

SHRI RAM

NOTICE

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SURYANARAYANA

**T**HESupreme Court interim ruling against the UPA's biometrics-based identity scheme, Aadhaar, touched on two aspects of the project: enforcement and eligibility. It has ruled that enrolment for the Aadhaar card should be voluntary; it cannot be made mandatory to claim public services and subsidies. With regard to eligibility, it has declared that the card cannot be issued to illegal migrants; it can only be issued after verifying citizenship.

Since Aadhaar is considered critical to targeting public services and subsidies, to ensure comprehensive coverage of the poor at minimum cost by reducing corruption and improving transparency, the court's order will have major implications for these objectives. To examine the possible implications, we need to know how Aadhaar was conceived and how it works.

It is a multipurpose national identity card project, a 12-digit unique identification number issued by the Unique Identification Authority of India (UIDAI) on behalf of the government of India. Enrolment is not mandatory. The number is linked to demographic and biometric information — photograph, 10 fingerprints and iris recognition — about each individual. This serves as evidence of identity and address for an Indian resident. Such information would establish individual identity and eliminate duplication.

Such foolproof identification is imperative today because there is an urgent need to contain the fis-

cal deficit by reducing excessive public expenditure due to leakages and inefficiencies in the implementation of safety nets. For instance, according to Census 2011, there are 21 million households in Andhra Pradesh, but the number of ration cards in circulation is 24.5 million. This is due to "duplicates" (where the same individual benefits multiple times) and "ghosts" (non-existent beneficiaries).

To address these issues, the government has created what is called the Direct Benefit Transfer System (DBTS). The DBTS aims to credit funds for scholarships, pensions and wages under public works directly to the bank accounts of the beneficiaries identified using their Aadhaar numbers. This would delineate duplicates and ghosts and there-

### The DBTS is designed in a way that the benefits of various welfare programmes are conditional on Aadhaar enrolment.

to minimise leakages or undue public expenditure.

Thus, the very design of the DBTS is such that the benefits of various welfare programmes would be conditional on Aadhaar enrolment. This is what has motivated the public to pursue enrolment despite the inconvenience. The UIDAI has already issued more than 400 million cards.

The government launched the DBTS on January 1 this year. To begin with, it covered seven welfare schemes in 20 districts, spread over 16 states. The schemes include scholarships, pension for widows and unemployment al-

lowances. In the long run, it is proposed to cover food, fertilisers, and fuel subsidies by working out their cash equivalents and transferring them directly to the beneficiary accounts. The DBTS for LPG has already benefited three million households in 18 districts since its launch in June.

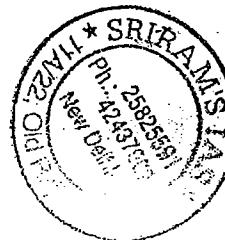
Now, what are the implications of the Supreme Court's order for the relevance of Aadhaar in claiming welfare benefits? One immediate fallout will be that citizens will have limited incentive to pursue Aadhaar enrolment. This is particularly so for those who already possess other identification documents and are enrolling for Aadhaar only because it was made mandatory for access to certain government schemes. If Aadhaar enrolment is de-linked from various

implementation of welfare programmes, the government could explore alternative options, such as the conditional cash transfer programme in Latin American countries. Brazil and Mexico have implemented conditional cash transfer programmes that provide financial assistance to poor households, subject to certain specifications on children's health care and education. However, their successful implementation presupposes a well-developed infrastructure for the provision of health and education. In fact, even the MGNREGA requires some degree of self-targeting and involves DBTS without the Aadhaar link. Detracting the DBTS from Aadhaar would call for a programme-specific targeting design, which would be cumbersome and costly in a scenario where there are multiple welfare programmes and schemes.

The court's order raises a couple of questions that call for a policy response: What will happen to the millions, including illegal migrants, who have already been enrolled into Aadhaar with perfunctory verification of their proof of identity? How will the government verify the nationality claims of the poorest of the poor, who do not have identification documents? These are issues that call for a serious rethink on the design and implementation of the DBTS.

*The writer is professor at the Indira Gandhi Institute of Development Research, Mumbai  
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**SRI RAMS JAS**



# Julf between job seekers and employability widens

overwhelming majority of Indian companies says the availability of trained workers will be a significant constraint on business. Beginning lay, a two-part series looks at the reasons and what various stakeholders are doing to improve the situation

**WA PATHAK**  
JAI 30 September

he coming decade, 12.8 million people will enter the market every year. If industry isn't used by that number, there are reasons for that. mere two per cent of the sectors are formally skilled. About 93 per cent work in the unorganised sector.

ITC India Infrastructure Development Council (NSDC), formed in 2009, plans to skill 500 million workers in the next decade. If that target has to be achieved, the year-on-year training capacity would have to rise to 40-50 million incrementally over the next 10 years. Given ITC's lukewarm involvement and the track record, that seems to be a tall order.

Consider this: At present, net enrolment in vocational courses in India is about 5.5 million a year, compared with 90 million in China and 11.3 million in the US.

"Industry has been luke-warm in skilling its own work-

down on skills development.

The public-private partnership (PPP) scheme of industrial training institutes (ITIs) has

probably fallen apart, except where co-opted by industrial players," says Amit Bhatia, founder and chief executive,

Aspire Human Capital Management, an Indian social entrepreneurial firm in

Dilip Cheno, chief executive of NSDC.

One of the key challenges

for skills development in the country is 17 ministries are

engaged in this, leading to all-round confusion and turf wars.

And, many of their skill development initiatives aren't

achieved, the year-on-year

target.

Employers want

Most formal skills-related training happens through ITIs and industrial training centres.

However, many ITIs

have now been brought under the PPP mode.

Electronics & IT hardware

Media & entertainment

Chemicals & pharma

Construction material & building hardware

Gems & jewellery

Leather & leather goods

Banking, financial services & insurance

Tourism and hospitality services

Furniture & furnishings

3.3%

3.0%

1.9%

1.4%

4.6%

5.3%

5.8%

9.3%

12.7%

14.0%

17.3%

17.7%

103.0%

37.6

35.0

33.0

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# **STALEMATE IN THE US**

## **WHY THE SHUTDOWN?**

- The US government's fiscal year runs from Oct 1 to Sep 30. So, the budget year ends on Sept 30
  - Govt needed approval from the Congress for fresh spending for FY2014
  - This didn't come because of differences between Democrat-led Senate and Republican-controlled House over Obama's healthcare law
  - House Republicans refused to pass the Spending Bills (their Budget) that fund the govt, without provisions that would stop, delay 'Obamacare'
  - Senate Democrats refused to link healthcare law with Spending Bills (SB)
  - Till SB passed, govt has no authority to spend

## How is Obamacare tied to funding the government?

- Though the healthcare law (Affordable Care Act) isn't directly tied to funding the government, it's being used as a bargaining chip
  - Reports say a group of Republicans, led by Texas Senator Ted Cruz — pitted to be a 2016 prez candidate, wants to undercut Obama's policy

ONCE  
SIGNAL  
A DAY | Goldman  
Barth estimate of  
the cost to the  
U.S. economy

#### **WHAT HAPPENS NEXT?**

- Democrats and Republicans return to the negotiating table
  - Hard to predict when agreement will be reached
  - White House insists it won't accept delay to implementation of Obamacare
  - Shutdown over immediately after Obama signs SB

#### **Roll out of a shutdown**

- Workers divided essential & non-ess.
  - Essential workers on operations
  - Rest go on leave without pay until shutdown over
  - No time frame for a shutdown
    - It could last for hours, days or

**The Prez is  
essential**

- The president gets his salary during shutdown
  - His salary - \$400,000 pa - mandatory spend
  - House and Senate members get paid
  - President's staff of 1,265 at White House dwindle to 436.

