LOK SAMVAD

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EDITORIAL

Corporates Decide, Governments Follow !

- Piyush Pant

Corporate lobbying to influence the Government policies is not new. It has remained universal since long. But, of late, it has acquired a threatening proportion where it has now started dictating to the governments as to what policies are to be made or what changes are to be affected in existing policies. Of course, in India it has taken more aggressive form now as the pace of economic liberalization is being given a hard push; nevertheless it was in operation earlier also in the form of quota-license raj. Tata and Birla had been the most familiar names during fifties and sixties while seventies onwards the likes of Dhiru Bhai Ambani started lobbying intensively and manipulating the system to serve their business interests. Though Ambani was projected as rags to riches story but it is a common knowledge that his empire was built on hard lobbying and manipulation of budgetary provisions. This lobbying-generated manipulation of the financial system and export-import regime has been so shrewd and extensive that Ambanies have all along been the sole player in the line of business they chose. Earlier it was polyster fibre yarn and now it is petro chemicals and natural gas basins in India. In Dhirubhai's own words- 'I was a manipulator. A very good manipulator.' Who can forget the level of lobbying and manipulations undertaken by the owners of Satyam which was exposed only when their greed knew no bounds.

However, in India this game of lobbying goes on secretively. No body knows the lobbying position of the companies. The secretive deals on spectrum allocation in the telcom sector are a fine example of lobbying without any pretence to accountability. In India, oil and gas, power, mining and airline sectors have also been hotbeds of intense lobbying. No one can forget the spectacle of the Samajwadi Party's demands on behalf of a corporate house in exchange of supporting the UPA government. It has been called a watershed in the lobbying history of the Indian corporates. The way a slew of proposals in the Nuclear Energy sector started coming out of the closet immediately after the Indo-US nuclear deal moved ahead suggested that apart from US and European manufacturers of reactors, the Indian companies also lobbied hard in favour of the nuclear deal.

Actually what is happening is that major corporate interests are bringing business special interests into politics so that they can take over the regulatory bodies of government and regulate themselves. In the words of Rajeev Chandrashekhar, the former President of Federation of Indian Chambers of Commerce and Industry -'Liberalisation has not produced 'a new type' of entrepreneur espousing good corporate governance and honesty as the norm. Actually the reverse is true . . . [I]ncreased opportunities and . . . political influence and public policy on the creation of wealth have. . . created more greed and far too many corporates. . . [are] walking the narrow line between right and wrong . . . This is the ugly side of economic liberalization . . .'

Prior to the presentation of the Union Budget, it has become a tradition for businessmen and industrialists to visit finance minister's chamber to counsel the minister as to what concessions should be given to the industry or what provisions should be made benefiting some business houses. This lobbying game has become so powerful that it has reversed the trend and now Finance Minister himself invites, for meeting, the industrialists from organizations like FICCI, Confederation of Indian Industry and Assocham which are nothing but lobbying houses. That's why the government keeps withdrawing the subsidies meant to provide relief to common man but keeps on providing tax concessions to the big business. Look at the budgets and

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the "Revenues forgone under the central tax system." The estimate of revenues foregone from corporate revenues in 2008-09 was Rs. 68,914 crore whereas National Rural employment Guarantee Scheme covering tens of millions of poor people suffering from hunger got only Rs. 39,100 crore in the 2009-10 budget. This is not all. It has been estimated that over Rs. 130,000 crore (in direct taxes) has been doled out in concessions in the two budgets of 2008-09 and 2009-10. As per the Annexure 12, Table 12, Page 58 of the budget document, income foregone in 2007-08 due to direct tax concession was Rs. 62, 199 crore, foregone on excise duty was Rs. 87,468 crore and from custom's duty was Rs. 1,53,593 crore. That adds upto Rs. 3,03,260 crore. If export credit is excluded from it, even then it comes to over Rs. 200, 000 crores. Similarly for the year 2008-09 the figure would be over Rs. 300,000 crore. Says P Sainath-" It means that on an average we have been feeding the corporate world close to Rs. 700 crore every day in those two years."

Analysing the current lobbying spectrum in the country, the senior journalist Praful Bidwai comments- 'The key to business success in India lies often less in real entrepreneurship than in capturing the major functions of the state. Nothing guarantees you higher profits better then favourable official treatment which allows you to corner resources, grab licences or establish monopolies. That's why Indian businessmen invest so much in influencing policies and policy-makers, in creating lobbying institutions, and in building personal relationships with and patronizing political leaders."

But what is really alarming is that this game of lobbying has gone much beyond the saga of patronizing and influencing. Now industrialists and big businessmen are directly intervening in policy making either through their membership of various parliamentary committees on the strength of their being elected or nominated members of the legislatures or as the members of the cabinet itself. The conduct of the mining lords of Andhra and Karnataka, the Reddy Brothers of Bellary is the case in point. In fact in Karnataka , three ministers belong to the mining syndicate. Earlier the mining lobby used to pressurize the Karnataka government from outside but now they are inside the government and want to have their say. The way the Reddy brothers forced the central leadership of BJP to tame the Karnataka CM and shunt out the upright bureaucrate and a lady minister so that they could have unhindered freedom to run the administration of Bellary district the way they want is an eye opener and speaks ill for the future of democracy in India.

This trend of over powering the government by the industrialists and businessmen is not confined to one or two states only. It is now writ large in India. Sukhbir Singh Badal's family owns vast tracts of land in Punjab and a transport business. His family also has 85 percent holdings in Gurgaon-based Trident Hilton Hotel. He is known to have lobbied hard to lift ban on Bt. Cotton in Punjab. Civil Aviation minister Prafulla Patel belongs to a bidi manufacturing clan. Patel's family has a vast business empire called Ceejay Tobacco which employs 60,000 people. Its key businesses are in bidies and tobacco but it also has interests in real estate, finance, pharma, edible oil and packaging. Prafulla is said to have very good social relations with the prominent players in the aviation sector. Then there is Samajwadi Party's Amar Singh who once frankly admitted that in his earlier days he did use leverage and networks to open doors. In his words-"In those days the market for alcohol-based chemical industries was booming though the industrial alcohol market was tightly regimented and controlled by the UP government. I managed to make a success of business in that environment by representing to the government and by networking-through bureaucratic and political networking." Currently he is seen as batting on behalf of the younger of Ambani brothers. It was widely reported in the Media that immediately after the UPA government secured the support of 39-member Samajwadi Party when the left withdrew support on the question of Indo-US nuclear deal, Amar Singh asked the PM to withdraw the export-oriented unit(EOU) status to Mukesh Ambani's Reliance Jamnagar refinery. He also wanted a "windfall tax" imposed on upstream oil companies and refineries.

Besides, this lobbying game is also played by industrialist MPs or leading industrialists by getting themselves nominated to important parliamentary committees. Thus Mukesh Ambani, a favorite of the Congress Party, is a member of PM's Economic Advisory Council. The standing committee on finance includes industrialist and venture capitalist Rajeev Chandrashekhar from Bangalore; Andhra's leading business magnate Y S Jaganmohan Reddy; Bihar's pharmaceutical baron Mahendra Prasad; Maharashtra-based industrialist and media baron Vijay Darda; UP-based leading newspaper publisher Mahendra Mohan Gupta; Andhra Pradesh's tobacco exporter and leading liquor distributor Sambsiva Rayapati Rao and another industrialist MP Magunta Srinivaslu Reddy. The standing committee on industry has UP businessman Akhilesh Das as its chairperson; Assam's perfume baron Badruddin Ajmal; and Andhra Pradesh textile manufacturer Girish kumar Sanghi. Similarly three Andhra Pradesh based industrialists and businessmen namely T. Subbirami Reddy, Nama Nageshwar Rao and Rajgopal Lagdapati are the members of the Public Undertakings Committee. On the all important public accounts committee sit industrialist Naveen Jindal and Andhra Pradesh-based contractor Kavuri Samba Siva Rao.

All these businessmen assert that they want to make India a world power, albeit at the cost of sacrificing the interests of and even life of Aam Aadmee.

When Corporations Capture the State

By: Praful Bidwai

The danger of a corporate capture of government isn't imaginary, and corporations represent narrow profit-seeking interests of businessmen whose forte is not Constitutional values.

Regardless of what happens to the contentious dispute, also called epic battle, between the Ambani brothers over the supply of natural gas from the Krishna-Godavari Basin, three things are crystal-clear.

One, the dispute's huge political dimension dwarfs its legal or commercial issues such as the agreement signed between Mukesh Ambani's Reliance Industries and Anil Ambani's Reliance Natural Resources on the purchase of the gas at a particular price.

Battle-lines stand drawn between political parties over whom they'll back. The Supreme Court hearing scheduled for September 1 will further polarise opinion.

Second, the natural gas sector remains under-governed despite its importance -- not just financially, but as a key fuel in India's much-needed transition to a low-carbon economy. There have been about 100 discoveries of natural gas and oil since the New Exploration Licensing Policy was launched 10 years ago.

The value of these stocks is estimated at a substantial 15 per cent of India's GDP. But the government has generally adopted a 'hands-off' approach to the gas business -- only to intervene at critical junctures in a partisan manner.

Third, there is no clarity in policy on the use or pricing of gas, and on different options including conservation, pace of production and its alternative uses as chemical feedstock and fuel.

Excessive concentration and monopolies/oligopolies are emerging in gas production and downstream industries. These will raise costs across-the-board. And harm the larger economy.

Although the government says it will intervene in the Ambani case only to defend the 'public interest' and assert the national ownership of gas, it isn't easy for the public to believe it'll act impartially and fairly, given its recent record of caving in to powerful industrialists.

Meanwhile, in another scandal, India's private airlines are arm-twisting the government to rescue them as their losses skyrocket from Rs 4,000 crore (Rs 40 billion) to Rs 10,000 crore (Rs 100 billion). They even threatened to go on strike.

Although that call has been withdrawn, this cartel's pressure hasn't eased. It's demanding a reduction in the price of aviation turbine fuel (ATF), which is 40 per cent higher than in many Western/Gulf countries. It also wants airport user-fees lowered.

While the airlines have a point on the high fees charged by private airport developers, they're silent on their own default -- dues of more than Rs 3,000 crore (Rs 30 billion) to the National Airports Authority and public sector oil companies.

ATF prices are high in India because of cross-subsidies on diesel, kerosene and LPG. The airlines got into the aviation business fully knowing this.

Pampered for years, the private airlines are in trouble for two reasons. First, they expanded recklessly in their rush to grab as big a market share as possible. Second, the government deregulated the sector wholesale, jettisoning norms of prudence like adequate capitalisation, and allowing carriers to set their own routes, flight schedules and time-slots.

All kinds of fly-by-night (literally) operators entered aviation. They abused their 'freedom' to rig fares and slots and corner the public-owned Indian Airlines (since merged with Air India).

Furious expansion led to a 30 to 50 per cent overcapacity in aviation. But carriers kept ordering more aircraft to retain market shares, thus aggravating overcapacity and losing more money. They nurtured the illusion that air travel would become affordable for 'the common man'.

Many airlines set their fares predatorily low to lure passengers away from rail travel. Yet, at the peak of the ultra-low fare regime, only 3 per cent of the Indian population was flying!

By 2007, many airlines had become unviable. Jet bought out Sahara and Kingfisher acquired Deccan in anti-competitive mergers, which shouldn't have been allowed in the first place.

Then came the economic slowdown. The private airlines, which are products of, and glorify, 'free enterprise', now want the state to rescue them with public money! The state should do nothing of the sort. Those who live by the free market should die by the free market.

This is a good occasion to ask some questions about business-politics relations in India. Contrary to the claim that liberalisation, launched in 1991, would end much-abused 'licence-permit raj' and make the government irrelevant in economic decision-making, the state's importance remains unaltered although its site and focus have changed.

Businessmen have become increasingly cynical in manipulating the state, often in criminal ways, to corner scarce resources and earn rent and super-profits. They have developed this into a fine art.

Indeed, Rajeev Chandrasekhar, immediate past president

of the Federation of Indian Chambers of Commerce and Industry, says that liberalisation has not produced 'a new type' of entrepreneur -- 'espousing good corporate governance and honesty as the norm. Actually, the reverse is true. . . [I]ncreased opportunities and . . . political influence and public policy on the creation of wealth have. . . created more greed and far too many corporates. . . [are] walking the narrow line between right and wrong. . . This is the ugly side of economic liberalisation. . . '

The state remains the sole policymaking agency and main allocator of scarce resources -- land, water, minerals, airwaves, the electromagnetic spectrum, oil and gas.

It sets all tax rates, which can make or break businesses. It gives companies permission to borrow money at low interest rates from abroad, which can overnight make them richer by billions. It also determines the maximum area on which urban construction may be allowed. It's also responsible for all regulation. Markets, however developed, cannot function efficiently without regulation.

The key to business success in India lies often less in real entrepreneurship than in capturing these major functions of the state. Nothing guarantees you higher profits better than favourable official treatment, which allows you to corner resources, grab licences or establish monopolies.

That's why Indian businessmen invest so much in influencing policies and policy-makers, in creating lobbying institutions such as FICCI, Confederation of Indian Industry and Assocham, and in building personal relationships with and patronising political leaders.

Historically, Indian businessmen have used three methods in this enterprise: bribing or buying up ministers, and increasingly bureaucrats, to secure exemptions from the rules, to get permits or receive other favours; second, getting nominated to advisory bodies such as the Prime Minister's Council on Trade and Industry and various state-level committees; and third, influencing, if not determining, the appointment of ministers and senior officials in various departments of the government to rig high-level decision-making directly.

The first, well-established, route includes the creation of income-earning opportunities for politicians/ bureaucrats and their relations and sharing of kickbacks on contracts, especially those generally shielded from public scrutiny such as defence deals.

The favours sought are increasing in their sophistication. In place of illegitimate licences or overnight changes of rules, businessmen want alterations in the terms of auctioning processes. Many businessmen have become MPs to access classified information on and influence policy on their industries.

The second method was inaugurated by the National Democratic Alliance, which nominated industrialists with a stake in particular fields (e.g. infrastructure, textiles, aviation, information technology) to head policy advisory committees.

The United Progressive Alliance has continued this, albeit less blatantly. The scope of industry-dominated committees has been expanded to regulation too -- as with the just-created Food Safety Authority.

Once Big Business captures the regulatory heights, it's virtually impossible to control or monitor its activities and bring it to book. That's just what's happening to the environmental impact assessment and clearance process.

That's also true of the Satyam scam, which exposed the failure of all supervisory bodies, including the statutory auditor, independent directors, Institute of Chartered Accounts of India and the Securities and Exchange Board of India.

