, Ruben Herranz. "In my work a lot of people voted for the PP in November and they're striking now, because they've realised that although they wanted change, they've gone from the frying pan into the fire."

Socialists, buoyed by better-than-expected results from a key regional election in Andalusia last weekend, believe the general strike, the second in 18 months, indicates the political tide has turned in their favour. The trade unions, meanwhile, have now threatened to continue with the protests if the government has not altered its contentious labour reforms by May 1st.

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