## **WHAT SHUTS DOWN**

- Tourist spots and national parks close. The latter's closure means loss of 750,000 daily visitors, an economic loss of minimum \$30 million for each day parks are shut
  - No federal loans disbursed
  - No passports, gun permits | All offices that issue licences shut
    - Defence Department | All military personnel continue normal duty, but civilian employees furloughed
    - Federal Reserve & other financial agencies stay mostly open
      - Criminal litigation continues
      - Civil litigation curtailed
    - US Supreme Court operates
    - Govt research hospitals take no new patients

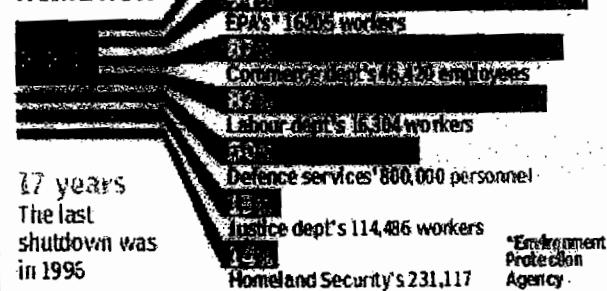
## THE NUMBERS

**3.3 m**  
US Govt workers  
**1.1 m**  
Federal gov't workers/  
employees affected

**21 days**  
Longest  
stint  
Dec 16, 1995  
to Jan 5, 1996

**WHAT'S  
ESSENTIAL**  
National security  
agencies, mail  
delivery, air traffic,  
police, nurses,  
firefighters etc

## **WHO STAYS HOME NOW**



**SRI RAMS IAS**



# Vipassana guru S N Goenka dies

PRESS TRUST OF INDIA

MUMBAI, SEPTEMBER 30

REKNOWNED spiritual leader and Vipassana guru Satya Narayan Goenka died due to old age on Sunday night. He was 89. The funeral is scheduled for Tuesday.

Born on January 30, 1924, in Burma (now Myanmar), Goenka learnt Vipassana, a meditation technique, there from Sayagyi U Ba Khin, an acclaimed teacher and administrator. He later moved to India and made the technique popular worldwide through a non-sectarian movement.

Goenka is survived by his wife Elaichidevi, also a co-teacher of meditation, and six sons.

Goenka, who was conferred the Padma Bhushan for social work last year, started teaching meditation to the public in India in 1969. In 1976, he set up the Vipassana International Academy — also known as Dhamma Giri



Disciples and relatives at S N Goenka's house in Mumbai on Sunday.

VASANT PRABHU

— in Igatpuri, about 200 km from here in Nashik district.

The ancient technique was part of prison reforms carried out in Delhi's Tihar Jail in early 1990s and it was taught to inmates there. Later, several prisons in the country introduced Vipassana for inmates.

In 1982, Goenka began to appoint assistant teachers to help him meet the growing demand for courses.

In 2000, Goenka addressed the Millennium World Peace Summit at the United Nations headquarters in New York.

Besides India, Vipassana centres have come up in countries like the US, Canada, Australia, New Zealand, France, the United Kingdom, Japan, Sri Lanka, Nepal, Myanmar and Thailand under his guidance.

SRI KALYANASIAS

# Pressure of a button

THE Supreme Court judgment on the long-pending demand from a section of the people for the right to reject has created a stir. But it seems that the meaning of the order has not been correctly appreciated. Most people appear to think that the right to reject has been granted. They will be disappointed to learn that their celebrations have been premature.

What are the facts, then? The Supreme Court has asserted that just as people have the right to express their preference for a candidate, they also have a right to register a negative opinion. This can be exercised through an extra button on the EVM which says "none of the above" or NOTA. The apex court has directed the Election Commission to introduce this button.

The order came after a writ petition filed by the People's Union for Civil Liberties (PUCL) in 2004, under Article 32 of the Constitution, questioned the constitutional validity of the Conduct of Election Rules 41 (2 and 3) and 49-O, as these violate the secrecy of a vote. It also requested the court to direct the EC to introduce the NOTA option on EVMs (and ballot papers). Interestingly, the EC itself had demanded the provision of this option through an amendment of the Conduct of Election Rules as early as 2001. Irked by the government's inaction, the PUCL chose to go to the apex court.

What will the effect of this innovation be? Will it mean that all the candidates in a constituency stand rejected or defeated if the number of NOTA votes exceeds the number garnered by the highest vote-getter? The answer is a clear no. Even if there are 99 NOTA votes out of a total of 100, and candidate X gets just one vote, X is the winner, having obtained the only valid vote. The rest will be treated as invalid or "no votes".

The question arises that, if it does not affect the result, what is its advantage? Why was the EC demanding it in the first place? The EC's reason for demanding the option was not to institute the right to



The NOTA option is not a right to reject, but it will let disillusioned voters be heard

S. Y. QURAISHI

reject. It was to ensure the secrecy of the voter wanting to make a choice that amounts to abstention, and also to ensure that nobody casts a bogus vote in his place. Both these concerns have been addressed by the SC order and the EC has reason to be happy.

What happened to the demand for the right to reject? The fact is that the demand did not exist in the PUCL writ petition (as evident from the SC order). But the court has held that the high number of NOTA votes will pressure political parties to nominate only good candidates, not the dubious or tainted. In a way, a small step has been taken towards that goal.

Before the introduction of

**Electoral reforms have been coming from the judiciary in the face of the government's apathy. The SC has stopped short of creating the right to reject, apparently because it was not in the petition.**

**But it has paved the way for it.**

EVMs in 1998, people exercised the option of non-voting in secrecy, by simply putting a blank ballot slip into the ballot box. Some would deliberately spoil the ballot by stamping it in more than one place to make it invalid. Many just wrote "sab chor hain (they are all thieves)". All these amounted to invalid votes. These were counted but did not have an impact on the result.

After the introduction of EVMs, non-voting lost its secrecy, since the pressing of a button is accompanied by a loud beep, audible in the entire polling booth and even outside. No beep would mean non-voting and everyone would know.

This not only violated the voter's secrecy but also made him vulnerable to reprisals. The secrecy prin-

ciple is integral to free and fair elections. Whether a voter decides to cast her vote or not, the secrecy of her choice has to be maintained.

Significantly, the apex court has also upheld the concept of negative voting. "A voter may refrain from voting for several reasons, including the reason that he does not consider any of the candidates worthy of his vote. One of the ways of such expression may be to abstain from voting by not turning up at all, which is not an ideal option for a conscientious and responsible citizen. Thus, the only way by which it may be made effectual is by providing a button in the EVMs to express that right. This is the basic requirement if the lasting values in a

healthy democracy have to be sustained, which the Election Commission has not only recognised but also asserted." The court also observed that the NOTA provision is used in several countries, such as France, Belgium, Brazil, Chile and even Bangladesh.

It is significant that the Supreme Court has gone to the extent of raising negative voting to the status of a fundamental right. "Not allowing a person to cast vote negatively," it says, "defeats the very freedom of expression and the right ensured in Article 21, that is, the right to liberty."

Elaborating the need for this right, it says, "for democracy to survive, it is essential that the best available men should be chosen as people's representatives for proper

governance of the country. This can be best achieved through men of high moral and ethical values, who win the elections on a positive vote. Thus, in a vibrant democracy, the voter must be given an opportunity to choose 'none of the above' (NOTA)... which will indeed compel the political parties to nominate a sound candidate. This situation palpably tells us the dire need of negative voting." My personal feeling, though, is that expecting moral pressure to work on political parties is far too optimistic, given their stubborn refusal to debar tainted candidates from contesting, despite a public hue and cry for two decades.

The court's observation about voter participation is also very significant. "It will also encourage voter participation, which signifies the strength of the democracy", implying that coming out to exercise NOTA option is better for democracy than not turning up at all. "This will give them a feeling of empowerment.

Many people have asked me about the technical changes that the EVMs would require and the time it will take. Fortunately, this is the easiest measure to implement. No modification of EVMs is required. All it means is that the NOTA will be like one more candidate, represented by the last button. There are no financial implications either. The EC, no doubt, will now introduce the button soon, without waiting for the amendment of the law.

Electoral reforms have been coming from the judiciary in the face of the government's apathy. The SC has stopped short of creating the right to reject, apparently because it was not in the petition. But it has paved the way for it. It's time for the government and Parliament to take the comprehensive electoral reforms forward, for the health of our democracy. If they don't, the current momentum will peter out.

*The writer is former chief election commissioner  
express@expressindia.com*

# 'Our education system should have meaningful linkage with industry'



The ministry of human resource development (MHRD) is looking to skill 500 million people in India by 2022 through its various initiatives. Speaking to M Saraswathy on the sidelines of a summit in Mumbai, M M PALLAM RAJU, Union minister for human resource development, talks about the strategy of making Indian youth more employable. Edited excerpts:

MHRD has launched the National Vocational Education Qualification Framework (NVEQF). How will this enable the 'skilling push'? NVEQF is the framework that the All India Council for Technical Education (AICTE) has come up with. This will allow lateral movement between skilling and education. It will also recognise prior skilling. AICTE has done this in 18-19 disciplines and is now working on more. About 376 colleges have signed on for this initiative.