The third method is particularly pernicious because it means directly infiltrating the government. Yet, its use is growing. It's well known that certain business houses determine or veto appointments to crucial ministries, from the director or joint secretary level upwards. Their nominees always ensure that their narrow interests are protected.

And now, the UPA has established a fourth method by inducting business executives into minister-status jobs. The nomination of Infosys co-founder and ex-CEO Nandan Nilekani as chairman of the new Unique Identification Authroity of India with Cabinet rank and that of management consultant Arun Maira as a Planning Commission member set a bad precedent.

It's not that Mr Nilekani lacks competence or integrity. It's simply that his assignment is of a technical, not political, nature. It doesn't deserve to be sanctified by a high rank incommensurate with the absence of public accountability.

In the Cabinet system of government, ministers must be elected. Mr Nilekani could have been given a contract after due bidding for producing a unique identity for each citizen. As for Mr Maira, it's hard to justify the elevation of a corporate-oriented consultant to the Planning Commission.

The danger of a corporate capture of government isn't imaginary. It's a growing phenomenon. Sections of the media celebrate it as a great advance -- only by ignoring the clear conflict of interest that's involved.

Corporations represent the narrow profit-seeking self-interest of businessmen whose forte is not Constitutional values. But politics is a contestation about just those values and public morality. It must not be suborned by business interests.

Ambani Feud Hits Economy: Think Tank

PTI, September 08, 2008

Moving beyond the loss of a few business contracts, the rivalry between the two billionaire Ambani siblings — Mukesh and Anil — has begun to affect India's economic development and to reflect on business ethics, an influential British think-tank has said.

Oxford Analytica, an independent consulting company, has said in a country note on India that Mukesh and Anil Ambani figure among the world's richest men and their empire of Reliance companies "spans the Indian economy".

While noting that the two have prospered since 2005, it said that the "division of the family estate has not resolved their rivalry, which goes very deep and reflects fundamental questions of business ethics".

"The struggle between the Ambani brothers threatens to exert a serious impact on the economy, notably (in the short term) by introducing uncertainty into energy regulation and delaying investment in the gas sector. While Anil's political links may strengthen his position against his brother at present, his business interests will be vulnerable if the opposition BJP returns to power," it said.

"The struggle for supremacy between the brothers, who were joint heirs to the vast fortune of their father Dhirubhai Ambani, is beginning to have significant implications for the country's economic development and to spill over into political affairs," Oxford Analytica noted.

It said younger brother Anil has "taken the family into politics by becoming a key financial backer of the Samajwadi Party, which has the fourth-largest delegation in Lok Sabha, and has mounted a push to expand from its base in Uttar Pradesh — the most populous state — to become a national party".

Views of Oxford Analytica is said to have significance given its network of over 1,000 faculty members at Oxford and other major universities and institutions around the world. Talking about Ambanis, Oxford Analytica said, "The rivalry between the brothers has moved well beyond sports sponsorship and loss of a few contracts. It has begun to affect national politics, too, and billions of dollars in potential investments."

About elder sibling Mukesh Ambani, the report said that earlier this year he "intervened on a technical legal point to prevent his brother from participating in a merger between Reliance Telecom and MTN of South Africa, which would have created the fifth-largest telecoms company in the world".

"However, Mukesh does not hold the upper hand. The SP has now become a key ally of Congress-led government at the Centre."

"When four Marxist parties forced a confidence vote (held on July 22) by withdrawing their support over the issue of a nuclear energy deal with the US, Anil played an important role in securing the requisite backing to keep the government intact — at a cost estimated at some $3 million per vote," it added.

"Where the SP's rapprochement with the ruling Congress Party will leave Mukesh and the older Reliance Industries is now a matter of open conjecture."

Oxford Analytica regularly comes out with the analysis of implications of national and international developments facing corporations, banks and governments across the world.

The report further said that "SP leader Amar Singh is believed to have demanded from the government, as the price of its support, a windfall tax on private energy companies and a ban on the export of refined petroleum products — both of which would devastate Mukesh's interests".

"While the government has yet to respond to these demands, which would hit many more companies than Reliance, they have a populist appeal and could be enacted," Oxford Analytica said.

Political Influence in Businesses a Concern

By: Raghuram Rajan

MUMBAI: There appears a growing dangerous similarity between Russian oligarchs and many Indian business houses who have gained through their proximity to corrupt politicians, a concern highlighted by IMF former chief economist Raghuram Rajan. India has the second-largest number of billionaires per trillion dollars of GDP, after Russia. While Russia has 87 billionaires for the $1.3 trillion of GDP it generates, India has 55 billionaires for the $1.1 trillion of GDP. Germany on the other hand has the same number of billionaires as India with four times its GDP.

The common perception is that these are software billionaires, a class whom Rajan welcomed. But IT billionaires are not many in number, he confirmed. "Three factors — land, natural resources and government contracts — are the predominant sources of the wealth of our billionaires. And all of these factors come from the government," said Mr Rajan, who was in Mumbai on Wednesday to deliver an address at the foundation day of the Bombay Chamber of Commerce and Industry.

To many people have gotten rich based on their proximity to the government, he said: "We have extremely efficient private banks and telecom companies that obtained their start from a government contract or licence," added Mr Rajan. "If Russia is an oligarchy, how long can we resist calling India one?," he asked.

While in the pre-reforms era, corruption used to be about sale of permits, reforms have created new sources of rents for the establishment, he pionted. "Land can be expropiated from those who do not have connection or formal title. Public land can always be disposed off to favoured parties. Contracts can be assigned to chosen friends despite a sham of public bidding. In all this, the public exchequer is defrauded, while the rents are shared between the politician and corrupt businessman," Mr Rajan added.

He highlighted how the status quo prevails as every constituency is tied to the other in a cycle of dependence. "The poor need the savvy politician to help them navigate through rotten public services. The politicians need the corrupt businessman to provide the funds that allow him to supply patronage to the poor, who are numerous enough to assure him re-election," he said. Though there are many upstanding politicians and businessmen outnumbering the corrupt, oligarchies do not require many participants to flourish, he pointed. "They only require silence and complacency among all of us," said Mr Rajan.

He suggested that trade bodies can play a role and apply its influence to break the nexus of corruption and improve governance. Underscoring the importance of transparency and bidding in all government contracts, he called for reforms in land-titling and registration system so that titles are clear. Another way to reduce concentration of wealth and power and of corruption is to reduce the reliance on the politician for basic public services by the poor and improve the social safety net. Many public programs targeted at the poor could be wound up.

The substantial amounts saved could be directly given to the poor and in turn would be empowered to command services from the private sector. This practice is known to be successful in Mexico and some Latin American countries, he added. In India we have the capacity to identify the poor, create unique biometric identifiers for them, get them bank accounts, and make government transfers into those accounts. Money will give the poor respect as well as the services they had to beg for in the past, he concluded.

The Tata Group, a family-owned Indian multinational, has an unjustifiably good reputation. The corporation's flagship company Tata Steel made its riches through large-scale takeover of tribal lands in Jharkhand and Orissa and opportunistic business deals with the British colonial powers and the East India Company.

Until the onset of liberalisation, Tatas remained the undisputed king of the license-raj, covering its trail of human rights, labour and environmental violations with liberal philanthropic give-aways. As the realities of operating in a globalised environment began sinking in within Tatas, more and more people, including its loyal employees, are beginning to understand that talks of nation-building and corporate social responsibility aside, Tata companies have no obligation to anybody but their own shareholders.

As the rapsheet below will corroborate, the corporate house's reputation is a result of Tata's successful public relations strategy rather than a reflection of reality.

Helping Killer Carbide

In December 1984, when the Government of India arrested Union Carbide Chairman Warren Anderson for his role in causing the Bhopal gas disaster, Mr. J.R.D. Tata was one of the few Indians to condemn the arrest. Decisions made by Anderson to save costs by eliminating safety systems and approving untested technology at the Bhopal factory were directly responsible for the disaster. Incidentally, significant sections of the Bhopal factory's sewage and utilities were constructed by Tata Consulting Engineers.

In November 2006, Ratan Tata offered to bail out Union Carbide, and facilitate investments by Carbide's new owner Dow Chemical, by leading a charitable effort to clean-up the toxic wastes abandoned by Carbide in Bhopal. At a time when the Government of India has held Dow Chemical liable for the clean-up and requested Rs. 100 crores from the American MNC, Tata's offer of charity is aimed at frustrating legal efforts to hold the company liable. Also, admittedly, the offer is motivated by a desire to facilitate Dow's investments in India. The company has restrained itself from major investments in India out of fear that the campaign for justice by Bhopal victims will derail plans and increase risks of any Dow venture in India.

Bypassing Democracy

Dictating Indian Policy: In 2005, prompted by the corporate-friendly overtures of the Manmohan Singh Government and the Bush administration, business houses in the US and India set up the US-India CEO Forum comprising a select coterie of US and Indian CEOs. The forum has "a mandate to develop a road map for increased partnership and cooperation between the two countries at a business level." Co-chaired by Ratan Tata, the Forum has made several recommendations to craft new laws, change existing laws and establish policy to make India more investor-friendly. The Forum is pushing for weaker labour laws, facilitation of Special Economic Zones, increased focus on post-graduate education, relaxing liability laws and expediting resolution of disputes especially following events such as the Bhopal disaster. The high-level consent that the Forum has from Indian and US Governments makes it a force parallel to the Indian parliament in law-making.

Holding on to Corporatocracy: Tatas own and operate the only private city in India. The steel city of Jamshedpur, which was founded by Jamsetji Tata in 1904, is one of few Indian cities that does not have a municipality or any local elected Government. Tata Steel-owned Jamshedpur Utilities and Services Company administers the entire town with population of nearly 600,000. The 74th Amendment to the Constitution of India devolves powers to locally elected urban bodies such as municipalities, and requires that all states enact laws to hold regular elections to such local bodies. Converting the Tata-controlled town to a emocratically controlled municipality met with stiff resistance from Tata Steel who seemed to suggest that a benevolent rule, such as Tata Steel, was more desirable than a democratic set-up. Defending corporate rule over democracy, Tata Steel's managing director B. Muthuraman is reported as saying "While you have one successful model which has been there for a hundred years, would you like to bring in some other model which however lofty may not yet have been tried."

Business with Military Junta: The Myanmar military government which is shunned by the world for its blatant human rights violations has found a friend in India. At a time when several multinationals like PepsiCo have pulled out of Myanmar in a bid to pressure the military government to give way to democratic forces, Tata Motors is striking deals to supply the oppressive regime with hardware and automobiles. The Myanmar military junta is accused of widespread rape and pillage, and the use of forced labour to construct infrastructure for the exploitation of Myanmar's rich natural resources. For more than two decades, tribal groups have fought a hard and violent battle against the military junta for autonomy. Nobel laureate Aung San Suu Kyi has been under house arrest since 1989.

Desecrating Tribal Lands

Parched Earth Tactics: Tatas' steel town came up in close proximity to thickly forested lands that had the misfortune of carrying some of the richest iron ore deposits. Tribal people then and now seldom have paper

titles to their lands. The company initially acquired 3564 acres of land comprising villages at the cost of Rs. 46,332. When the lands were handed over to Tatas for mining in Noamundi and for the Jamshedpur township by the British-controlled Government of India, the tribals were evicted.

In 1907, after Tatas had taken over the Noamundi area for mining iron, local adivasis refused to work the mines. In a bid to tame them, Tatas reportedly mowed down the Kusumgaj (Kosam) trees. These trees were the lifeline for the adivasis who collected lac from the lacworms that nest on these trees. In desperation and with no other recourse for a livelihood, more and more adivasis started digging iron ore for Tatas.

In 2000, Tata Steel allegedly bulldozed a spring that was the only source of water for the indigenous people of Agaria Tola – a 22-household hamlet on the periphery of Tata's coal mines. Besides yielding water, the spring was the centre of social interaction for the nearby villagers.

Chrome Poisoning: The Down to Earth magazine reports that the Comptroller Auditor General of the Government of India singled out the chromite mines in Sukhinda Valley as a highly polluted area. Tatas are one of the largest mining companies in the valley. The Domsala River and 30 streams that run through this valley are contaminated with dangerous levels of hexavalent chromium leaching from overburden dumps. Hexavalent chromium causes irritation of the respiratory tract, nasal septum ulcers, irritant dermatitis rhinitis, bronchospasm and pneumonia.

One study funded by the Norwegian Government under the Orissa Environment Program found that almost 25 percent of people living less than 1 km from the sites suffered pollution-induced diseases.

Luxury Resort in Tiger Country: In the mid-1990s, the Tata-owned Taj Group of Hotels leased a piece of land in the middle of the Nagarahole National Park and Tiger Reserve in Karnataka to build the Gateway Tusker Lodge. Proposed as a jungle camp, the plans for the Lodge resembled those of a 5-star resort complete with tourist facilities, diesel generators, and conference rooms. No clearance was sought from the Ministry of Environment, despite the fact that any activity inside a National Park is very stringently regulated. Massive tribal opposition to the project and a legal challenge eventually forced the Tatas to withdraw from the Tiger's hunting grounds.

Violence and Massacres

Gua Massacre: State violence against tribal people is commonplace, particularly in the mining districts of Eastern India. According to an eyewitness, on 7 September, 1980, villagers whose lands were taken over to accommodate a Tata aerodrome in Noamundi went to the aerodrome to confront then Tata Steel chairman Russi Mody and present him a memo. On seeing the crowd, Mody's aircraft returned to Jamshedpur without landing. All this happened at a time when long-oppressed tribals were asserting their rights, and the struggle for a tribal state was at its peak in the Jharkhand region of Bihar. Tatas and other vested interests are said to have pressed the State Government to take stringent action against tribal activists. The 8 September firing against innocent tribals in the Gua market square, and the subsequent killing of 8 unarmed tribals inside a hospital was the "strict action" that was taken to quell tribal discontent.

Kalinganagar Massacre: On January 2, 2006, a police battalion armed to the teeth opened fire into a crowd of tribal villagers in Kalinganagar, Orissa. The tribal people were protesting the illegal construction of a compound wall by Tata Steel on lands historically owned by them. The local people had made it clear that Tata Steel was not welcome. Just days before the massacre, Tata Steel had three meetings with the chief minister of Orissa. Five corpses returned after post-mortem were mutilated; one dead woman's breast was ripped off, and a young boy (also killed in the firing) had his genitals mutilated. All had their palms chopped off. Tata has said the incident was unfortunate, and that it will continue with plans to set up a steel plant at the location despite the opposition.

Singur Oppression: In 2006, Tatas obtained a bonanza. More than 900 acres of fertile agricultural lands in Singur, near Kolkata, was handed over to Tata Motors by the West Bengal Government for a project that will churn out Rs.100,000 ($2000) cars. Farmers, many of whose lands were forcibly acquired,opposed the handover of their lands to Tata. Goaded by Tatas, the West Bengal Government has come down heavily on the Singur farmers and their supporters, converting this once-peaceful village into a war-zone with round-the-clock presence of armed police providing protection to Tata Motors site and workers.

Toxic Dumping

Saline wastes: In September 2003, an effluent spill from Tata Chemicals' soda ash factory in Mithapur, Gujarat, spread over more than 150 acres of the sea in the Gulf of Kutch Marine National Park. The National Park covers one of the most biodiverse regions – mangroves, corals, mudskippers, whale sharks -- in the coast of India. About 10 km of the marine protected area has been considerably degraded due to the settlement of solids associated with the effluent of the industry, according to the National Institute of Oceanography. The salt pans in the Mithapur area are also named as the cause for the rapid salinity ingress into the groundwater. Several villages have lost their farmlands to accommodate open unlined dumps for Tata's saline

effluent.

Hell on Earth: **Patancheru, a chemical industrial estate near Hyderabad, is referred to as Hell on Earth owing to the unlivable environmental conditions in that area because of industrial pollution. Rallis India, a Tata subsidiary manufacturing pesticides here, was singled out by the Supreme Court Monitoring Committee on Hazardous Wastes which identified the company's toxic waste dump to be a toxic contamination source of concern. The company's wastes are stored in massive solar evaporation ponds that stinks up the air with poisonous chemicals, villagers say.**

Mountains of Waste, Jugsalai: Thousands of tonnes of boiler ash generated from Tata Steel units are dumped in the open in the middle of Jugsalai town near Jamshedpur. During the dry months, the heavy metal laced dust from the mountain of ash flies in the air causing visibility problems and breathing distress. Groundwater in the area is polluted, as per Tata Steel's own admission, and contains higher than permissible levels of hardness and dissolved solids.

Joda Mines: Begun in the 1950s, the mining boomtown that houses Tata, Birla and Jindal iron ore mines, has fuelled the riches of several corporates but has gained nothing in the process. Joda town and the road to it, according to one journalist, is one big pothole. The constantly plying ore trucks, and the round-the-clock mining has meant that local residents, workers and commuters have no fresh air to breathe. It is a wonder that these dustiest of dusty mines are located at the edge of the Sidhamatha Reserve Forests, home to the elephant and tiger.

Coal Slurry Dumping: Tata Steel's collieries in West Bokaro and its coal washeries in Bokaro have been discharging a coal-dust-rich slurry into the Bokaro River, effectively killing the river by smothering the river bed. The process also uses large quantities of freshwater and discharges it along with the coal-dust as effluents.

Hazardous Incidents

Founder's Day Fire: On March 3, 1989, a fire broke out in the VIP gallery during the Founder's Day celebrations. Sixty children were killed and 111 injured in the fire that was caused by negligence and poor planning that prevented fire tenders from arriving at the scene of the accident in time. The problem was further exacerbated when Tatas refused to move the injured and dying to a burns speciality hospital in a bid to cover up the event. A Factories Inspectorate report lays the blame squarely on Tata Steel. More than 10 years after the tragic event, Tatas had still not paid compensation to the legal heirs of the deceased or to the injured. Even the Supreme Court alluded to pay-offs by TISCO, asking TISCO how much it was paying the Court-appointed arbitrator.

Anti-Labour Antecedents

In the 1920s and 1930s, when it was still called Tata Iron and Steel Company, TISCO's largely tribal workers fought pitched battles with the European and Parsi management. Work conditions and the right to organise were important rallying issues, and over the years, the company developed a reputation for union-busting often by violent means.

Worker Suicides: After Ratan Tata took over in 1991, the Tata Group companies have witnessed aggressive streamlining and down-sizing. In 2003, two contract workers who were part of the Tata Hydrocompanies Employees Union doused themselves with kerosene and set themselves on fire outside the Tata headquarters. Along with 68 other workers from the Tata Power Company, the two suicidal workers were protesting the illegal termination of their contract in 1997 by Tata.

As land prices skyrocketed in Mumbai in the 1980s, textile mills sitting on prime real estate in Mumbai (formerly Bombay) began starving as mill managements failed to invest in modernisation and upkeep. **Mill-owners preferred to run their establishment into the ground in the hopes that lucrative land deals would allow them to shut down the mills and make money in the process. Tatas, which ran Svadeshi Mills -- one of the oldest textile mills in Mumbai – had earlier obtained permission to sell a fourth of its landholding, and hand-over half the land for a recreation ground, a public housing scheme and a public sector factory to employ retrenched labourers from the textile mill. While a fourth of the land was sold, the latter did not happen. Workers allege that whatever was sold was undervalued to allow the company to siphon funds meant for mill revival or rehabilitation of workers to other group businesses. Driven to desperation, at least one Svadeshi mill worker committed suicide after the August 2000 closure of the mill forced 2800 factory-floor workers into destitution.**

Sub-contracting: Fostering Insecurity: According to highly placed sources within the Tata company, Tatas have resorted to large-scale deployment of contract labour in a bid to cut costs. In contravention of the Contract Labour and Regulation Act, contract workers are engaged in prohibited activities, including those that can only be performed by trained permanent staff, and works of perennial nature. Workers allege that the company discriminates between its employees and contract workers. **At Tata Steel in Jamshedpur, for instance, company employees eat better food in superior ambience than contract workers. Wage differences are also wide although the nature of work performed by contract workers is no different**

from that of company employees. Contract workers also work longer hours on harder jobs. Lack of skill and work pressure has meant that contract employees meet with more accidents.

Lay-offs: Contrary to Tata's much-touted credentials of providing employment security, the corporate house's massive downsizing at its flagship Tata Steel provides a case in point. Tata's workforce stood at 78,000 in 1994. By 1997, it was down to 65,000. By 2002, another 15,000 jobs were eliminated, and the total workforce in 2006 stood at 38,000, slightly more than half of what it started out with at the onset of liberalisation. Of this, more than 25,000 people received voluntary retirement benefits. However, many allege that the scheme was not all that voluntary. Able-bodied workers were rendered jobless as they succumbed to intense emotional pressure. Reports allege that teachers were asked to sweep roads if they did not take up "voluntary retirement."

Union busting: In 1989, workers belonging to the trade union Telco Kamgar Sanghatana at Telco's plant in Pune struck work demanding wage hikes. Tata management attempted to break the strike by offering a wage hike to rival unions and warning every employee of dire consequences if labour unrest continued. In September 1989, about 3000 workers went on an indefinite hunger strike. As the strike progressed with workers fainting and no signs of a rapprochement, the State Government came under intense pressure from Tatas and other capitalists. On September 29, under cover of darkness the State Reserve & Pune City Police launched Operation Crackdown. 80 buses were deployed to round up and take fasting workers to jail. Tata had managed to break the strike with the help of the police.

Killings: In the past, at least two prominent Tata trade unionists – Abdul Bari and V.G. Gopal – were gunned down by rival unionists as they were setting off for negotiations with the management. In both instances, Tata workers and independent observers allege the behind-the-scenes involvement of Tata management.

Tata Bye-Bye

Tata's unpopularity is evident from the fact that local people in various places around India have successfully thwarted the company's attempts to set up businesses on their lands. The struggle in Singur, the stand-off in Kalinganagar are merely the most recent and prominent.

About a decade ago, protests by tribal residents in Orissa forced Tatas to pull out of a venture to mine bauxite from the sacred Baphlimali hills in Rayagada district. In 2000, three tribal youth were shot dead by the police during a peaceful demonstration near the proposed mine site.

In 2000, Tatas were forced to abandon a proposal to set up a steel plant in Gopalpur-on-Sea, a coastal town in Orissa following massive protests from the more than 20,000 people that were to be evicted to make way for the plant. This project too ended only after blood was shed. In August 1997, the police opened fire at a protest rally in Sindhigaon, where two women were crushed to death in the ensuing pandemonium.

In the late 1990s, Tatas shelved a proposal to convert large portions of Lake Chilika – a massive brackish water lake of international prominence – into an aquaculture farm after protests by the 120,000-strong fishing community that depended on the lake for a livelihood.

A Historical Record as Collaborators

Drug Running: **Tata archives that talk in glowing terms about Jamsedji Nusserwanji Tata fail to record the family's involvement in shipping opium to China in the mid- to late 1800s. The opium was grown in India and shipped to China by agents such as Tata for the British.**

Empress Mills: Tata's first industrial venture, a textile mill in Central India's cotton-growing region, was opened on 1st January, 1877 – the day Queen Victoria was proclaimed Empress of India. The event was commemorated by naming the company Empress Mills.

Fueling British Expansionism: Commissioned in 1908, the Tata Iron and Steel Company in Jamshedpur cut its teeth supplying the British empire with steel rails that were crucial in Britain's war effort in Northern and East Africa during the 1st World War. When the war was over, Viceroy Lord Chelmsford said: "I can hardly imagine what we should have done if the Tata Company had not been able to give us steel rails which have provided not only for Mesopotamia, but for Egypt, Palestine and East Africa."

Supplying the British Army: The American civil war ended in 1865, re-opening raw cotton supplies from the Southern states of the US for England's textile mills. That sent India's cotton suppliers on a tailspin. Many didn't recover, but the Tata family managed to stay afloat by securing a lucrative contract to supply food and clothing to the British Army's Magdala campaign in Abyssinia (now Ethiopia) in 1868.

(Courtesy: Bhopal.net)

Corporates Look for Rural Gold

By: Devinder Sharma

All eyes are now shifting to the rural areas. Trucks carrying consumer goods are being directed to the nearest village. Rural India is now up for grabs.

It is no longer only hair oils, toothpastes, shampoos, soft drinks and potato chips that you will find stacked on the dusty shelf in a village shop. Corporate India now believes that the loan waiver, the National Rural Employment Guarantee Programme (NREGA) and successive bumper harvests have brought enough cash surplus into the hands of the rural community. It is therefore time to cash in on this new-found richness in the rural areas.

Is rural India really becoming prosperous? Or is Corporate India's greed that is driving them to the hinterland? Before we look at the ground realities, let us first see how the markets are shifting gear. The mobile phone has already made an aggressive foray. The sale of computers is being pushed through the government-sponsored e-governance programmes. Cars, two-wheelers, and consumer durables are eyeing the smaller markets. Coca Cola, Pepsi and Dabur India have relaunched specific marketing programmes. The wedding industry is already camping in the smaller towns. And the futures market too is excited.

According to news reports, Samsung, Nokia, Sansui, Philips, Maruti, Mahindra & Mahindra, LG, Tata Motors, Hyundai, Tata Sky, Hero Honda, Air Tel, Vodofone, BSNL, ICICI and Nestle are some of the corporate giants eyeing the rural markets. There are innumerable other smaller companies who have now ramped up their marketing operations in the tier II and tier III towns.

No, there isn't an economic revolution happening in rural India. It is only that the business honchos are descending on the rural markets, expecting to make a killing from whatever is left in the pockets of India's poor. Leading the corporate march into the rural areas is the industry think-tank, the National Council for Applied Economic Research (NCAER). It believes that the rural middle class is steadily growing, and the corporate can expect a sales turnover of 60 per cent from rural India.

Not only the domestic majors, global giants too are looking at India's rural sector as a potential kill. American agribusiness giants - Monsanto, Cargill, Wal-Mart and ADM - among the world's top multinationals have already found a foothold in the rural retail segment through the Indo-US Knowledge Initiative on Agriculture Research, Development and Marketing (KIA) agreement. These multinationals have already made it clear that they are not interesting in collaborating on agricultural research but keen to sell their products.

Meanwhile, not satisfied with the marketing opportunities under the agreement, two American senators have demanded a detailed study of the potential that Indian agriculture markets contain. Their plea is to open up the Indian farm sector to American agricultural products. At present, only 5 per cent of American produce finds its way to Indian farms. Well, the eagles are descending, and from all directions. The village mouse may find it hard to find a suitable cover to escape the attack.

The reason is obvious. So far, it is the sale of alcohol - both domestic brands and the locally produced - that has been the biggest destroyer of rural homes. Much of the farm income is known to have found its way to the liquor shops. No wonder, cereal consumption has further declined in rural areas, even though families are spending more on it. According to the latest report of the National Sample Survey Organisation (NSSO), monthly expenditure on cereals has gone up from Rs.101 to Rs.115, and yet per capita cereal consumption has climbed down from 13.4 kg per person per month in 1993-94 to 11.7 kg in 2006-07.

This report also comes at a time when the National Commission on Enterprise in Unorganised Sector very clearly and loudly states that 77 per cent of India's population (and the bulk of it inhabits the rural areas for sure) equivalent to 836 million people spend not more than Rs.20 a day. I am sure with Rs.20 a day expenditure, you cannot expect 836 million people to buy even two square meals daily. To these hungry millions, selling a growth dream in the form of consumer durables is certainly something that cannot be easily digested.

I still can't fathom what the ICICI chairman H V Kamath had said sometimes back: "There is a lot of money to be made from the rural areas." If this is true, I see no reason why India should rank a dismal 66 out of 88 countries on the 2008 Global Hunger Index. As many as 12 of the 18 states measured, and that includes 'vibrant' Gujarat, technology-savvy Karnataka, suicide prone Maharashtra and the rice bowl of Tamilnadu, are listed in the category of 'alarming'. In fact, India stands much lower than Sub-Saharan Africa in the Hunger Index. Even Punjab, the food granary of India, is worse off than Gabon and Vietnam.

The villages of India have traditionally been victim of

what is called reverse terms of trade. All these years, more money has actually been taken out from these villages than what has been invested. Some studies have shown that from a rural landscape of the size of 1000 acres, agricultural-input companies and that includes fertiliser, pesticides, and seeds, on an average pump out anything between Rs.30 and 70 crores every year, depending upon where these areas are located.

If only this money had stayed back in the villages, the face of India's village would have been in any case looked bright and vibrant. You wouldn't require the skills of organised money-lenders, through the micro-finance route, to exploit the poor and gullible. Although 50 million poor households are being given micro-finance, the poor are actually being forced to fork out returns at an exorbitant interest of an average of 20 to 24 per cent. In urban centres, you would be up in arms if you were made to pay such a high interest rate. But than, you need to know that the poor are being 'empowered'.

If the poorest of the poor women in a self-help group wants to buy a goat, which she needs for earning a livelihood, she has to pay an average interest of 24 per cent. I am sure, for a TV, fridge or a two-wheeler she will now get interest-free loans. After all, economists will tell us that the more she buys consumer durables, the more the GDP will grow. Even if they have to go to bed hungry instead, these are small sacrifices that need to be made for the sake of country's growth. Who said, selling dreams is only a Bollywood's prerogative?