The Right to Education (RTE) Act has been implemented. But there are reports of violations by schools. What steps are being taken to bridge these loopholes?

We hope they will start implementing it. Otherwise, there is no measure of skilling and no framework to move up the ladder. We also want the sec-

almost 230 million. But an area that we are not satisfied with is that the recruitment of teachers in some states and the retraining of employed teachers is going slow. We need to really buck up in these two areas.

With respect to the compliance by schools, we are encouraging and expecting states to become down hard on people who violate the norms. The ministry is also holding the Central Advisory Board of Education meeting, later this month, to review these aspects.

For full interview, visit [www.business-standard.com](http://www.business-standard.com)

**SRI RAMA SIAS**

# Key plastic chemical found on Saturn moon

Srinivas Laxman TNN

Mumbai: A chemical used to make food-storage containers, car bumpers and other consumer products has just been discovered not on the earth, but for the first time on Saturn's moon, Titan. Nasa's Cassini spacecraft has detected propylene, a chemical essential for creation of plastic, on Titan. This is the first definitive detection of the plastic ingredient on any moon or planet, other than earth, Nasa said on Tuesday.

A small amount of propylene was identified in Titan's lower atmosphere by Cassini's Composite Infrared Spectrometer (CIRS). This instrument measures the infrared light, or heat radiation, emitted from Saturn and its moons in much the same way our hands feel the warmth of a fire. Propylene is the first molecule to be discovered on Titan using CIRS. By isolating the same signal at various altitudes within the lower atmosphere, researchers identified the chemical with a high degree of confidence. Details are presented in a paper in the September 30 edition of the *Astrophysical Journal, Letters*.

The detection of the chemical fills in a mysterious gap in Titan observations that dates back to Nasa's Voyager 1 spacecraft, and the first ever close flyby of this moon in 1980.

## Myth busted: Black holes may have 'hair'

Black holes may have 'hair' to anchor them to the surrounding matter and probably to the entire universe, a new study suggests. Black holes may be much "dirtier" as opposed to the hypothesis by Roy Kerr, who in 1963 proposed a "clean" black hole model, which is the current theoretical paradigm. "Black holes, according to our calculations, may have hair," said Thomas Sotiriou, a physicist of the International School for Advanced Studies of Italy, referring to a wellknown statement by physicist John Wheeler, who claimed that "black holes have no hair." Wheeler meant that mass and angular momentum are all one needs to describe them. PTI



# Tracking an emerging, cross-border virus

Little known about killer Nipah virus, NIV team seeks to map it on Bangla border

ANURADHA MASCARENHAS

PUNE, OCTOBER 2

IN 2001, Dr Mandeep Chadda and her five-member team spent two weeks at a hospital in Siliguri, treating patients for a new kind of infection that led to 22 deaths. They were initially not certain what it was.

"Infected patients had high-grade fever and headache that soon affected the brain. They often went into a state of delirium and let out cries," she says. "What was also startling was the extent of human-to-human transmission. For instance, we recorded how one patient admitted to Medinova Hospital in February 2001 had infected 23 hospital staff and eight visitors in a short span. The outbreak occurred among hospitalised patients and medical staff of four hospitals then."

The team went on to identify the outbreak as one caused by the Nipah virus. Today, Chadda, deputy with National Institute of Virology, is once again working against the emerging virus, at the forefront of a project that aims to map it in areas bor-

## THE DISEASE

**1999** First recognition of Nipah virus during an outbreak among pig farmers in Malaysia

**12 more outbreaks, all in WHO's Southeast Asian region.** Bangladesh has had several of these

**2 outbreaks in India, both on West Bengal's border with Bangladesh.** Silguri (2001) and Nadia (2007) saw 45 deaths.

**HOW IT AFFECTS:** High-grade fever, headache that soon affects the

brain. Patients go into delirium, often scream. High rate of human-to-human transmission.

**SOURCES:** During the initial outbreaks in Malaysia and Singapore, most human infections resulted from direct contact with sick pigs or their contaminated tissues. In the Bangladesh and India outbreaks, consumption of fruits or fruit products (e.g. raw date palm juice) contaminated with urine or saliva from infected fruit bats was the most likely source of infection.

dering Bangladesh.

Bangladesh has reported a series of Nipah virus outbreaks between 2001 and 2008. India has seen two in that period. Following 2001 in Silguri, the next one was in 2007 in Nadia, both on the border in West Bengal, and which between them saw 66 people infected and 45 deaths.

According to the World Health Organisation, the emerging disease has infected 477 persons and killed 252 since 1998 in the Southeast Asian region. In-

took medical records of the patients, met family members and even visited houses of patients who had died," recalls Chadda. "We searched for clues to understand which disease had caused the symptoms."

NIV scientists feel it is crucial to undertake a syndromic surveillance of the population in pockets of the region under survey.

"What we have now proposed is a sero surveillance that means detecting the presence of antibodies against Nipah virus in normal healthy people in the affected pockets," Mourya says.

So far Nipah virus outbreaks have been reported from Malaysia, Singapore, Bangladesh and India and cases in humans have been attributed to a zoonotic transmission from bats and pigs. Mourya says the virus causes severe illness leading to inflammation of the brain and in Bangladesh, half the cases between 2001 and 2008 were due to human-to-human transmission.

Chadda says that the virus may have caused few outbreaks but it infects a wide range of animals, besides humans, and causes death.

## An indigenous vaccine against JE

**PUNE:** An indigenous vaccine against Japanese encephalitis will be launched in the first week of this month, says Dr V M Katoch, director general of Indian Council of Medical Research. An effort of NIV in collaboration with Bharat Biotech International Ltd, the tissue culture-derived inactivated vaccine has used an Indian strain.

The virus was purified using patented technology of BBIL, says Dr Devendra Mourya, NIV director. Various strains of the virus were compared, says NIV's Dr M M Gore, principal scientist in the team that developed the vaccine.

JE, which affects the central nervous system, is transmitted to humans via mosquito bites. Over the last three years it has claimed more than 3,000 lives. Assam, West Bengal, Bihar and Uttar Pradesh are the worst affected states. JE mostly affects children below 15. **ENS**

# Not Just Macro Issues

Economic/Market Indicators	Impact for Individuals	Course of Action
GDP Growth Rate	Slower growth could dent job prospects	Direct more of your income towards savings
 Inflation	High inflation curbs purchasing power and eats into your real rate of return (that is, post-tax return minus inflation) on your investments	Fixed income instruments like fixed deposits will yield little or no real return, particularly for those in the higher tax brackets; to beat inflation, you may have to look at gold or equities, if you can stomach the risk
 Exchange Rate	Depreciation in rupee value could fuel inflation, make foreign travel more expensive	Overseas-bound students should focus on containing their living expenses; Compromises will have to be made on holiday destinations
 RBI's Monetary Policy	Increase in repo rate could push up your interest rates on floating-rate home loans; however, FD rates, too, could see a rise	Home loan borrowers can consider switching to lenders offering lower rates, provided other terms and conditions are favourable
 Stock Market Indices	Movements in Sensex or Nifty directly affect the value of your stocks and net asset values (NAV) of your mutual funds and Ulips	If you have invested in diversified equity funds with a long-term goal in mind, stay put instead of redeeming the units merely on account of market fall or volatility

CAN WEATHER FED TAPERING

# ADB Cuts India FY13 Growth Forecast

Softer than expected economic activity in China and India and uncertainty about the tapering of the US quantitative easing programme will weigh on Asia and the Pacific's growth prospects in the near term, the ADB has said in an update to its Asia Development Outlook. The bank cut its 2013 GDP growth forecast for the region to 6% from 6.6% seen in April. For 2014, growth is now projected at 6.2% from 6.7% in April.

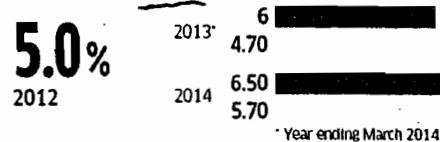


## India to Grow Slower

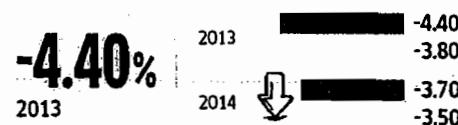
Persistent supply-side bottlenecks such as poor infrastructure and long delays in structural reform keep industry and investment lagging. Fiscal and current account deficits also dent business confidence...