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Making Sense of the Rural Rush

By: Rahul Goswami

Dehaat India is being described as the saviour of the economy. A range of products and services, from motorcycles to insurance, has been designed for the rural consumer. For the companies behind these offerings, the motivation is healthy bottom-lines in tough times. But how real is the idea of 'rural' consumption, and what are its effects?

Corporate India has carefully timed the announcement of the discovery of the rural Indian market. For the last quarter of the financial year 2008-09, the country's business and financial press has run a number of articles to explain how rural markets for consumer products are doing very well, how companies which have rural products for the hinterland have done their balance sheets much good, and how the economic slowdown can be successfully beaten by selling to the dehaat regions.

The enthusiastic tone to describe an apparently resurgent rural India was set late last year, when the UPA government released its Report to the People: 2004-2008, its self-congratulatory report card. In it, its programmes for rural India are broadly described thus: "The UPA Government has launched Bharat Nirman for comprehensive improvement of rural infrastructure to ensure inclusive growth by ensuring that all eligible villages / habitations have electricity, safe drinking water, all-weather roads, and telephones, and that rural housing and irrigation potential created are substantially augmented."

A new rural economy

There are authoritative numbers from the Central Statistical Organisation (CSO) to support the contention, made by the central government and by corporate India, that there has been a major shift in the structure of rural economy. The new vision of rural economies is that they have departed from being predominantly agricultural and that is not only a growing agricultural services sector, but that all other elements of the services sector are growing, apparently helped by friendly policy and responsive governance, which has also raised demand for consumer goods and durables.

The CSO's data show that the number of establishments (small businesses, proprietorships, the self-employed) in rural India rose by 5.37 per cent between 1998 and 2005, compared with a rise of 4.69 per cent in urban areas. This growth in the number of businesses in rural areas has pushed up the figures of rural employment growth to 3.88 per cent between 1998 and 2005 from 2.2 per cent during 1990 and 1998.

Differences in rural household distribution of income that are seen to give hinterland homes a spending edge also show that rural households are severely under pressure by disproportionate spending in important categories.

Looking for rural gold

There are three conclusions that government and industry are drawing from this change. One, that there has been a measurable and visible increase in non-farm job opportunities. Two, that this increase has helped control livelihood-driven migration to cities

(most conspicuous during sowing seasons for major food crops). Three, that rural India's share in the country's gross domestic product has benefited, accounting for 51 per cent of GDP in 2005-06 from 46 per cent of GDP in 1993-94 - and it is that 5 per cent larger share which is being used as endorsement of policy and as justification for selling to the 'rural market'.

Economics research firm Indicus Analytics points to the key differences in distribution of expenditure as being responsible for growing rural disposable income. The firm calculated the percentage of income spent on 26 different categories of household consumption, for rural and urban homes, to isolate a few categories in which the rural household spent significantly less that its urban counterpart. These are: rent (0.94 per cent compared with 9.19 per cent for urban households), consumer services excluding conveyance (6.48 per cent compared with 10.57 per cent), conveyance (6.63 per cent compared with 9.96 per cent) and entertainment (1.11 per cent compared with 3.11 per cent).

Expenditure on different categories (%)

	Rural	Urban
Beverages	2.59	3.09
Cereals/cereal products & substitutes	11.56	5.68
Clothing	4.75	3.56
Consumer services excl. conveyance	6.48	10.57
Consumer taxes and cesses	0.39	1.34
Conveyance	6.63	9.96
Durable goods	3.79	3.68
Edible oil	2.95	1.94
Education	1.92	3.29
Egg, fish and meat	2.16	1.55
Entertainment	1.11	3.11
Footwear	0.51	0.42
Fruit	1.12	1.19
Fuel and light	18.28	15.87
Medical (institutional)	2.23	1.42
Medical (non-instit.)	5.92	4.21
Milk and milk products	5.52	4.51
Paan, tobacco and intoxicants	1.7	0.91
Personal care and effects	0.55	0.53
Pulses and pulses products	2.06	1.28
Rent	0.94	9.19
Salt and spices	1.35	0.8
Sugar	1.49	0.84
Sundry articles and bedding	4.77	3.89
Toilet articles	5.09	4.38
Vegetables	4.14	2.79

Source: Indicus Analytics. Figures in % for 2008

There is another comparison which stands out between rural and urban households. Urban households spend more than 5 per cent of their incomes on each of the following five categories of consumption: fuel and light, consumer services excluding conveyance, conveyance, rent, and cereals/ cereal products and substitutes. These account for 51.27 per cent of urban household expenditure. For the same five categories, the rural household spends 43.89 per cent of its total expenditure. It is the potential in this difference that corporate India seeks to exploit.

It was very different 30 years ago, for in the 1970s farm income dominated with its 73 per cent share of rural income. This share has dropped to 50 per cent and is expected to come down further to 37 per cent by 2015. 'Non-farm' does not however mean 'non-agricultural'; economists like Rajesh K Shukla of the National Council for Advanced Economic Research (NCAER) point out that rural income derived from non-farm activities is dependent on the agriculture within the rural area, as well as on rural-urban linkages. It is this connection that policymakers and industry are paying more attention to.

"Increased demand for goods and services from rural India will also strengthen the rural-urban linkage," wrote V Shunmugam and Ritambhara Singh, chief economist and senior analyst of MCX (the Multi Commodity Exchange, Mumbai), in Mint, the business daily (April 6). "The government's concentrated efforts have empowered rural India significantly by increasing its disposable incomes. It is time the private sector focused on rural market segments to tide over the downturn in both the urban and global markets."

A new corporate focus

There is evidence enough of such focus from corporate India. Consider these examples:

- The dominant white goods and consumer electronics manufacturers all have dedicated rural marketing campaigns in place, which have become crucial to their company bottom-lines. LG Electronics expects rural revenues to grow from Rs.4180 crores (35 per cent of total revenue) in 2008 to Rs.5490 crores (45 per cent) in 2009. Samsung expects rural markets to contribute 30 per cent to its consumer electronics turnover in 2009. Philips is using its home lighting distribution network (1.8 million outlets strong) to strengthen its rural footprint and the company will use this network to sell irons, mixer-grinders, DVD players

and radios.

- Similarly, Whirlpool expects 5-7 per cent growth in 2009 from small towns. Hindustan Unilever has recorded over 16 per cent growth in gross revenue in recent months, at least half of which comes through its extensive rural network. Goldplus is the Tata group's mass-market jewellery brand, which hires unemployed youth as its rural ambassadors. The youth are trained; they then educate rural people by using educational films, flip charts and booklets. Goldplus expects 50 per cent growth this year to account for a tenth of the Tata group's jewellery business revenues.
- Automobile use in rural India is measured by the auto industry at 1-2 per thousand, compared with 10-11 per thousand in cities. By using panchayats, primary healthcare members and regional rural bank members to reach potential buyers, Maruti's rural revenues increased from 3.5 per cent of total sales to 8.5 per cent. Maruti is reported to have sold more than 60,000 cars in rural markets between April 2008 and February 2009. The car company has even launched a campaign - "Ghar Ghar Mein Maruti (a Maruti in every household)" - specifically for these markets.
- Hero Honda's motorcycle sales grew 11 per cent in 2008-09 fiscal against an average sales growth of 1.9 per cent for the industry. For the two-wheeler company, the share of rural sales has gone up from 38 per cent in 2007-08 to 40 per cent in 2008-09. Hero Honda in late 2007 had launched a rural campaign called "Har Gaon, Har Aangan (every village, every home)".
- Bharti Airtel's rural footprint has increased from 6 per cent in 2007-08 to 12.6 per cent until February 2009. Airtel's average revenue per user (a telecom industry metric) in the rural regions has increased from Rs.100 to Rs.150 in the same period. The company sees this is indication of more cash available with the rural consumer, and has even attributed this increase to an increase in minimum support prices for wheat and rice over the last two years.
- IFFCO Tokio General Insurance has tied up insurance with fertiliser. For its Sankat Haran Policy (non-crop insurance), the company offers farmers a free insurance cover worth Rs.4000 with every bag of fertiliser (the sale receipt is also the policy document).

The growth in such markets and the new opportunities being created by companies are being seen, by central policymakers, as the early gains from the increased investment in the farm sector for crop diversification and from alternate revenue channels such as horticulture, poultry and fisheries. Now, the anticipation of another good crop year and further government initiatives are expected to help rural areas remain vibrant even during the present economic slowdown. "To think there will be a further upsurge in farm growth is wrong, but Indian agriculture and the rural economy have been holding out against the slowdown," said IRMA chairman Dr Yoginder K Alagh, as quoted by a business daily.

From the point of view of private sector India, there are two lessons to be drawn. One, that the fortunes of participants in the rural economy have not been significantly affected by the economic slowdown. The rationale is that public investment in rural employment and infrastructure will continue, so that entrepreneurs who continue to make products for rural India will weather the current slump in global and urban demand. Two, that the rural economy needs to be "de-risked and strengthened" (as an editorial in a business daily has put it) and provided a modern financial system that will bring down the cost of services and help spread the benefits.

There is good reason to do so, according to the Associated Chambers of Commerce and Industry of India (Assocham), one of our biggest industry and business associations. This month, Assocham released a report titled The Rise of Rural India which has sought to explain why this market has become so important for companies, particularly consumer goods companies. "The fast moving consumer goods (FMCG) sector in rural areas is expected to grow by 40 per cent as against 25 per cent in urban areas," said Assocham president Sajjan Jindal. The report says that rising rural incomes, healthy agriculture growth, swelling demand, rising consumerism across India, and wider distribution of FMCG products in the rural market are contributing to high growth and rapid expansion of the FMCG industry in rural India.

This expansion is seen in the market sizes calculated for India's rural population by state [See Table 2]. Using data from Indicus Analytics, the five biggest rural markets are: Uttar Pradesh (Rs.146,528 crores), Andhra Pradesh (Rs.130,611 crores), Maharashtra (Rs.126,313 crores), West Bengal (Rs.122,703 crores) and Gujarat (Rs.86,451 crores). When filtered by states with rural populations of 10 million and more, and sorted by per capita 'market size', the states of Haryana, Gujarat, Kerala, Punjab and Andhra Pradesh top the list of 17 such states, with figures ranging from Rs.35,500 to Rs.23,500 as the per capita market potential.

A more sober, wider reality

The question is: how real is this market potential?

Despite the list of individual company successes and despite the ringing encomiums from industry associations for central government policies, the trend is seen as suspect in critical quarters. "It is a mirage of prosperity. Consumers are cutting down on necessities," is the cautionary note provided by R S Deshpande, director of the Institute for Social and Economic Change. Krishan Bir Chaudhary of the Bharat Krishak Samaj has also attempted to place in perspective the idea that rural prosperity is widespread. His reminder is that such prosperity is restricted to a few places where high land real estate prices have concentrated money in the hands of a few.

Wherever new money has not been concentrated, or is not visible in consumption, is where conditions have changed little despite the rising rural sales graphs of companies. The evidence exists in another set of numbers: crop prices, input costs of cultivation, the consumer price index for agricultural labour and the wholesale price index. Whether in the rural markets of Jharkhand (market size Rs 37,721 crore, rural population 20.9 million) or Assam (market size Rs 36,880 crore, rural population 23.2 million) or Chhattisgarh (market size Rs 33,859 crore, rural population 16.6 million) when agricultural crop prices do not rise as much as input costs for cultivation - or as much as any other goods farmers have to buy - it affects the real incomes of farming households. It is just the same for non-agricultural small producers.

There is another factor, just as inexorably in motion upwards like agricultural input costs. The consumer price index for industrial workers increased steadily until October 2006, and thereafter the index for agricultural labourers has moved up more rapidly. The main reason is most likely the increase in the price of food, which reached alarming highs in 2008. They did so in the wake of a steady rise in consumer prices over a five-year period, from 1999-2000 to 2004-05, during which their rise was 40 per cent.

Prosperity is restricted to a few places where high land real estate prices have concentrated money in the hands of a few.

Looking for rural gold

How likely is it that nominal wage incomes for most workers in rural areas have increased by that much in this same period? Is the larger number of establishments (small services, self-employed, proprietorships) an indicator of the need to supplement dwindling real incomes? Where then are the widespread disposable income surpluses that corporate India, the UPA and government-friendly economists want us to see?

Size of Rural Markets

State	Market size (crores)	Rural population (millions, 2001 census)	Market size per capita (rupees)
Uttar Pradesh	146,528	131,658,339	11,129
Andhra Pradesh	130,611	55,401,067	23,576
Maharashtra	126,313	55,777,647	22,646
West Bengal	122,703	57,748,946	21,248
Gujarat	86,451	31,740,767	27,237
Karnataka	70,044	34,889,033	20,076
Rajasthan	62,082	43,292,813	14,340
Tamilnadu	61,422	34,921,681	17,589
Kerala	60,327	23,574,449	25,590
Orissa	57,254	31,287,422	18,299
Bihar	57,062	74,316,709	7,678
Haryana	53,455	15,029,260	35,567
Madhya Pradesh	51,102	44,380,878	11,514
Punjab	39,867	16,096,488	24,768
Jharkhand	37,721	20,952,088	18,003
Assam	36,880	23,216,288	15,885
Chhattisgarh	33,859	16,648,056	20,338
Himachal Pradesh	18,404	5,482,319	33,570
Jammu & Kashmir	15,307	7,627,062	20,069
Uttarakhand	14,796	6,310,275	23,447
Tripura	6,593	2,653,453	24,847
Delhi	4,944	944,727	52,333
Goa	4,292	677,091	63,389
Meghalaya	4,189	1,864,711	22,465
Nagaland	4,078	1,647,249	24,756
Manipur	3,845	1,590,820	24,170
Arunachal Pradesh	1,831	870,087	21,044
Sikkim	1,278	480,981	26,571
Puducherry	814	325,726	24,990
Mizoram	773	447,567	17,271
Andaman & Nicobar	623	239,954	25,963
Daman & Diu	545	100,856	54,037
Chandigarh	525	92,120	56,991
Dadra & Nagar Haveli	349	170,027	20,526
Lakshadweep	154	33,683	45,720

Source: Indicus Analytics

It is this mismatch that partly explains the reaction to the news, on 19 March 2009, that the wholesale price

index (WPI) for all commodities had increased at the low rate of 0.44 per cent. The automatic reaction was one of admiring welcome - there was acclaim that this index now reflected the lifting of inflationary pressures which had borne down on our citizens only half a year earlier. "WPI inflation peaked at close to 13 per cent in August 2008," stated the Economic Advisory Council, in its Review of Economy, January 2009. "Consumer price inflation (CPI) continued to rise to 11 per cent in October and November due to price increase in primary foodstuff. The Council expects that the WPI inflation rate for manufactured goods is likely to fall to 4 per cent in February and fall further by the end of March 2009, a trend that may continue for a few months into the next fiscal year. However, inflation in primary foods is likely to remain elevated at close to 8 per cent."