■ APRIL FORECAST (%) ■ REVISED FORECAST (%)

### GDP GROWTH



### CURRENT ACCOUNT BALANCE (AS % OF GDP)



Widening CADs have long made both economies more susceptible to shifts in market sentiment, as have fiscal deficits in India. Fortunately, both have sufficient forex reserves

— ASIAN DEVELOPMENT BANK

## Why Forecast Was Cut

SLOWER GROWTH in advanced and some important emerging markets  
REVERSAL OF monetary easing to tackle weak rupee

FISCAL pressures likely to force govt to slow pace of spending  
WEAKENING OF demand growth (evident from manufacturing surveys)

ROBUST AGRICULTURAL growth will be unable to offset the slowdown in industry

## There is Some Good News

CABINET committee on Investments has helped stalled projects

ELECTIONS and new government will provide impetus to structural reforms

POLICY measures to entice foreign investors should show results

## China Expected to Moderate

7.70%  
GDP GROWTH '12

THE AUTHORITIES there are engineering a medium-term transition to a more sustainable growth path than one led by exports and investment. This shift is evident in recent efforts to tackle a burgeoning shadow banking system

■ APRIL FORECAST (%) ■ REVISED FORECAST (%)



## Developing Asia, Led by China-India, Down Slightly

6.1%  
GDP GROWTH '12



SLOWER GROWTH in Asia's two giants hampers but does not hobble growth across Asia. Fears of a crisis recalling 1997 seem unwarranted, but region faces the twin challenges of maintaining financial stability and sustaining growth

## The Delhi Airport Metro project frames the distortions in PPP projects where construction and operational activities are bundled into one contract

GULZAR KATARAJAH AND  
T.V. SOMANATHAN



SOME recent performance audit reports of the Comptroller and Auditor General (CAG) of India have been acclaimed for their exposure of egregious corruption. A more important but less-discussed contribution has been to expose a host of critical instances of large-scale incomplete contracts with private agencies in the infrastructure sector. The just announced and to the tortured relationship between the Reliance-Infrastructure-promoted Delhi Airport Metro Express Private Ltd (DAMEPL) and the Delhi Metro Rail Corporation (DMRC) is a case in point.

In a recent audit of the DAMEPL, the CAG has found large equity dilution by the private concessionaire. Similar equity restructuring has been observed in projects in other states too. This is representative of the distortions that arise in public-private partnership (PPP) projects where construction and operational activities are bundled into one contract.

The 22.7 kilometre metro rail linking the Indira Gandhi International Airport was built as a PPP at a cost of Rs 5,780 crore, of which nearly 54 per cent was

financed by the government and 46 per cent by DAMEPL, a private consortium led by Reliance Infrastructure. Operations started in February 2011. The CAG has found that DAMEPL had diluted its debt-equity ratio from the mandated 70:30 to 43.218:1, 23.907:1 and 27.520:1 for 2009-10, 2010-11, and 2011-12 respectively. Thus, the project had been leveraged to an extent far beyond what was initially envisaged, and indeed far beyond any prudent level. Reliance Infrastructure, for its part, contends that the concession agreement allows the concessionaire to restructure its equity holdings after two years of the agreement.

The significance of this equity dilution goes beyond concerns that the concessionaire now has limited financial exposure or fear that Reliance Infrastructure may slowly exit the project itself. An important lesson is that since the returns on project investments, both debt and equity, have been calculated assuming a debt-equity ratio of 70:30, any dilution of equity will benefit the equity holder.

Consider the example of a metro rail project awarded to a private concessionaire on a 30-year Build-Operate-Transfer contract. The project has been structured with a 70:30 debt-to-equity ratio. Therefore, once these risks are sufficiently addressed, there is limited reason for equity to command a hefty premium on return over debt, and that too for the long lifecycle of the project. The true price of the risk is reflected in the market's willingness to replace higher cost equity with lower cost debt. The equity



**THIS RAISES** the question of whether a more effective approach to structuring such projects should explicitly seek to split asset creation from operation and maintenance activities.

at considerable public cost. It is possible that in this case, the contract with DAMEPL minimised such profit-seeking opportunities. But such deficiencies are pervasive in large end-to-end contracting of utility services across the world.

Further, stripped of its equity portion, the project assets get effectively securitised in the debt market. Left with no skin in the game by way of sunk costs and having made handsome upfront profits from equity dilution, the concessionaire now has limited incentive to invest for the long-term health of the project. Sale is the realisation that he could easily walk away with minimal losses at anytime, thereby earning a virtual "risk-free" rent.

holder continues to enjoy the equity return over the project cycle while accepting capital at low rates, thereby earning a virtual "risk-free" rent.

When viewed in this context, Reliance Infrastructure was merely doing what any private concessionaire would have done. It is, of course, another matter that prudent lenders would normally not have allowed such a massive debt-equity ratio -- how that happened is a quibble that is beyond the scope of this article.

In the absence of regulatory due diligence, the market effectively forces the revised financial structuring. But it comes

than a billion pounds every year. He therefore advocates splitting the asset creation part of any such large project from its operation, maintenance, and coordination activities.

Such risks are more prevalent in distributed asset projects like mass transit and urban civic utilities, where asset creation and O&M are evidently distinct activities. In India, in any case, since the major portion of construction financing for such projects come from nationalised banks, such projects effectively become a form of public financing.

In the circumstances, it is imperative that appropriate regulations be put in place to pre-empt such perverse incentives.

One way to address this would be to explicitly mandate a floor-level debt-to-equity ratio for the project, which can not be breached, and which financial institutions too have to monitor. Another approach, like that followed in the UK, would be to force the concessionaire to share profits from any such equity dilution with the government.

Finally, in view of all these, it does raise the question of whether a more effective approach to structuring such projects should explicitly seek to split asset creation from its O&M activities. This is important to mitigate moral hazard concerns and eliminate easy financial arbitraging at public cost.

*Natwaraj and Somanathan are members of the IAS, from the 1990 and 1987 batches respectively. They are perspectives.*

**SIR RAMA SASTRI**

# A fresh warning

## Climate change report calls for action

The status of global warming as projected in the latest report of the United Nations Intergovernmental Panel on Climate Change (IPCC) seems far more ominous than was deemed earlier. The portentous indicators to this effect are many: unabated heating up of the atmosphere and oceans, changing global water cycle, diminishing snow cover and, more importantly, rising mean sea level. The emerging climate pattern, marked by frequent weather extremes, spells more natural disasters of the kind that wreaked havoc in Uttarakhand recently. Worse, the global map may change due to the submergence of small island nations and a rise in coastal sea levels by 10 to 32 inches by the end of the century, against the earlier projected level of seven to 23 inches. Equally dreadful are the implications for the Indian subcontinent. In the worst-case scenario, temperature here will climb by up to four degrees Celsius, rainfall will increase by up to 20 per cent, and the swelling seas will sound alarm bells for coastal cities, including Mumbai, Chennai and Kolkata.

True, much of what has been stated in this report conforms to the trends sketched out in the IPCC's fourth report, which released in 2007. However, there are some subtle variations that merit special notice. For one, it holds carbon dioxide ( $\text{CO}_2$ ) more responsible for global warming than methane and nitrous oxide, though all three are potent greenhouse gases. This implies that the methane-spewing paddy fields and large livestock populations of developing countries, such as India, are not as much to blame for global warming as deforestation and fossil fuels. The report, notably, maintains that even if  $\text{CO}_2$  emissions are stopped – which is impossible, given the critical reliance on hydrocarbons for energy – most aspects of climate change will persist for centuries. The reality, however, is that the  $\text{CO}_2$  accumulation in the atmosphere seems set to spurt in the next 25 years to a level that will jeopardise the revised goal of limiting temperature rise to the tolerable threshold of two degrees Celsius. What is worse, a sizeable part of the emitted  $\text{CO}_2$  will get absorbed in oceans to turn them too acidic for the marine flora and fauna to thrive. Many useful fish species may, therefore, face the risk of extinction. Several others may migrate to deeper zones in search of hospitable habitats, thereby shrinking fish catches and adversely impacting the availability and prices of sea foods.

Significantly, this report discounts the plea put forth by the disbelievers of the theory of climate change that the average global temperatures have remained almost flat in the 15 years between 1998 and 2012. The IPCC ascribes this phenomenon to several reasons. One factor is the base effect; oceans were relatively warm in 1998 due to a strong El Nino effect. Besides, this period coincided with the normal downward phase in the 11-year solar cycle. The fact is that each of the last three decades has been successively hotter and they all have been warmer than any preceding decade since 1850.