This is a far more sober assessment than what corporate India is customarily used to. What are the real impacts? The prices for non-food primary products have barely moved. Oilseed prices have fallen by more than 5 per cent. This immediately affects all the producers of cash crops, who will be getting the same or less for their products although they are paying more for food. They are also paying more for fertiliser and pesticides, whose prices have increased by more than 5 per cent in the last two years. CPI inflation will also fall, said the Council, but the extent of the fall is unlikely to match that for WPI, "considering the expected higher rate of food inflation and its larger weight in the consumer price indices". Where then will the surpluses continue to come from, especially since rural food inflation is usually 2 to 2.5 per cent higher than urban?

The Communist Party of India (Marxist) has consistently questioned the UPA's inflation equations. "Shamefully, the UPA government is now claiming great success in controlling inflation, at a time when the entire global economy is spiralling rapidly into recession," stated a commentary in People's Democracy, the weekly organ of the CPI-M, in March 2009. "Inflation in prices of food articles are 8 per cent and foodgrains are 11 per cent higher than a year ago, respectively. There was a cut down on food subsidies when a big increase was required. During the UPA regime (2004-2009) the average share for food security allocation on all programmes has stayed below 1 per cent of GDP (current prices), at a time when 16 countries increased their subsidies from near zero to up to 2.7 per cent of GDP as a response to higher food prices."

Policymaking by numbers is always tricky, if not downright dangerous. The differences in rural household distribution of income that are seen to give hinterland homes the spending edge also point to serious problems. Using the same data set, rural households are severely under pressure by disproportionate spending on four important categories:

on cereals/cereal products and substitutes rural households spend 11.56 per cent of their total expenditure, compared with 5.68 per cent for urban households, a difference of 5.88 per cent;

on fuel and light (energy for cooking and energy for lighting) rural households spend 18.28 per cent of their total expenditure while urban households spend 15.87 per cent (this category takes up the biggest chunk of expenditure for both types of households);

on non-institutional medical care the rural household spends 5.92 per cent of total expenditure as compared with 4.21 per cent for the urban household; and

on vegetables the village household spends 4.14 per cent of total expenditure compared with the 2.79 per cent the city household spends. This last category demonstrates how counter-intuitive actual rural spending patterns can be, as a real reflection of the distortions the rural household economy survives in.

Mixer-grinders, 150 cc motorcycles, entry-level flat screen television sets, mini doses of insurance, cars that will be fuelled by CNG, refrigerators that need to voltage stabilisers, cosmetics and toiletries - the list of new products that corporate India wants to attach the 'rural' tag to has grown quickly. What is at stake here is not only the survival of India's ambitious, if creative, consumer goods manufacturers. At a time when data from regional rural banks is revealing more about the size, shape and reasons for farmers' indebtedness than ever before, at stake is also the financial security of the rural household.

World Bank's Country Assistance Strategy (CAS): The Forward March of Failure

By: Shripad Dharmadhikary

The World Bank announced its Country Assistance Strategy (CAS) for India for the years 2009-2012. The Bank envisages lending around US$14 billion over this period to India with US$4.4 billion coming from its concessional lending wing, the International Development Association (IDA). The Strategy, according to a press release issued by the Bank on the same day, says that "The World Bank Group is tailoring its assistance to India both to fast-track much-needed infrastructure development and to support the country's seven poorest states achieve better living standards for their citizens."

Indeed, these are lofty aims that can hardly be faulted. However, a closer reading of the CAS that the Bank has made public shows that it is much the continuation of what the Bank has been pushing in India in the last 15 years or so - increasing commercialisation and privatisation of the economy. The CAS suggests privatisation as one of the key means to achieve goals of rapid and inclusive growth, making development sustainable and increasing the efficiency of service deliveries; however, experience has shown that these means are sure to defeat the aims.

Moreover, among the key roles envisaged for the Bank by the CAS is that of an expert, a knowledge provider and policy advisor. This means that a significant part of the Bank's efforts in India will go to influence our policies and push them towards globalisation, privatisation and commercialisation.

Privatisation

Privatisation of various sectors of the economy - or its new avatar, Public Private Partnerships (PPP) - is a recurrent theme in the CAS and is one of the key instruments envisaged by the Bank to meet its goals. For example, enhancing private sector participation is one of the key means envisaged by the CAS to ensure efficient deliveries of services. In the middle-income states, the International Finance Corporation (IFC), the Bank's arm that lends to the private sector is planned to be active.

However, the scope envisaged for privatisation is far more comprehensive than just this. The Bank says that: "The World Bank and IFC are collaborating to bring India cutting-edge expertise to deal with emerging issues in Public-Private Partnerships (PPPs), tailored to India's needs. While this work has so far been the strongest in infrastructure - power transmission, roads, irrigation and rural infrastructure, urban development - it will now be extended to agribusiness, health and education, and renewable energy."

The irony is that PPPs are faltering in infrastructure, the very area that the Bank claims PPPs have been the strongest. The Bank says that private investment in infrastructure in not expected to materialise to the extent hoped for, due to the global financial crisis and hence it will focus on strengthening the capacity of government agencies to design and manage public-private partnerships(PPPs).

However, private companies are growing hesitant to enter into PPPs, and this is only partly due to the global financial meltdown. At least in sectors like water where there is significant amount of social responsibility associated with service delivery, the private sector is reluctant to come in, as it is seen as being unprofitable. In spite of the poor record of privatisation to deliver services like water to the weaker sections of the society and its vulnerable members like small and marginal farmers, the Bank is wants to push the PPPs in more and more sensitive sectors.

Expertise and policy advice

The Bank is positioning itself as among the most knowledgeable experts, and the CAS shows its intention of using this position to push its policies. This is a continuation of the Bank's past CAS for the years 2005-2008 where being a knowledge provider was one of three key strategic principles underpinning its work in India.

The current CAS says that in PPPs, the Bank and IFC will bring "cutting edge expertise" to India. At the national level, the Bank "will continue to assist the central government by providing comprehensive analytical work to underpin policy and institutional reform" and for the middle income states, "Cutting-edge analytical work and the best international expertise will be brought to bear upon complex problems". The CAS specifically notes that the Bank will support key studies in important policy issues. In the past, the Bank has carried out many of these studies itself.

These, and other examples show that the Bank is

projecting itself as a most important repository of knowledge coming in to provide policy solutions to India.

Implications

The problem is that this knowledge provider by the Bank is seriously flawed (see here). The Bank's expertise has no place for local knowledge, is developed by highly (over)paid consultants and is often designed to promote pre-determined policies. Further, this "expertise" of the Bank has repeatedly been seen to fail to deliver.

The privatisation-led approach has proven to be not only ineffective, but also disastrous, especially for the poorer and vulnerable sections of the society. There is massive evidence that privatisation has failed to take care of the basic needs of people. On the contrary, policies of liberalisation and unbridled privatisation similar to those propounded by the Bank created the conducive environment for the global financial meltdown.

In India, the last 15 years of these 'reforms' initiated by the World Bank and the IMF have had serious consequences for the poor and the environment. The CAS itself recognises this when it says:

"Recent World Bank analysis shows that the number of people who lived below a dollar a day in 2005 PPP dollars (a threshold which is close to the official poverty line) came down from 296 million in 1981 to 267 million in 2005. However, the number of poor people living under $1.25 a day in 2005 PPP dollars increased from 421 million in 1981 to 456 million in 2005. This indicates that there are many millions of people living just above a dollar a day and their numbers are not falling. Inequality among households is also rising, primarily due to increasing income disparities within urban areas and between rural and urban India."

And here's another admission: "Most environmental indicators exhibit negative trends, suggesting that growth is having a negative impact upon the country's natural resources." Yet, the Bank is continuing the same policies that have led to these negative observations.

Thus, there is little hope that the money and advice promised by the Bank for the next three years will lead to betterment of prospects for those who need development the most. What it is likely to achieve is fat payments to consultants and private contractors, and public money being spent to commercialise more and more sectors of the economy. It is little wonder that the a 12 member Jury of eminent people at the Independent People's Tribunal On the World Bank held in Delhi in September 2007 that heard over 60 depositions from 26 sectors, concluded, among other things, that:

"It is clear to us that a significant number of Indian government policies and projects financed and influenced by the World Bank have contributed directly and/or indirectly to this increased impoverishment and suffering. All this has taken place while a minority of India's population that constitutes the middle class and rich has enjoyed the fruits of an economic boom ... The net effect of many Bank prescribed policy "reforms" appears to be the reorientation of the Indian State priorities from striving to secure a safety net for the poor and vulnerable to providing a safety net for large domestic and international corporations and investors."

It is not just the IPT that has found such issues with the Bank's program in India. Hundreds of other critiques of the Bank's work in general and its CASes in particular have been articulated by experts, civil society groups, movements and trade unions. (See for example, the critique of the earlier CAS here). However, the Bank has consistently ignored these. The newly announced CAS is further evidence of this, and it seems that the Bank's record of promoting failure is unlikely to change.

The world's most exclusive club has just gotten bigger, and it is promising a lot of big things for the global economy. But it is likely to have just as much trouble delivering results as the smaller group it replaced.

Leaders of the Group of 20, holding their third summit in less than a year, proclaimed that the 21st century needed a new way of coordinating the global economy to replace the much smaller Group of Seven and later the Group of Eight that ruled over economic decision making for the past three decades.

Going forward, it will be the G-20 calling the shots. That means that the old economic powers - the United States, Japan, Germany, France, Britain, Italy, Canada and relative newcomer Russia - have now been joined by fast-growing developing countries like China, Brazil and India.

The old leaders were effusive in their praise of the expanded club. British Prime Minister Gordon Brown said the new grouping would be the "premier economic organization for dealing with economic management around the world."

President Barack Obama, who had helped handle the membership negotiations between the old guard G-7 members and the new countries, said that "we can no longer meet the challenges of the 21st century economy with 20th century approaches."

But despite the lofty rhetoric, the results the G-20 managed to produce in Pittsburgh looked very much like the mishmash of proposals that have been produced through the years by the G-8: lots of lofty goals but few specific details.

That shouldn't be surprising since the process of getting results is the same. Before the leaders sit down together, their aides spend hours working on the details of agreements.

Banking Regulation

Getting a bunch of government bureaucrats in a room for lengthy negotiating sessions invariably means that any bold proposals get whittled down to the lowest common denominator to meet objections from other countries.

France and Germany called for tough caps to penalize greedy bankers, an effort that ran into objections from the United States. The result: a proposal that calls for banking regulators to do a better job of linking pay to performance but without any binding caps. This is a disappointing outcome for voters already angry about a return of significant paydays for bankers whose institutions received massive government bailouts only a few months ago.

Likewise, an effort by the United States to avert another financial meltdown by forcing all countries to adhere to stronger capital standards seems destined to fall short of its lofty goal of preventing the next financial meltdown.

On its surface, the idea seems sound. Banks got in trouble last year because they did not have enough capital, the reserves used to cushion against losses from bad loans and other sour investments.

The G-20 did adopt the broad outlines of a tougher approach to capital, but the effort is likely to run into heavy opposition between the goal-setting phase and the implementation phase from banks upset that the new rules could cut into their profits.

The list of misses in the G-20's Pittsburgh communique is a lengthy one. In some areas the best that can be said is that the countries agreed to keep talking about thorny problems they have already been debating for years.

One example is the lengthy drive by China and other fast-growing developing countries for more of a say in the running of international lending institutions such as the International Monetary Fund and the World Bank.

On that issue, the G-20 agreed to move toward equalizing the voting power of developed and developing nations but left many tough decisions for a later day.

In some cases, the rhetoric did not match reality. For their third straight meeting, the G-20 promised to resist demand to erect protectionist trade barriers during the current hard times, seeking to avoid the disastrous spiral of tit-for-tat trade retaliation that deepened the Great Depression during the 1930s.

However, the track record of the G-20 countries including the United States, the world's biggest economy, has fallen far short of the promises. Just last week, the Obama administration announced it was imposing punitive tariffs on Chinese tire imports as the president moved to keep a campaign promise to a key labor constituency, despite an angry reaction from the Chinese government.

But even with all the failings, the G-20 could still offer more promise than the old G-7, if for no other reason than the right people are now at the table where decisions are being made. It made no sense to exclude China, now the world's third biggest economy, and such rapidly growing economies as Brazil and India from the decision-making process.

Russian President Dmitry Medvedev, whose country took years to crack the barriers keeping it out of the G-7, took a philosophical view of the latest expansion, saying no matter how big the ruling group, they need to be mindful of those left out.

"In the world, there are not just 20 countries, 20 economies, and therefore we have to think how the G-20 can work with the other countries that are not part of this club," Medvedev told reporters at the conclusion of the Pittsburgh discussions.

(Courtesy: Associated Press)

The Wages of Financial Freedom

By: S Venkitaramanan

When Dr Y. V. Reddy, as Governor, Reserve Bank of India, insisted on strict regulatory control for India, there were many who felt that he was being too conservative. But his conservatism turned out to be a virtue and the country was spared the disastrous problems which developed economies experienced, says S. VENKITARAMANAN.

It is just over a year since Lehman Brothers collapsed in the US. This led to a squeeze in liquidity, leading many banks to fail around the world. The jury is still out on how the Federal Reserve should have dealt with the problem of Lehman Brothers.

There is a point of view that the Federal Reserve did the world economy a good turn in the long run by allowing Lehman Brothers to collapse. This collapse brought out the basic problems of the world bubble in the financial system.

On the other hand, some analystsviewed the collapse as a self-inflicted injury. In any event, today we are faced by an unfolding financial crisis with serious implications for the whole world.

Dr Y.V. Reddy, a former Governor of RBI, is in a unique position to comment on the present crisis. In a recent wide-ranging interview with a business daily, he expressed his views on the crisis and the G-20 agenda. He is widely credited, and deservedly so, with having ring-fenced the Indian economy from the unfolding global troubles.

When he insisted on strict regulatory control for India, there were many who felt that he was being too conservative. But his conservatism has turned out to be a virtue and India was spared many of the disastrous problems which developed economies, such as the US, the UK and Europe experienced.

Setting the Rules

Dr Reddy feels that the situation is peculiar, in the sense that those who perpetrated the excesses that led to the crisis, such as the US and UK, are themselves dictating the agenda of the G-20. To the extent the IMF and the Financial Stability Forum provide the underpinning for the work of G-20, Dr Reddy's concerns may have been partly right; it is true that these institutions are dominated by the UK and the US.