It is, thus, amply clear that the Kyoto protocol on climate change, which was inked in 1997 and enforced without the participation of key polluters like the US, has failed to effectively stem the process of climate change. A better targeted, result-oriented and globally binding successor to the Kyoto pact is, therefore, a must. Inaction on climate change mitigation may prove costlier than well-advised action.

# Golden touch: why the current account deficit is set to shrink

**FUTURE TENSE** CAD is critical, and the govt is pulling out all stops to contain it without dipping into forex reserves

Gaurav Choudhury

gaurav.choudhury@indiatimes.com

**What does balance of payments (BoP) mean for an economy?**

An economy, like an organisation or a company, has a receipts and an expenditure account. The balance of payments is a statement of account of the income and expenditure made through foreign exchange.

**What is the current account and capital account in BoP?**

A country's BoP statement is divided under two major heads — the current account and capital account. In any economy, foreign exchange movements take place through two routes. Investments come into India such as foreign direct investment (FDI) through the capital account because these funds are used over a period of time. On the other hand, there are expenses and income that are "current" in nature. These include export earnings, import payments, earnings from intangible services exports (such as tourism), a credit of income such as when an individual receives funds from a foreign entity including aid and donations.

**What does a deficit or a surplus in the current account signify?**

A current account deficit (CAD) means that there is more outflow of capital from the economy than inflow, which is not desirable.

**Why is it critical to keep CAD within manageable limits?**

In macroeconomics, the twin deficits — CAD and the fiscal deficit (the amount of money the government borrows to fund its expenses) — are of paramount importance. If no action is taken, we have to either earn about \$70-\$80 billion every year through the capital account or meet the deficit by depleting our foreign exchange reserves. Clearly, both options are not realistic. So far, India has been able to finance its CAD without drawing on the \$275 billion foreign exchange reserves.

**What does the latest data on CAD show?**

India's CAD stood at 4.9% of GDP or \$21.8 billion during April-June this year from 4% or \$16.9 billion in the same period of the previous year, according to data released on Monday. The gap, however, is expected to taper down in the coming quarters aided by a sharp slump in gold imports

and a smart rebound in exports amid early signs of recovery in the US and Europe that have boosted shipment orders. Gold imports during April-June 2013 stood at \$16.5 billion, higher by \$7.3 billion compared with \$9.1 billion worth of inward gold shipments during the same quarter in 2012. Excluding the increase in gold imports, CAD would work out to \$14.5 billion, or about 3.2% of GDP. CAD had declined to 3.6% in the January-March quarter after touching a record high of 6.5% in the October-December quarter.

**Why is CAD expected to fall in the coming quarters?**

Over the past three months the government and the



ILLUSTRATION: JAYANTO

**4.9%** India's current account deficit (CAD) during April-June 2013-14, up from 4% in the same quarter of 2012-13

**\$21.8 bn** India's CAD during April-June 2013-14 compared with \$16.9 billion in the same quarter of 2012-13 and \$18.1 billion during January-March 2013

**3.7%** India's targeted CAD for 2013-14, down from the record 4.8% of GDP last year or \$70 billion from \$88 billion 2012-13

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## PARTICIPATORY NOTES OR P-NOTES

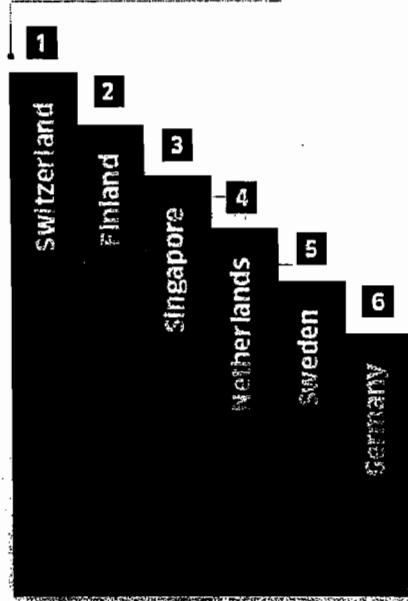
Participatory notes or P-notes as they are called in market parlance, are offshore derivative instruments issued by foreign broking houses to overseas investors who wish to invest in the Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India (Sebi). P-notes are popular among foreign investors since they allow these investors to earn returns on investment in the Indian market without undergoing the significant cost and time implications of directly investing in India. These instruments are traded overseas outside the direct purview of Sebi surveillance, raising many apprehensions.

WEF LAUNCHES INDEX COVERING 122 COUNTRIES

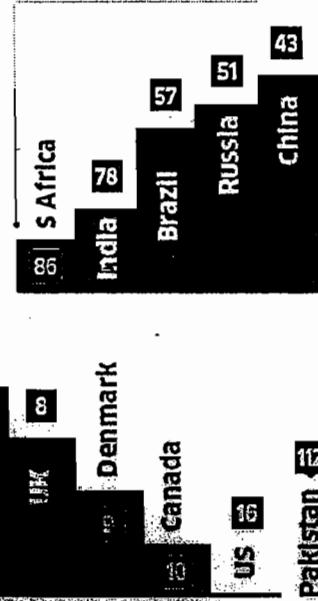
# INDIA 78TH IN HUMAN CAPITAL RANKINGS

India has been placed 78th in a World Economic Forum's ranking of 122 countries, based on a new Human Capital Index that measures how well countries manage their human capital endowments. While India ranks 49th in workforce and employment, it scores poorly in health and wellness. Here's a look:

OVERALL INDEX Rank



BRIC NATIONS Rank



EDUCATION



HEALTH & WELLNESS



WORKFORCE



ENABLING ENVIRONMENT



A worse pool of candidates and an avalanche of costly elections may not be what we wanted

# Is Right to Reject Feasible?



S Y Quraishi

The recent Supreme Court judgment on the demand to provide for negative voting through a button on the electronic voting machines (EVMs) for None of the Above, or NOTA, option has evoked great public enthusiasm. The proponents of the right to reject are in celebratory mode under the impression that their long-pending demand has at last been met. The fact is that the judgment has not created the right to reject.

The Supreme Court has, however, given four important pronouncements: (a) recognition of the right to a negative vote (even though it will not affect the result) as a part of freedom of expression, as envisaged in Article 21; (b) direction to Election Commission to introduce NOTA on the EVM (and ballot paper) to ensure voter secrecy; (c) comment on the dubious quality of candidates and emphasising the need for candidates with "ethical and moral values"; and (d) comment on voter apathy. It says that not turning up at the polling booth is "not an ideal option for a conscientious and responsible citizen".

In view of the increasing criminalisation of politics and rampant abuse of money power, there has been a growing demand from several citizens and activists seeking the right to reject the candidates with criminal and otherwise tainted background.

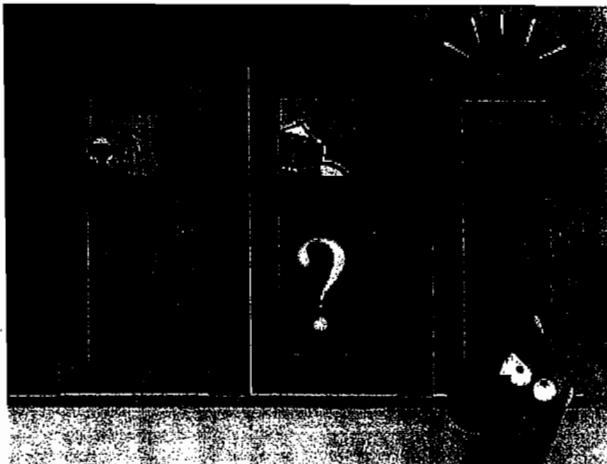
It means that the electors should

have the right to reject all the candidates. This will happen if the number of electors exercising the rejection option is more than 50%, or, better still, more than the number of votes polled by any of the candidates in the panel.

Devil, as they say, is in the detail. If the right to reject is to be interpreted as the right to reject all the candidates and to force a re-election with a fresh list of candidates, it can give rise to the following problems:

## The Age of Re-re-re-election

- If a panel of candidates is rejected in a constituency, will all candidates in that list be disqualified from contesting in the re-election?
- If they are not disqualified, the same set of candidates may contest again, defeating the purpose.
- If the candidates are to be disqualified, then for how long? Whether they would be free to contest from other constituencies in the event of re-election in other places? Or in a subsequent by-election?
- At a re-election, electors may find the new list of candidates worse than the first list. If the candidates in the re-election are also rejected, for how long can we go on conducting elections? Already, there are complaints of "election fatigue" with elections at local bodies, assembly and parliamentary levels.
- The Election Commission uses government officials, teachers, staff from public sector organisations and bank employees for conducting elections. Re-elections would mean holding these officials for very long periods, or calling them back again and again, which will affect their regular work. Since teachers constitute the largest section of the poll staff, and the polling stations are in schools, the students will suffer the most.
- Central police forces — which are drawn from different parts of the country, including our borders and other sensitive areas — would remain locked up for longer periods in the case of re-election.
- Such re-elections would be very costly for public exchequers, and also for political parties.
- The model code of conduct remains in force till the completion of election. Rejection of candidates and re-election would result in the code being in force for very long periods. During this period, the government cannot make any announcement of a new policy or programme. The district administration is fully engaged in election management. Almost 40% officers of the IAS and other services get appointed as election observers. This may have an adverse effect on governance, if not bringing governance to a standstill, as many people accuse Election Commission of



ANIRBAN BOSE

on, it may be possible that in the re-election, a candidate who secures lesser number of votes than a candidate in the rejected list may emerge as the winner. This would be an anomalous situation.

► Such a situation may also lead to political instability if the number of such cases is large, particularly in the event of hung assemblies.

## All Fall Down

► Finally, and most importantly, many innocent candidates with a clean record will suffer for no fault of theirs just because of the bad image of others. On what basis can they be disqualified? This will violate their right to contest.

The right to reject has not been enshrined by the apex court judgments as no such relief was apparently sought by the writ petitioner or other implicated parties. It probably will be the next logical demand, and now with a renewed vigour. If the demand has any chance of success, the questions posed above will need to be answered. Let the debate begin.

*The writer is a former Chief Election Commissioner*

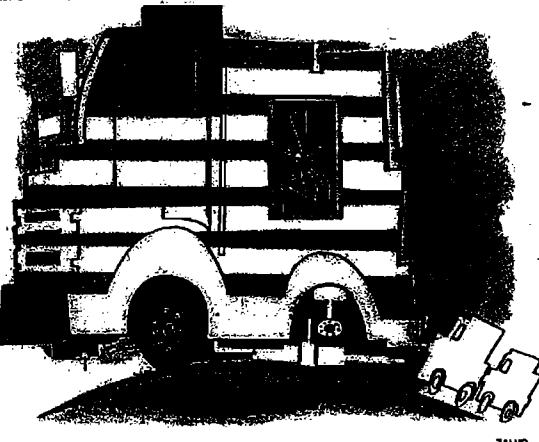
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read the article and share your views on [economictimes.com](http://economictimes.com)



## US Shutdown: How does it Impact India

The US government began a partial shutdown on Tuesday for the first time in 17 years, and its 12th since 1981. Though a closure of state services for a few days would hardly cause ripples, a prolonged shutdown could impact negatively on the US and the rest of the world. Incidentally this shutdown comes a few weeks ahead of the next political battle; to raise the federal government's \$16.7 trillion debt ceiling. ET explains its impact.



ZAHID

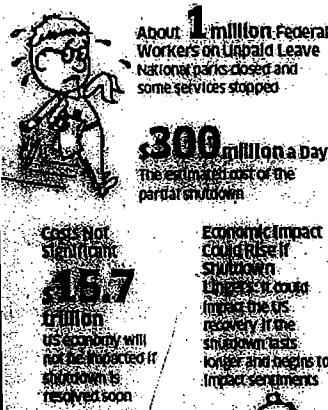
### Why Shut Down At All

UNDER US LAW a new bill to approve funding for the next financial year is required. The bill must be approved by the House of Representatives, and the Senate, and the president. This hasn't happened so far.

### What the Shutdown Means for the US

ESSENTIAL SERVICES, such as social security and Medicare payments, will continue. The Army would keep operating. But up to a million US federal employees could face unpaid furloughs or payless paydays.

### What Does It Mean For The US Economy



### BIGGER WORRY

**\$16.7 trillion**

DEEP division over the federal spending suggests the US lawmakers will find it increasingly difficult to agree on a common ground for raising the \$16.7 trillion borrowing limit later this month

**For India And The Rest Of The World**

A PROLONGED SLOWDOWN WILL AFFECT US GROWTH. IT WILL DEPLETE INDIAN EXPORTS

NEW VISA ISSUANCE COULD GO DOWN. THIS WILL HIT INDIA'S TOURISM INDUSTRY

INVESTMENT BY US COULD TAKE A HIT. INVESTORS ARE CONCERNED ABOUT THE POLITICAL STABILITY OF THE US GOVERNMENT

INDIA'S TRADE WITH THE US IS EXPECTED TO DECLINE. THIS COULD BE A VIOLATION OF INDIA'S TRADE AGREEMENTS WITH THE US

TRADE COULD BE AFFECTED. SHIPMENTS COULD BE HELD UP AT PORTS IF THE SHUTDOWN DRAGS ON. BUYERS COULD REFUSE TO MAKE PAYMENTS IF GOODS ARE DELAYED

# ONGC to start output of shale gas next year

**ENERGY SECURITY** Commercial production is expected from 10 wells planned to be drilled on nominated blocks

HT Correspondent

■ letters@hindustantimes.com

**NEW DELHI:** State-run Oil and Natural Gas Corp (ONGC) plans to start commercial production of shale gas sometime next year, said the company's chairman and managing director Sudhir Vasudeva.

"We are planning to drill 10 wells this year and hope to start commercial production next year," he said at India Oil & Gas Summit organised by Indian Chamber of Commerce (ICC) in New Delhi on Friday.

The Cabinet Committee on Economic Affairs (CCEA) last month allowed ONGC and Oil India Ltd (OIL) to tap shale resources in blocks allotted to them on a nomination basis.

ONGC said it plans to start drilling for the unconventional shale hydrocarbon resource in Gujarat sometime this month.

Vasudeva said the company is getting technological support for the venture from ConocoPhillips as it drills first shale gas well in Cambay basin in Gujarat.

Cambay is one of the basins that has been identified as potentially bearing shale resources, which are hydrocarbons trapped in sedimentary rocks.

Shale extraction uses hydraulic fracturing, which involves

## SCOUTING FOR GAS RESOURCES

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- ONGC said it plans to start drilling for the unconventional shale hydrocarbon resource in Gujarat sometime this month
- Cambay is one of the basins that has been identified as potentially bearing shale resources, which are hydrocarbons trapped in sedimentary rocks
- Shale extraction uses hydraulic fracturing, which involves blasting water, sand and



chemicals underground to release trapped oil and gas

- The government will offer shale oil and gas blocks to other companies through an auction after such a policy is taken to the cabinet for approval in a few weeks.

lic fracturing, which involves blasting water, sand and chemicals underground to release trapped oil and gas.

The CCEA last month approved the long-awaited shale gas and oil exploration programme to boost domestic output.

In the first phase, state-owned ONGC and OIL have been permitted to explore for and produce shale oil and gas from onland blocks that were allotted on a nomination basis before

advent of the New Exploration Licensing Policy in 1999.

The government will offer shale oil and gas blocks to other companies through an auction planned after such a policy is taken to the cabinet for approval in the next few weeks.

Shale gas, or natural gas trapped in sedimentary rocks below the earth's surface, is the new focus area in the US, Canada and China as an alternative to conventional oil and gas, for meeting growing energy needs.

# Let's ride over the speedbreakers

There is a need to identify institutional bottlenecks and remove them to optimise the output of government programmes

## goals to achieve

Abhilash Likhi

India is already into its 12th Five Year Plan and this will see the country through the 2015 deadline for achieving the Millennium Development Goals (MDGs) in rural areas. To face the challenge of reducing extreme rural poverty, significant public resources have been made available to provincial governments. Centrally sponsored programmes for education, employment, health and sanitation have been designed to address the eight goals and 18 MDG targets. The National Food Security Act, 2013 aims to tackle the scourge of child and maternal malnourishment on a massive scale.

No one denies that these programmatic interventions are critical to the inclusion of marginalised communities. The key question, however, remains: can we do better at the grassroots to optimise the MDG outcomes, especially in education and health? And if so, what are some of the identifiable institutional bottlenecks that need to be prioritised and systemically reformed?