To some extent, however, Dr Reddy's argument that the countries which are in crisis should not take a leading role in formulating the G-20 agenda may be flawed. The global economic scenario is such that these very economies dominate the global financial scene. It is, therefore, inevitable that they take the political and economic policy initiatives in identifying the crisis and prescribing possible remedies for the current crisis.

India and China may argue that they are not in a crisis and should, therefore, initiate the G-20 agenda. But, given their situation, they cannot play a dominant role in prescribing an agenda for the G-20, which has impact on major economies.

Dr Reddy points out that the G-20 agenda consists of two separate parts. One relates to crisis management. The other contains more fundamental issues of regulation, raising higher capital and standards of financial sector performance that have to be enforced across countries.

The first part of the agenda of G-20 is relatively easier to manage. But the second part requires political leadership of the highest order and a commitment to change practices and systems in the various countries.

Dr Reddy rightly points out that some of the changes these involve are liable to affect the national economic interests of countries such as the UK and the US, whose financial sector development plays an important part in their national economies and contributes significantly to GDP growth. These countries cannot too readily accept changes in the financial sector regulation that upsets their job creation process.

The former RBI governor's comments on the evolution of G-20 are supported by his experience in handling the problems in India as well as at the international arena. What is particularly significant are his comments on the model of financial development that was earlier put forward by the US and the UK.

This model was being canvassed through various sources, such as IMF and the World Bank. China and India were told that since they are not following the Western model of financial development, it would adversely affect their growth prospects. The moot issue now is who stands vindicated.

Crisis of Deregulation

Dr Reddy traces the origin of the crisis to the extreme prevalence of deregulation combined with accommodative monetary policies, which were the norm in the developed world before the crisis.

He is candid enough to admit he had not personally anticipated the severity of the crisis when it started. But it is a fact that in the pre-crisis period, there was competition between different financial centres for

business on the basis of the extent of deregulation and tax advantages in different countries.

The Stiglitz Commission appointed by the United Nations had pinpointed this as one of the reasons for different economies rushing ahead of each other to deregulate and give substantial scope for regulatory arbitrage. The competition between financial centres of business inherent in the pre-crisis model bred considerable irresponsibility.

Dr Reddy dismisses as flawed a recent comment by Alan Greenspan that India is over-regulated and suffered as a result. Indeed, what is over-regulation and what is under-regulation is to be determined by each country's economic situation. Greenspan's comments on India were too patronising for a person whose reign saw the US's fall from desirable regulatory standards.

Single Regulator

The former RBI governor discusses in detail the issue of a single regulator. Empirical evidence, according to him, does not show that countries with a single regulator, like the UK, have performed better than those with multiple regulators. Dr Reddy's advice regarding the need for coordination of various regulators is timely in view of the insistence of certain influential commentators on establishing a single regulator in India.

He wryly notes that overregulation cannot per se be cited as a problem . In fact, the present consensus is even against the element of total relaxation of capital controls, which is part of the pre-crisis model. Even the US is toying with the idea of bringing back this control, albeit to a limited extent.

Dr Reddy is aware of the complex problems faced by central bank governors in meeting the objectives of financial stability. Financial stability itself is difficult to define.

Dr Reddy points out that it is no longer fashionable to focus only on price stability. The G-20 confabulations have led to realisation that there is more to central bank management than inflation targeting. At the same time, inflation management cannot be forgotten.

All in all, Dr Reddy's illuminating insights into the various segments of G-20 agenda clearly identify him as one of the remarkable central bankers the country has had. Indeed, it can be rightly said that he was one of the saviours of the Indian economy in the latest crisis by virtue of the actions he took during his tenure.

(Courtesy: Business Line)

India Seeks $3-bn World Bank Aid for Widening Highways

Bangalore: India has approached the World Bank for $3 billion to fund widening of 7,000-km single-lane national highways into double lanes, Road Transport and Highways Minister Kamal Nath said.

"We have applied to the World Bank for $3 billion ($2.97 billion) for building double lanes on 7,000 km of national highways, which have single lanes. Funds are not a constraint for the highway projects till 2010-11," Kamal Nath told reporters here.

To accelerate the pace of constructing highways across the country, the minister said the National Highway Authority of India (NHAI) has set a target of completing 20 km per day from March 2010 so as to build 7000 km per year.

"We have started doing 7-8 km per day from 2-3 km a day earlier. The immediate goal is to scale up the construction pace to achieve 20 km per day and keep doing it consistently," Kamal Nath said on the margins of a trade event.

As a caveat to meet the target of 20 km per day, he said the state governments would have to help NHAI in land acquisition, shifting of utilities and building amenities along the highways.

"We are creating an enabling situation to ensure the contractors meet the set target so that we can avoid invoking the penalty clause or levy fine for delays. There are a number of issues involved, including land acquisition, which is the biggest challenge," Kamal Nath said.

"I have been very clear about the target. If state governments are not going to be pro-active in doing their part, then I will have no choice but to abandon the project," he asserted.

Allaying fears over bidders raising funds to fund the highway projects, Kamal Nath said infrastructure financing was sound and in case of roads, which are an asset-creation, mobilising resources would not be a problem despite pre- and post-construction risks.

Earlier, inaugurating the fifth international construction equipment and construction technology trade fair (Excon 2009) at the Bangalore International Exhibition Centre, the minister said overcoming the infrastructure deficit was critical to achieve and maintain a high economic growth rate of 8-9 percent.

"Though India has the world's second largest road connectivity with 3.4-million km, about 40 percent is carried by national highways, representing only 2 percent of the total network," he said.

How Relevant was the G20 Summit for Emerging Asia?

By: James Seward

Now that the dust has settled and the traffic is back to normal here in Washington, DC after the G20 Summit this past weekend, what's next? Will the G20 Statement, with its 47 actions, have any relevance in emerging Asia? Well, the answer is yes and no (you didn't actually expect a clear answer, did you?).

On the "yes" side of the ledger, the first immediate impact of the G20 Summit was an explicit recognition that the major emerging markets matter in the global financial system, which the Financial Times recently claimed "marked a shift in economic power." China, Indonesia, and Korea (and of course, Japan) were participants in the meeting, and although these countries were not viewed as leading the agenda, they certainly had an influence on the final outcome.

Another immediate outcome was a commitment to increase the voice and participation of the Asian economies in the international financial institutions, such as the World Bank and IMF, and to provide additional financing support to the region if needed. Although only three emerging Asian countries were signatories to the G20 statement, if they implement the action plan to improve transparency, regulation, supervision, risk management, and international coordination in the financial sector, it should have positive impacts on financial stability in the region. Also, this would be leadership by example -- China, Indonesia, Japan, and Korea could push implementation of these actions through regional forums, such as ASEAN and APEC. In fact, an indirect benefit of the G20 Summit is that it brought together Asian policy makers and on the sidelines of the meeting, China, Korea, and Japan agreed to boost their bilateral currency swap agreements and expand the May agreement for $80 billion among the ASEAN countries. Finally, the G20 Summit has provided momentum for cooperation. Leaders attending the upcoming APEC summit this weekend are expected to push the implementation of the G20 Statement and action plan.

On the "no" side of the ledger, most of the 28 actions for immediate implementation (i.e., by March 31, 2009) outlined in the G20 Statement are not directly applicable to most emerging economies in Asia. For example, a substantial portion of the short-term actions relate to complex financial instruments, derivatives, off-balance sheet vehicles, credit ratings agencies, and sophisticated risk management issues -- most of which are not that relevant in the banking and financial systems in emerging Asia.

In addition, it is very likely that the US and EU will lead most of the medium term actions set forth in the G20 Statement, such as those actions surrounding international financial standards (i.e., on accounting, capital, risk, etc.) and reform of the Bretton Woods institutions (i.e., the IMF and World Bank). At a more micro-level, many observers were looking for a turnaround in the stock markets after the G20 Summit, but this also clearly did not happen this week. According to data from Bloomberg, the markets in China (down 2.3 percent), Korea (down 6.9 percent), Indonesia (down 6.6 percent). Other major emerging markets in Asia, such as Malaysia, Philippines, and Thailand, also were all down sharply this week.

On balance, the G20 Summit was relevant for East Asia. It represented an important recognition of the importance of the Asian economies in the global financial system. The G20 Summit also generated momentum to make improvements in the financial sector in some of the most critical economies in Asia, as well as to improve preparedness for the growing impact of the global financial crisis in the region. However, we will have to wait

Stories of Development

By: Rajesh Kasturirangan

I have often been puzzled by the use of the word "development" as a mantra. Development, like governance and sustainablility, is jargon that has spread far beyond its original use as technicalese. As a term to describe economic and social progress, its origins probably lie in some Washington D.C. office, but now development has colonised the minds and hearts of people throughout the world. We cannot have guests over and stay silent about India's development vis-a-vis China or what needs to be done to 'develop' Bihar.

Development is not for dinner table conversations alone; politicians are eager to cast themselves as developmentalists - see Chandrababu Naidu, Narendra Modi, Manmohan Singh. These politicians have yoked their electoral career to their performance along standard development indicators. Finally, there is the old hierarchy of nations: advanced industrial economies, developing economies and underdeveloped economies. All of us are playing snakes and ladders in the game of development; from individuals to communities to nations to the entire world. How did development become so entrenched in our imagination?

One explanation for the popularity of the term is political: development is all around us because it affects policies, uproots people, decides World Bank loans and other important economic decisions. I am not going to pronounce judgment on theories of development here; this newsmagazine, several books and entire social science departments have debated the pros and cons of development, including such topics as the feasibility of large dams and other mega-projects as a driver of development, the role of the Washington consensus in determining policy across the world and our collective worship at the altar of progress.

These are clearly important questions and someone has to address them. There are tales to be told about the coal mafia, the dam mafia and other mafias. I am not the person to tell that tale. These tragedies are the underbelly of development, but there is a vision of a developmental heaven that trickles down to the underbelly. It is true that thieves and bandits will always find a way to exploit new opportunities, but there must be an opportunity to exploit. The Bellary iron ore industry would not exist without demand for steel in China. I am interested in the utopian psychology of development. How did development become a central concept for understanding our place in the world?

Stories of development

One answer I find attractive lies in the way we speak about ourselves and others. Development is usually narrated in the form of a story - from the upwardly mobile middle class person telling his friends about a new car to the tale of India as an emerging superpower. Of course, storytelling is not restricted to our progress on the developmental ladder alone; several other concepts are equally likely to come out of central casting - the nation is another prominent example.

Certain stories capture our imagination. The concepts underlying these stories are more likely to become entrenched, i.e., embedded so deeply into our minds that they become second nature. Entrenchment is used by cognitive linguists to explain how some concepts are more likely to be employed when describing the world around us.

Idiomatic phrases are good examples of entrenched concepts. Jiski laathi uski bhains is used all over north India to describe power relations; 'kicked the bucket' is used in American English to indicate that someone has died. Popular idioms get entrenched in their respective communities, with most adult speakers knowing the meaning of the phrase. Our beliefs about the world are no different; some beliefs are more entrenched than others.

Entrenched beliefs about the nation, society and development are reinforced by powerful stories that individuals and communities tell about life in the modern world. Stories become particularly powerful when they combine strands that are otherwise separate. These stories are rarely explicit, i.e., available to reflection or justification. The average person will be hard pressed to justify her beliefs about caste and communal relations or, for that matter, theories of development. We are unconscious carriers of one development virus or the other.

Nationalism, self-interest and the impression that the Muslim world was a remote "other" were all at play in the American response to the September 11 attacks. Kashmir is such a hot-spot because it stars prominently in the Indian national story - that we are a secular land where people of all religions can live peaceably - as well as the Pakistani national story - as a homeland for all South Asian Muslims. These two stories clash with each other and so do India and Pakistan.

Stories have travelled over the world for millennia - the Panchatantra has had its influence on fairy tales

all over the world, but ultimately, the stories of the Panchatantra have roots in the land of their origin. Development is the source of some of the most captivating modern stories, often purveyed by the usual suspects - mass media, movies, books.

Development heaven

Like the Panchatantra, the story of development too has a source. The United States is the promised land of development: a nation of plenty where everyone has enough air to breathe, enough milk to drink and a large house to sleep. Isn't the American dream often stated as "life, liberty and the pursuit of happiness?" But liberty and happiness are elusive terms; their meaning is often tied to a tacit story of development, usually involving high technology. Can we, any longer, imagine liberty without conjuring an image of a fast car or plane that swiftly transports us to a mountainous valley or a tropical beach? Can we imagine happiness without a glass or two of our favourite drink?

These images of developmental utopia cluster together in our head into a kind of heaven, a secular afterlife of instantly met desires. The traditional metaphor of the 'ladder of development' gives us two stories of progress towards the developmental utopia, one looking up at those people and nations ahead of us, and the other looking down on those who are still struggling.

Secular nirvana sits at the top of the developmental ladder. Imagine, for a moment, a mental fusing together of advertisements for clocks, clothes, soap, car and computers. A developed man - usually fair skinned - wakes up in the morning, reaches for his alarm clock, runs into his ultra-clean bathroom from which he emerges even cleaner and fairer than he was before, slips into a smart suit and then drives his air-conditioned car to an airy glass-covered office. There is no sign of dirt, sickness or poverty; no wonder the whole dream has a halo around it.

I am exaggerating somewhat but the rough outlines of developmental heaven are, I believe, recognisable in my description. Developmental heaven has many of the trappings of traditional religion, except that it goes one step further - everything you want in heaven is available now, for a small price. I think of this as the jivanmukta model, where a human being can achieve liberation in this very lifetime. Who wouldn't want that? There is a reason why traditionalists the world over distrust the soft power of western culture, for the American dream is indeed a powerful dream.

The Bodhisattva model

Then, there is the Bodhisattva model of development. A Bodhisattva is a person one step removed from full enlightenment, a Buddha-minus-one who has renounced nirvana to work for the welfare of all sentient beings. While complete and final development is the universal aspiration, the end of history and the beginning of the afterlife rolled into one, we all know that there are all too many suffering beings who are far from developed. What can be done for these unfortunate souls?

The true developmentalist believes that development can reach the remotest corner of the earth. Light shall defeat darkness as soon as relatively trivial conditions are met. Education is one such condition: just look at the number of NGO's started with the intent of educating the masses. International Aid is another such condition. These well-meaning efforts are part of the Bodhisattva model of development. The Bodhisattva model is what developed beings adopt when they feel compassion for those who aren't so developed. If you want an image, think of Robert Macnamara or Jeffrey Sachs wearing an ochre robe.