One key institutional challenge is to converge programme implementation in rural areas by enforcing 'activity mapping' through panchayati raj institutions (PRIs). Here, the central government and

the states have to actualise the principle of subsidiarity — what can best be done at lower levels of government should not be centralised at higher levels. Empowering PRIs with funds, functions and functionaries (3Fs) is a critical incentive to build the institutional capacity of these last mile bodies to execute basic infrastructural needs.

A successful example of the above strategy is the initiative taken by the government of Gujarat, which has separated power supply for tube wells used for agriculture from other rural non-farm connections (school and hospitals) and imposed an eight-hour-a-day power ration which is by far inequality. This has been converged through PRIs with an intensive meal-wise aquifer mapping exercise and a massive water harvesting structure renovation campaign. Such convergence has led to outcomes like halving of power subsidy, stabilisation of groundwater resources and improved power supply in the rural economy.

A second challenge is strengthening public communication and community mobilisation to bring about changes in social norms. The latter often stand in the way of MDG programmatic interventions in areas such as livelihood security, immunisation, explaining contraceptive methods, promoting improved sanitation, organising nutrition supplementation schemes, counselling pregnant or lactating women, etc.

In this context, Vidiyal in Tamil Nadu is an example of an NGO that has successfully innovated to make the concept of a rural women livelihood collective into a reality through the use of mobile telephony by using 'Lifelong Learning for Farmers' (LLF), an open and distance learning application technology to promote community banking among 400 women. The last mile achievement was the building of their capacity in the face of social barriers, about value chain linkages for sheep and goat production in the global market.

The third challenge is of making qualitative improvements in the MDG target for food absorption, especially for women and children. A comprehensive and functional national nutrition strategy run through the midday meal scheme and the Integrated Child Development Services, has to enable the creation of quality rural infrastructure.

Efficient, transparent and accountable governance by periodic assessment of the outlined MDG targets through social audits is a must. This specially needs to be addressed in the context of the socio-economic backwardness of some individual districts, several of which are located in states that are doing well economically.

Abhilash Likhi is an IAS officer and currently a senior fellow at SAIS, Johns Hopkins University, Washington DC

The views expressed are personal

SRI RAMS IAS  
SCHOOL OF GOVERNANCE



# Goodbye to all that

## Gambia's exit from the Commonwealth raises questions about the organisation's relevance

**G**IVEN its reputation as a harmless vestige of the once-sprawling British empire, it was somewhat startling when Gambia's president, Yahya Jammeh, decried the Commonwealth as a "neo-colonial institution" and announced his nation's exit from the 54-member club. It has been suggested that Britain's strained relationship with Jammeh — he has accused it of aiding his political opponents — and its criticism of his human rights record might have contributed to the decision. Yet, Gambia's withdrawal, the first since Robert Mugabe pulled Zimbabwe out a decade ago, also raises questions over the Commonwealth's relevance.

For the general public in many of the Commonwealth's member countries, the most consequential aspect of membership is the athletic games held every four years. At a time when international organisations appear to be proliferating, from the BRICS

to the G-20, the Commonwealth is caught in an existential crisis over its role. Its operations are constrained by its small budget and staff. It cannot substantially support development programmes, and most member countries rely on it only for minimal technical assistance.

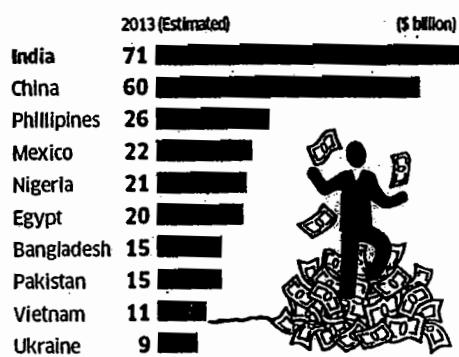
The Commonwealth's primary value lies in its utility in projecting soft power. Some countries believe being part of a large bloc of nations improves their negotiating ability, which might explain why non-colonies like Rwanda and Mozambique have joined the group. The Commonwealth has also fashioned itself as a promoter of democracy and human rights in member states, suspending members to punish violations to its charter, such as between 1999 and 2004, when Pakistan was suspended after Pervez Musharraf's coup. But increasingly, such sanctions have little effect, indication of how weak the institution has become.

**\$131 BILLION ESTIMATED TO FLOW TO INDIA & CHINA**

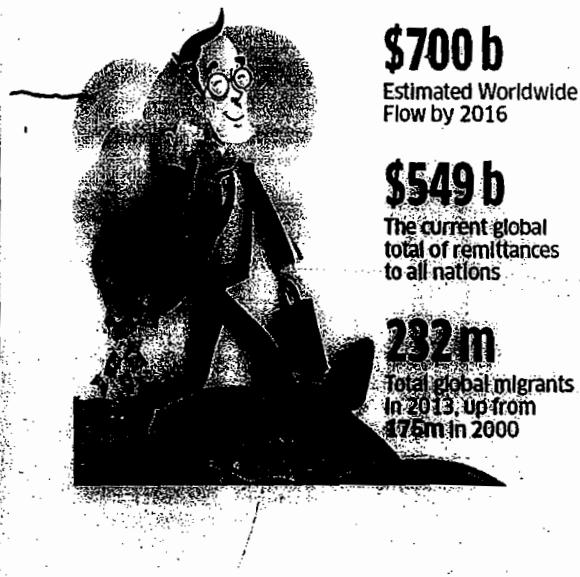
# Falling Rupee Helps India Stay On Top

Migrants are expected to send \$414 billion in remittances home this year to developing countries, and the figure is likely to rise to \$540-billion by 2016. That makes remittance funds almost four times more important to developing nations than official foreign aid from governments, which the United Nations says amounts to about \$126 billion a year. The current global total of remittances to all nations is \$549 billion. As in the past years, India remains the biggest benefactor...

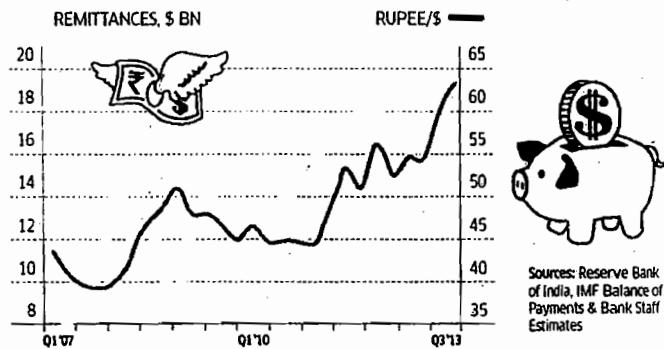
## Top Recipients of Officially Recorded Remittances Are...



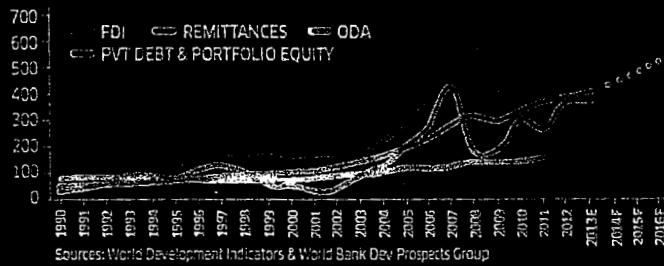
**IN INDIA**, remittances are larger than the earnings from IT exports. With the weakening of the rupee, a surge in remittances is expected as NRIs take advantage of the cheaper goods, services and assets back home



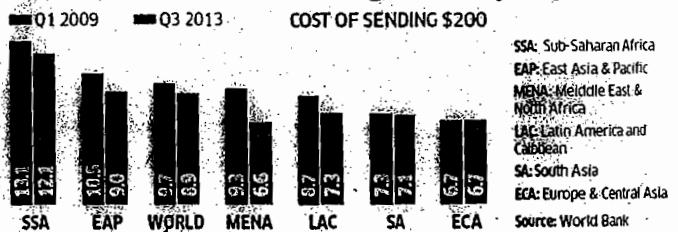
## Remittances Tend to Rise When The Currency Falls



## Remittance Flows are Large & Growing (\$ b)



## Remittance Costs Remain High in Many Regions



AMRIT

# Thinking backwards

DURING the course of his maiden speech as RBI governor, Raghuram Rajan mentioned that he was not seeking Facebook "likes". He actually received quite a few. The RBI's mid-term policy review on September 20 must have given his admirers much heartburn and possibly earned him some "dislikes". The spotlight has turned on him again, with the release of the Rajan committee report on evolving a composite development index of states. If he has a Facebook page, it must be full of either angry or sarcastic comments. Only a handful of people like Nitish Kumar, whose demand for the backward status tag for Bihar is now going to be conceded, or staunch opponents of Narendra Modi, who are delighted that the committee has declared that Gujarat is not highly developed, are happy with the report. All others find a plethora of defects in it.