Rethinking the dream

There are also the negative stories of development, the tales of greed and avarice that occur all too often but let us not dwell on these sordid episodes. It is easy to criticise criminality. What about the utopia though? Should we accept developmental heaven as a given, as a common end-goal of all humanity? We might disagree on whether India will become a superpower by 2020 or by 2050 or never, but we don't seem to disagree on becoming a superpower, whether military or economic.

Now that the developmental utopia is accepted by all, two deep problems have emerged. I find it problematic that there is almost no public discussion of the heavenly state. Are we certain that we want to end our lives in developmental heaven? More importantly, what means are allowed in the process of transporting us from where we are now to the end-goal?

The frightening thought is that once there is consensus on the end-goal, all means become acceptable. The coal mafia and the dam mafia aren't sidebars to the larger, heroic story of development. It is no accident that Robert Macnamara went from Ford to the Defense Department to the World Bank. Systemic violence is a necessary consequence of the developmental revolution, and like most revolutions, it is a revolution of the faithful. Before we blame goondas and politicians for our woes, we should rethink the underlying dream.

Public Private Partnerships : Tall Claims, But Little Evidence

By: Shripad Dharmadhikary and Gaurav Dwivedi

The new buzzword in development planning circles in the country is 'Public Private Partnerships' (PPPs). The 11th Five Year Plan (2007-2012) document mentions the term at least 249 times, advocating it in sectors ranging from water management, forestry, education and health to protection of monuments and sustenance of arts and crafts. However, its key role is seen in infrastructure.

Infrastructure bottlenecks are often presented as the major hurdles restricting the booming Indian economy from achieving 8 per cent plus GDP growth rates. The Preface to the 11th Five Year Plan document says that "Poor quality of infrastructure seriously limits India's growth potential in the medium term and the Eleventh Plan outlines a comprehensive strategy for development of both rural and urban infrastructure." The 11th Plan estimates that to maintain an average annual growth rate of 9%, the investment in infrastructure would have to rise from Rs.259,839 crores in 2007-08 to Rs.574,096 crores in 2011-12 at constant 2006-07 price, aggregating to Rs.2,011,521 crores over five years. In the terminal year, this works out to be 9 per cent of the GDP, up from 5 per cent of the GDP in 2006-07.

This is a huge amount, and the Government claims that it can't mobilise this without increased contributions from the private sector. Moreover, it argues that its first priority is expenditure on social sector and livelihood support programmes for the poor, "the strategy for infrastructure development has been designed to rely as much as possible on private sector investment through various forms of PPPs."

The Government of India's Committee on Infrastructure which monitors PPPs notes that 244 PPP projects are ongoing and another 76 are in the pipeline in the country. These projects are in various sectors like roads, ports, power, water and urban infrastructure.

What is a PPP

PPP is a relatively new term, implying that public and private sectors work in partnership, complementing each others' strengths, covering for each others' weaknesses, sharing risks and profits. Part of the rationale is that often, infrastructure projects are high risk, low return projects with long-gestation projects, so the private sector is loath to invest in them. To attract private investment into these sectors, therefore, it is important for the public sector also to be involved to mitigate some of these risks.

With this argument, several concessions are being offered to PPP projects. One of the most important is Viability Gap Funding. Under this scheme, the Government gives a grant of upto 40 per cent of the capital cost of the private project to make it viable and encourage the private sector to invest in it. Another important step is the creation of India Infrastructure Finance Company Limited (IIFCL), a wholly Government-owned company to provide long term finance for infrastructure projects. According to the IIFCL website, it would provide loans upto 20 per cent of the project cost and projects "awarded to a private sector company ... through Public Private Partnership (PPP) shall have overriding priority".

IIFCL will be able to raise its own money through borrowings for which it will have sovereign support. In other words, the money will be guaranteed by the Government. The World Bank, another source of public money, is also proposing to give Rs.2700 crores to IIFCL.

Leveraging resources?

Clearly, substantial public resources would be flowing into PPPs. Governments argue that with only a small input from their side, they can leverage much more money into infrastructure, as the private companies will use Government support to raise more money on their own, in the form of borrowing. This raises two questions. First, whether this is raising any additional resources or the private sector is accessing the same resources that the public sector could access. Second, whether the private sector is able to raise these resources on the strength of its superior management and efficiencies as compared to the public sector.

The reality is that much of the money raised by the PPP or private projects is from public sources - publicly owned banks and financial agencies, public sector insurance companies and Governmental aid agencies. This money is available to the public sector too. Further, often it is not the superior capabilities of the private sector that allows it to raise the money but rather the guarantees and concessions given by governments.

Let us look at the example of the Tiruppur Water Supply and Sewerage project (Tiruppur Project), India's biggest PPP project in the water sector. This project in Tamilnadu draws water from the Cauvery and supplies it to the industries in Tiruppur Industrial Estate. It also provides bulk water to Tiruppur Municipality and several village panchayats. The project has a total outlay of Rs.1023 crores, out of which Rs.323 crores is equity and Rs.700 crores is

raised as debt. Tamilnadu Government is giving Rs.55 crores towards equity. It is claimed that with this, the Government has been able to leverage 19 times more investment. But a closer look presents a different picture.

Out of the total equity of the project of Rs.323 crores, a total of Rs.90 crores - or 28 per cent - is directly from public resources: the Government of Tamilnadu, as well as state-owned insurance companies Life Insurance Corporation, General Insurance Corporation, and others. There has been no information on the debt component of the Tiruppur project lately, but earlier reports suggest that the debt of Rs.305 crores was to come from more public sources - such as IDBI, SIDBI, LIC, SBI and HUDCO. Apart from this, over Rs.100 crores were raised from the US bond market and has been guaranteed by USAID, a US Government body.

This means that close to 66 per cent of the borrowings are from public sources. In addition, much of the remaining equity and debt is from IL&FS, an organisation with significant government ownership.

Further, there are many concessions given to the project. First of all, there is an assured market - the knitwear industry in Tiruppur. Secondly, the project has been given the exclusive rights for selling water to the area. Moreover, the Tamilnadu government has set up two funds, the Water Shortage Fund and Debt Service Fund with its own money for protecting the project's revenues and profits in case of a shortage of water and other contingencies. These funds are respectively Rs.70 crores and Rs.50 crores. Third, the bonds raised in the US have been guaranteed by USAID. These are only some of the important special considerations given to the project.

With all this in place, it is clear that the project has been able to raise money not due to any inherent superiority of the private sector, but mainly due to the concessions and support provided by the Government to the project. Nor is the example of this project unusual - in most cases, a detailed analysis of the various sources of funds reveals the same structure - plenty of money put in directly or guaranteed by governments, and usually much less generated by the private sector itself.

That being the case, there are serious questions about the how much additional (non-public) resources the private sector brings in to the infrastructure PPPs - one of the main rationales for promoting them.

Other flawed presumptions

The other rationale that governments have offered in support of PPPs is that they provide a cheaper option of investment, and allow governments to save funds which can be invested into other priority sectors. In fact, however, in real money terms PPPs can be more expensive than traditional public contracts, for a number of reasons.

To begin with, the profit margins at which private corporations are attracted to PPPs generally fall in the range of a minimum of 15-20 per cent. In the Tiruppur project, for example, the base project return is estimated at 20 per cent per annum by the project company. Secondly, the cumbersome procurement process involved with PPP contracts is more expensive, both financially and in terms of time, than direct government procurement would be. A third factor in driving up PPP costs is that the cost of capital is always higher for private sector than for the government alone.

The 'superior efficiency' of the private sector is also questionable, and numerous examples are available to show this. An IMF study of 2004 says , "It cannot be taken for granted that PPPs are more efficient than public investment and government supply of services ... Much of the case for PPPs rests on the relative efficiency of the private sector. While there is extensive literature on this subject, the theory is ambiguous and empirical evidence mixed".

In the water sector, there are many examples of efficient public water utilities and inefficient private corporations. An Asian Development Bank study published in 2003 compared key service parameters for water supply in 18 Asian cities. In two (Manila and Jakarta) the system was privatised, and in the rest it was in the public sector. In all the parameters like percentage of population with piped water coverage, area with 24 hour water supply, non-revenue water etc., the public systems on the whole came out to be much superior.

A further argument in favour of PPPs is that the involvement of the private operators increases transparency and accountability. On the contrary, real-life experiences prove that such projects remain opaque, hiding behind the plea that publicising information about the project will affect the commercial interests of the private promoters. This denies citizens access to crucial information about projects handling public services like infrastructure.

A World Bank report quotes that, "Despite the fact that there are nearly 90 PPPs in India under construction and operation, there is no publicly accessible database providing even the most straightforward information on them". Our own experience in the Tiruppur project shows that access to information related to a PPP project is very difficult. We have been unable to get information about even basic facts like the actual quantity of bulk water

that the company is supplying, the schedules of water supply to the industry, municipality and villages etc.

It is noteworthy that much of the information that citizens would like to have about PPPs would be mandatorily available to them under the Right to Information Act if those projects were carried out by the government itself. Viewed in that light, it seems that PPPs are in fact vehicles by which to subvert the demands for transparency.

Rethink needed

All this belies the arguments put forth in support of PPPs. Much of the resources raised by the PPPs are from public sources, and it is the strength of the public sector that allows the PPPs to raise additional funds cheaply. The 'efficiency' and 'accountability' arguments too are specious at best. On one hand, massive public resources are flowing into these projects, and major risks are taken by the public sector or guaranteed by it. On the other hand, the promised better service, efficient management and transparency and accountability are not assured, especially for the weaker sections of the society.

The Planning Commission has warned that the "PPPs must aim at bringing private resources into public projects, not public resources into private projects." But it is exactly the latter that seems to be happening. If we're going to pursue PPPs, we'll first need to find some good reasons to do so; the one we've heard so far aren't borne out by the evidence.

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Jatland in Chhattisgarh

By: Dhirendra K. Jha

It's never happened before. Settlers from one state have taken over large parts of another's farmland, altering the farm economy, power equations and social setup.

Bending side-by-side in a straight line, three men and four women, all holding saplings in their hands and working voluntarily, solemnly help Meena Satnami sow paddy in her field. This is a symbol of their defiance, a token of their refusal to give in to the intense scramble for agricultural land in Chhattisgarh by farmers of Haryana, a state more than a thousand kilometres away.

Meena's six-acre field is among the few plots in Chorbhatti village in Chhattisgarh's Durg district that are still owned and cultivated by locals, Satnami Dalits mostly. Her patch of land shares restive boundaries with three large farms, all owned by rich farmers of Haryana who took them over some five years ago.

For the first two years after she found herself surrounded, it was her husband, Ramlal Satnami, who resisted attempts by Jat farmers to forcefully buy their land. "Three years back, his body was found on the left side of my field. Though the police are investigating it, we suspect the hand of these farms' owners," says the widow. "Since then, I have been cultivating the land with the help of my two sons and members of my community. This is the only source of livelihood for us. In no case will I sell it."

The tilling fields

Welcome to the emerging Jatland in eastern India, where hordes of rugged Haryanvi farmers have descended to buy tracts of fertile alluvial and black soil along and near the banks of the Mahanadi, Shivnath, Jonk, Kharun and many other small rivers. Though most of these farmers are settlers, there are some absentee Jat landlords as well. Durg, where most cultivable land has already been bought over by newcomers, is at the centre of this new Jatlands' a vast stretch that makes up almost 60 per cent of the state.

The immigrants say they're here to do agriculture a good turn, but growing landlessness among locals has put Chhattisgarh's BJP government in a fix. Differences of opinion within the ruling dispensation at Raipur have reached a point that the state is caught between stemming the influx and letting it be. Chandrashekhar Sahu, the state's agriculture minister, is clear that Haryanvis are unwelcome. "These settlers have rapidly changed the basic character of rural Chhattisgarh," he tells Open, "Our government is committed to curtailing this trend."

Ever since Chhattisgarh won statehood in 2000, as many as ten of its 18 districts have seen large-scale purchases of farmland by new settlers. Over the past five years or so, the trend has accelerated. It started in Durg, Raipur, Bilaspur, Rajnandgaon and Kawardha districts, and has recently enveloped Dhamtari, Mahasamand, Raigarh, Korba and Janjgir-Chanpa. The eight districts spared "Kanker, Jagdalpur Narayanpur, Dantewada and Bijapur in Bastar commissionery and Ambikapur, Korea and Jashpur in Sarguja commissionery" are mostly tribal areas where land purchases by non-tribals are prohibited, a measure to ringfence these tribes from predatory

acquisitions and disruptive intrusions.

Swarming in are not only ordinary farmers. Influential Jat leaders of Haryana and western Uttar Pradesh have large holdings that flagrantly flout the Land Ceiling Act in Chhattisgarh. The most famous of these is Choudhary Ajit Singh, Rashtriya Lok Dal chief. He owns an irrigated farm of 115 acres at Bansa village in Berala block of Durg district, far beyond the states' limit of 36 acres of irrigated and 56 acres of non-irrigated land permitted per family of five. He's an absentee landlord. "The Choudhary Farm", as its signboard calls it, is being tilled by Surat Singh, resident of Sonepat in Haryana. "We have taken Ajit Singh's farm at an annual rent of Rs 6.5 lakh, says Surat Singh's son Sonu, who manages it with the help of labourers (some local and the rest from UP and Bihar). According to Sonu, Ajit Singh bought the farm nearly five years ago.

Look closely at the arrival of new settlers from Haryana, and you see a distinct pattern. They typically sell smaller but much more expensive land back home, and buy the best available farmland here at much lower prices, thereby enlarging their holdings' manifold in most cases. Also, while long-distance farmers such as Ajit Singh prefer to buy large farms straightaway, farmers who actually farm go about it stage by stage. They often use rented land on a trial basis for a few seasons before acquiring their own land. Surat Singh, for example, migrated with his family around six years ago and took almost 200 acres of farmland on rent. Although the family still works mainly on rented farms, three years ago, Surat Singh sold his 1.5 acre tract in Sonepat and got himself 16 acres of farmland close to Choudhary Farm, which he took on rent only about six months ago.

There are much larger land holdings as well, say locals. Amar Agrawal, whose late father Lakhiram Agrawal had migrated from Haryana long ago and was among the founding members of the BJP in that area, is said to control over 4,000 acres of land in Raigarh and over 1,500 acres in Bilaspur. Agrawal is also Chhattisgarh's revenue minister; it is safe to assume he considers land productivity a policy priority' conveniently enabled by large farms.

But economies of scale must still be reconciled with matters of roots. Here, Haryanvis have become Chhattisgarhis, asserts Sonu, as he starts his bike for his parents' house on a nearby farm. But Sahu, who senses local resentment of the influx, is not convinced. Haryana farmers are very aggressive, both in their attitude towards farming as well as the local village community, he says, often, after settling down, they start aggressively buying up more and more agricultural land, damaging the congenial atmosphere in rural areas. These people are different from the earlier settlers who arrived from Gujarat, UP and other areas 20-25 years back. They never came in such large numbers and got easily assimilated within the local population.

There are many tales of tension, many of them gory. Ramlal and Meena Satnami's tragic tale is only one. On 10 September 2005, there was blood spilt in Bhurki village in Durga's Bemetara block. Kartik Satnami and his elder son Punit were hacked to death by some influential settlers from Haryana. It all happened because my father and elder brother refused to sell about three acres of our land that lay within a farm purchased by a Haryanvi farmer, says Kartik's younger son Ramesh, who now looks after the family. The killings so enraged Bhurki's Dalit Satnamis that they clashed with Jat settlers, forcing them to flee. The 200 acres of farmland they vacated remains fallow, says Ramesh Satnami, no one dares touch it because it is said the farm has been bought by someone close to (CM) Raman Singh.

Occasionally, ousted locals have hit back. Three years ago at Jhilka village in Durg, two brothers from Kawaji village in Haryana who had brought 100 acres of farmland "Mahaveer Singh and Tejveer Singh" were found dead inside their farmhouse, which had been set afire.

In most areas, though, land takeovers are smoothened by a network of brokers. It's a web of sales agents, village persuaders, scruffy thugs and document manipulators. For a recent deal in Monhda village, the surnames of three sellers whose land was being pooled with six others' to create a 90-acre plot was switched from Gond to Goswami. This is how Ganga Bai, Kunj Ram and Ram Lal, members of a Scheduled Tribe, turned into Brahmins overnight at least in land records. For allowing their names to be changed, the three tribals were fined by the community, says Thakur Ram Dhruv, a local Gond leader, They did pay the fine, but nothing could be done because they had already sold off their land.

Sellers mostly end up in misery. Budhlal Satnami, a resident of Sirsa village, sold three of his five acres to a settler about five years ago for about Rs 150,000. Today, he works as a labourer on the same land. For the first time, we are facing the problem of landlessness on a large scale, says Sahu, the money locals get from these settlers gets spent very soon, destitution follows.

Blockades and Barbed Wire

The scramble for farms has seen barbed wire fencing riddle the landscape. Land that once grew paddy for subsistence now has sugarcane, soyabean and other

cash crops for bulk supply. Tractors, bore wells and other mechanised objects "harvesters brought in seasonally from Punjab and Haryana" are common sights. Local farmers hardly ever used underground water for irrigation. Now that we have started using it, locals have begun to emulate us, says Karamvir, a settler in Shilghat village who's originally from Lakhamajra in Rohtak district of Haryana, it has remarkably increased their output.

But as proud settlers patrol their fields in noisy tractors, local resentment smoulders. Both the BJP and Congress promised protection for local farmers in their manifestos for the November 2008 Assembly polls. The Raman Singh government that was re-elected even appeared to be serious for a while. But the effort has gone cold since. The State Land Use Board, which met under the CM's chairmanship on 19 February, put off any legislative action until the Assembly's next session. But the session ended on 30 July without any sign of the bill.

Sources say the cabinet is divided over whether the state is experiencing a farm grab or development. Sahu, whose constituency Abhanpur in Raipur district has seen some settler-related turmoil, is keen to keep Haryanvis out. The bill will come up in the next session not only to stop outsiders from buying farmland in Chhattisgarh, he says, but also to prevent diversion of agricultural land for non-agricultural purposes. Those in the revenue minister's camp are not so sure.

The migration of farmers is not entirely new in India. After participating in Punjab's Green Revolution of the 1960s, for example, several Sikh agriculturists settled in the Terai region of Uttar Pradesh and later in some pockets of Rajasthan and the Narmada valley of Madhya Pradesh.

But never have settlers come in such large numbers as in Chhattisgarh, and never has a majority of the land been taken over. In that, Jatland in Chhattisgarh is bound to test mass attitudes towards immigration and settlers within the rural Indian mileu.

(Courtesy: Open Magazine)

India's External Debt as at the end of March 2009

As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India and those for the quarters ending September and December by the Ministry of Finance, Government of India. The external debt data are released with a lag of one quarter. The developments relating to India's external debt as at end-March 2009 are discussed in the following paragraphs.

Major Highlights of External Debt

(i) India's external debt, as at end-March 2009, was placed at US $ 229.9 billion (22.0 per cent of GDP) recording an increase of US $ 5.3 billion or 2.4 per cent over the level of the previous year mainly due to the increase in trade credits.

(ii) As per an international comparison of external debt of the twenty most indebted countries, India was the fifth most indebted country in 2007.

(iii) By way of composition of external debt, the share of commercial borrowings was the highest at 27.3 per cent as at end-March 2009 followed by short-term debt (21.5 per cent), NRI deposits (18.1 per cent) and multilateral debt (17.2 per cent).

(iv) The debt service ratio has declined steadily over the years, and stood at 4.6 per cent as at end-March 2009.

(v) Excluding the valuation effects due to appreciation of US dollar against other major currencies and Indian rupee, the stock of external debt would have increased by US$ 18.7 billion as compared with the stock as at end-March 2008.

(vi) The share of short-term debt in total debt increased to 21.5 per cent at end-March 2009 from 20.9 per cent at end-March 2008, primarily on account of rise in short-term trade credits.

(vii) Based on residual maturity, the short-term debt accounted for 40.6 per cent of the total external debt at end-March 2009

(viii) The ratio of short-term debt to foreign exchange reserves at 19.6 per cent in March 2009 was higher compared to 15.2 per cent in March 2008.

(ix) The US dollar continues to remain the dominant currency accounting for 57.1 per cent of the total external debt stock as at end-march 2009.

(x) India's foreign exchange reserves provided a cover of 109.6 per cent to the external debt stock at the end of March 2009 as compared with 137.9 per cent as at end-March 2008.

(Courtesy: rbi.org.in)

DELHI

Delhi Shramik Sangathan: PDS Rally on 8th October 2009

Thousands of members of Delhi Shramik Sangathan from all over Delhi assembled at Mandi House and marched to Parliament against the proposed **cash for food** scheme by Delhi Government. They were demanding Universalization of Public Distribution System.

The members of supporting organizations like Lok Raj Sangathan, Pragati mahila Manch, Alliance of People's Right, Nirman Mazdoor Panchayat Sangam, AIFTU, Right to Food Campaign, Delhi Platform, Jagori and friends of DSS joined the march and supported the protest. The Below Poverty Line families living in slum areas and J J Colonies were full of anger & shouting slogans against this proposed scheme by Delhi Government.

The poor women blamed Government for cheating the poor. They said before election, Chief Minister made a number of promises for poor including a house to the slum dwellers and Delhi Government collected crores of rupees from the poor families but till date there is no house and we don't know any thing about that. Now the Government wants to throw us in open market where every day price is rising like anything. In this situation how can a poor family survive in Delhi?

The rally converted into a public meeting at Jantar Mantar and it was addressed by several activists. Ramendra Kumar, senior activist of DSS said that this proposal is part of neo-liberalized agenda of the Government. The Government is pulling off its hands from all social and welfare sector schemes and pushing poor in the hands of the open market. He made a comparsion between open market prices and PDS prices of grain, sugar and kerosene oil. There is difference of three to five times in prices. It means Government wants BPL families to have food for only 7-8 days in a month. Is this

a food security which the Government is talking about?

Public Meeting at Jantar Mantar on PDS

Anita Juneja, Convener of DSS said that if this scheme gets approved by the Planning Commission, not only the poor families but the Farmers and agriculture workers will also get severely affected as the Government can pull off its hands from the minimum support prices for the crop. The traders will have free hands to deal with the farmers. She also said that Delhi Government is withdrawing the ration in the name of corruption. The Government should take action against the corrupt officials of food dept, ration shop dealers and the politicians who are involved in corruption. Why the Government is punishing poor?

The activist Biju Nayak from LOK Raj Sangathan, Snehlata from Mahila Pragati Manch, Ishwar bhai

from NMPS, Munni from Jagori and Biraj from Right to food campaign addressed the gathering. The women activists raised the issue of non availability of food and kerosene oil from the PDS shops and also not getting BPL cards since 2007. Biraj informed the gathering that the campaign has demanded 50 Kgs of grain from the Government for the card holders and also demanded removal of categorization of ration cards. Rohit Jain, senior activist and friend of DSS stressed the need of continuous struggle against the cheating, misguiding and marginalizing the poor to live under threat and fear.

The activists informed the gathering that poor slum dwellers have written thousands of letters to Chief Minister, Food Minister (Delhi Govt), Food Minister (GOI), Petroleum Minister and Deputy Chairman, Planning Commission but not a single response has been received till date. The members of DSS organized protests at nine major traffic signals of the city to oppose the scheme.

A memorandum with thousands of signatures was submitted to Chief Minister & Food Minister, Delhi Government, Agriculture & Food Minister (GOI) and Deputy Chairman, Planning Commission.

ORISSA

Solidarity Convention for Niyamgiri Struggle : 10 October 2009, 4.30pm-7.30pm at Hindi Bhawan, New Delhi

On 5th October 2009, more than 3000 Kandh adivasis, among others, gathered in Muniguda town, blocking the highway for several hours. They reiterated with slogans what they have been asserting for more than five years by now: we will not let Niyamgiri - our lifeline and sacred mountain - be mined, come what may!

For five years, the people's resistance to Vedanta's refinery at Lanjigarh, and to the proposed mining of bauxite from Niyamgiri hills, has been building up. They have militantly resisted the destruction of their forests, the fragmentation of their community, the decimation of their culture and religious beliefs, the loss of their livelihoods. From organizing village-level meetings to oppose the project to staging road blockades to prevent company vehicles from entering the area, people have used a range of strategies. They have even refused the manual wage-labour jobs on offer. On 17th January this year, 7000 protestors marched to the gates of Vedanta's refinery in Lanjigarh. On 27 January, over 10,000 men, women and children formed a 17-kilometre-long human chain around the Niyamgiri Mountain, holding placards that said: Niyamgiri is Dongria land! Vedanta cannot come here without our permission. We say NO!

As always, this resistance has been countered by repression by company goons, police, and the state administration. An adivasi activist, Sukru Majhi, was killed by company goons in 2005. One teenaged girl was abducted and kept in captivity for several hours to terrorize the people in 2008. Company goons roam the area, with weapons, trying to instil fear in the locals. 'Development', as always, is being rammed down people's throats.

The entire story of Vedanta's operations in Niyamgiri and Lanjigarh has been one of violating the law, ecology and people's lives. In 2004, the company claimed that the refinery would not involve the diversion of forest land. A committee appointed by the Supreme Court later said this was a lie. In September 2005, this committee recommended that environmental clearance for the Lanjigarh refinery be revoked and mining at Niyamgiri be banned, as it would amount to 'sacrilege'. Also in 2005, the MoEF ordered refinery work to stop but revoked the order five days later, following pressure from the company and the state government. In November 2007, as also in January 2009, the Orissa Pollution Control Board noted that Vedanta's refinery operations had contaminated the Vamsadhara River and the groundwater of neighbouring villages. These violations - and the widespread resistance - prompted the Norwegian government to withdraw funds from Vedanta. So did the Scottish investment group Martin Currie, in August 2008.

And yet the Supreme Court, in its "wisdom", has permitted mining on Niyamgiri, revealing, yet again, which class it stands with!! So did the MoEF, in April 2009. And the elites of this country have applauded it all. The CM of Orissa, the cabinet and most MLAs, who, despite the struggles all over the state - in Jagatsinghpur, Keonjhar, Kashipur, Kalinganagar and elsewhere - have been at the beck and call of the Mittals, the Jindals, Anil Agarwals, the POSCOs and their ilk.

What does the Niyamgiri Struggle Represent for Us?

Those who struggle against Vedanta in Niyamgiri aren't alone. Resistance against Vedanta is being waged in MP, in Chhattisgarh, in Goa, in Tamil Nadu and elsewhere. Mining and other anti-displacement struggles are erupting all over the country, as people

seek to regain control over their common resources - lands, water, rivers, forests - and through it, their lives, livelihoods, and cultural identities.

These struggles aren't theirs alone, they touch our lives also. For, they raise crucial questions for us all: how could the voices of those resisting be repressed? Is this what democracy means? Is this development of a nation or destruction of the natives? What kind of 'development' do we want? Is 'development' meant for the people or for profits to a few?

People's resistance is building up precisely because those who face the threat of displacement by these projects realize that they benefit neither from the few and temporary jobs they provide (if at all), nor from the products and services these industries create. They are, and have always been, victims of 'development'. If our democracy has to become more meaningful and development more just, then it has to start from the fact that people have a right over the commons, and that development trajectories have to meet their basic needs first.

It is time for all of us to come together and collectively challenge the notion of 'development' that is destroying the very essence of peoples' lives, livelihoods, cultures, and our ecosystems. Let us join hands in solidarity with the struggle in Niyamgiri in Orissa and strengthen the resolve to protect people's rights over their land, forests, mountains, water and, above all, their right to choose.

Vedanta University Movement

The movement has got a peculiar dimension after the last Assembly election. The Ex-MLA from Congress Party, Mr. Umaballav Rath was denied a party ticket allegedly at the instruction of Vedanta Company as he was spearheading the Vedanta protest movement. Similarly, Mr. Braja Tripathy, four time Loksabha MP and BJD's deputy leader of the house in Lok Sabha was denied a ticket for the Loksabha on the same ground as he had given silent support to the movement. As a result, both Umaballav and Braja joined BJP and the party has taken up the University issue in full stream, which was not there prior to these leaders joining the party.

ABVP organized a massive protest movement against the proposed University at Bhubaneswar and a team of BJP state party leaders visited the protest area followed by a press meet programme.

The local movement leaders are willing to accept these developments under their own banner. At the same time CPI has shown interest in the movement and has planned a Padyatra from Dhinkia to Puri.

The movement has got its radical dimension after it confronted the local MLA, Maheswar Mohanty of BJD who was in a review meeting in progress of the project. The MLA ran away into his farm house, and the protestors followed him and gheraoed the farm house also. After a lot of persuasion, the police was able to get him released and the movement leaders gave a direct threat against any adventurism of the administration to undermine the protest. As a result the administration has failed twice to get into the area for foundation of the project as people are blocking it with all available resources.

It is not surpriting that the University project is yet to start, although the University Bill got passed in the Assembly without any protest from any party. Again, the land requirement has been reduced to 6,000 acres land instead of 10,000 acres in the face of mounting protest from the villagers.

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A-124/6 (2nd Floor), Katwaria Sarai, New Delhi 110 016

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