The general sense of dissatisfaction felt by a majority about the Rajan committee's index of backwardness is not surprising at all. If ten people are asked to define a "backward" state, they are very likely to give ten quite different definitions. This is because it is impossible to be very precise about what we mean by backwardness. Any attempt to make an imprecise or inexact concept too precise must inevitably invite criticism, because there cannot be any unique way of doing so. One can even argue that exercises of this kind are actually quite harmful when they have important policy implications. Unfortunately, this committee's report may well play a significant role in the future, by influencing Centre-state resource transfers.

The first attempt to define some notion of backwardness in India was pretty straightforward. Three states (Assam, Jammu and Kashmir and Nagaland) were put in a "special category" under the Gadgil formula in 1969. The list soon expanded to contain 11 states. A common feature of these states was that they were all handicapped by adverse geographical character-



## Using the Rajan index to fix allocations will distort states' incentives

BHASKAR DUTTA

istics such as hilly terrain or locations far away from large population centres. These features increased the cost of delivering public services. Moreover, these states were less than ideal locations for entrepreneurs, both because of poor infrastructural facilities as well as large distances from major sources of demand.

Clearly, these states were handicapped in so far as industrialisation was concerned. Importantly, the underlying reason for their handicap was beyond their control. It made sense for the Centre to compensate them for this handicap. Ninety per cent of Central assistance to these states is treated as a grant, with the remaining 10 per cent constituting

political reasons. The UPA government has to humour Nitish and so the Rajan committee was set up to evolve a composite index of backwardness.

How best could the committee have performed this task? Is a state backward because it falls far short of accepted levels of income or social indicators such as health or education? What about other indicators such as the level of infrastructure, or a measure of the exogenous constraints imposed by unfavourable location or topography?

More generally, should the components of an index of backwardness depend on the "inputs" going into a development process, or should they be "outputs" such as per capita income and the like?

**Should the components of an index of backwardness depend on the 'inputs' going into a development process, or should they be 'outputs' such as per capita income and the like? The answer must depend on how the index is going to be used. If the index is to be used in order to compensate the more backward states, then output variables should not be included as components of the index because it would have very bad incentive properties. States would have every incentive to remain backward by taking the easy way out.**

loans that need to be repaid. In contrast, as much as 70 per cent of Central assistance to other states is treated as a loan. In addition, special category states also get significant excise duty concessions, so as to enable them to entice entrepreneurs to set up shop.

Large gains are involved, so it's not surprising that Nitish Kumar demanded that Bihar also be included in the list of states requiring special assistance. Bihar does not suffer from the handicaps associated with the current set of special category states. But, for obvious po-

selection of special category states was much better, since these were not characteristics that the state could influence.

The thought process underlying the choice of components by the Rajan committee is quite opaque. The committee honed in on 10 variables, such as per capita household expenditure, poverty ratio, female literacy, education, health, financial inclusion, a connectivity index, etc. This is a curious mix of both inputs and outputs, defying any logical explanation for why these and only these should make up an index of backwardness. Moreover, several of the variables are highly correlated. The most glaring example of this is the pair of poverty ratio and per capita household expenditure. Surely, the latter plays an important role in determining the former. So, the inclusion of both involves a large measure of double counting.

Several commentators have also criticised the construction of the index, because the composite index gives equal weight to each component. This is perhaps the least objectionable part of the construction. Clearly, there is no compelling reason to decide that one component is more important than another, and so equal weighting is the best option. A potentially more problematic issue is whether the variables have been normalised properly. For instance, female literacy is a percentage and so has to range between zero and a hundred. On the other hand, per capita incomes are several hundreds of rupees. Unless the latter has been scaled down, the index would be heavily influenced by figures of per capita incomes.

Perhaps the committee, composed of several distinguished academics, has made this rather obvious adjustment. Unfortunately, the overall task has been performed so shoddily that one cannot assume that this has been done.

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## **India to Top Global Remittances Chart With \$71b**

**While developing countries will together get \$414 billion in remittances in 2013, India is likely to get \$90 billion in remittances in 2016, says World Bank in its latest report**  
**OUR BUREAU NEW DELHI**

India's migrant workers are expected to rush back more dollars home in 2013 than initially expected to take advantage of the higher rupee amount they will get on conversion because of the sharp depreciation of the local currency in the new fiscal.

The higher inflows will help reduce the current account deficit, a major concern for India in the current year.

In a report released on Wednesday, the World Bank said international migrants will remit \$71 billion of their earnings back to India, highest among all developing countries. "With the weakening of the Indian rupee, a surge in remittances is expected as nonresident Indians take advantage of the cheaper goods, services and assets back home. Remittances to India are expected to reach \$71 billion in 2013," the World Bank said in a statement releasing its latest issue Migration and Development Brief.

India received \$69 billion in remittances in 2012. The government has pegged the current account deficit at \$70 billion in the current year and has outlined a detailed plan to fund this without drawing down country's foreign exchange reserves. The prime minister's economic advisory council has pegged the remittances at \$66 billion in the financial year while maintaining the current account deficit at \$70 billion.

To the extent remittances are higher, the current account deficit will drop to less than \$70 billion, reducing the need to attract capital to fund this deficit. India's record high current account deficit of \$88.2 billion last year triggered a massive depreciation of the rupee after the US Fed said it would wind down its \$85 billion a month bond buying programme. Indian currency fell from .54.29 to a dollar to a low of .68.85 by end August before recovering to close at Rs 61.73 to the dollar on Thursday. The World Bank said the developing countries will together get \$414 billion in remittance in 2013. China will get \$60 billion inflow from its workers overseas. The total world remittances are pegged at \$550 billion this year, which is projected to rise to \$700 billion by 2016.

If India maintains its current ratio, it should get \$90 billion in remittances in 2016. "Growth of remittances has been robust in all regions of the world, except for Latin America and the Caribbean, where growth decelerated due to economic weakness in the United States," the World Bank said.

The publication pointed out that the cost of sending money through official channels "continues to be an obstacle to the utilization of remittances for development purposes, as people seek out informal channels as their preferred means for sending money home" pegging these costs at 9%.



■ ANIL SASI

## Biz houses and banks — misplaced worries

GIVEN THE sharply divergent views on the issue of permitting industrial and business houses to promote banks, the concerns raised by most of those opposed to the entry of industrial houses in the banking space appear to be misplaced on several counts. This includes the issues raised by Parliamentary Standing Committee on Finance, which late last week had put on record its opposition to the move on the grounds that granting banking licences to corporates will take the country back to "the pre-nationalisation era".

For one, banks promoted by industrial houses will be subject to more prudent regulation than in the pre-nationalisation era, with the RBI clearly alive to the challenge of striking a balance between ensuring that the new ventures are promoted by serious, well-capitalised players with deep pockets, and simultaneously neutralising any potential conflict of interest this could engender.

**Concerns raised by most of those opposed to the entry of industrial houses in the banking space appear to be misplaced on several counts**

The international experience offers some insights. While countries such as Australia, Brazil, Canada, Germany, France, Japan and the UK do not specifically restrict industrial

houses from setting up banks, there are restrictions in place in countries such as the US and South Korea. Among first lot of countries, the list of successful banks promoted by industrial houses include Tesco Bank and Virgin Money in the UK, the Volkswagen Bank, Mercedes-Benz Bank, BMW Bank and Siemens Bank (all Germany), Banco Ahorro Famsa and Banco Azteca (both Mexico), Techcom Bank (Vietnam), Transcredit Bank, MDM Bank, Alfa Bank (all three in Russia) and Alior Bank (Poland). Most of these are operating successfully, with the diligent application of the arms-length principle and ring-fencing of the banking business clearly seen to be working.

While the Parliamentary panel has pointed to how managements of private banks in the past had used them as captive fund pools for their own businesses — a trigger for nationalisation in the eighties — there is little chance of that playing out now. The RBI's norms specifically require promoters to ring-fence their banks' operations from the activities of other group concerns and they need to be widely held. Plus, with the recent amendments to the Banking Regulation Act, 1949, the RBI has been empowered to call for information relating to the affairs of any associate enterprise of the banking company and also cause an inspection of its books of account. It also empowers the RBI to supersede the Boards of the banks. All of this should sufficiently address the concerns that have been flagged.

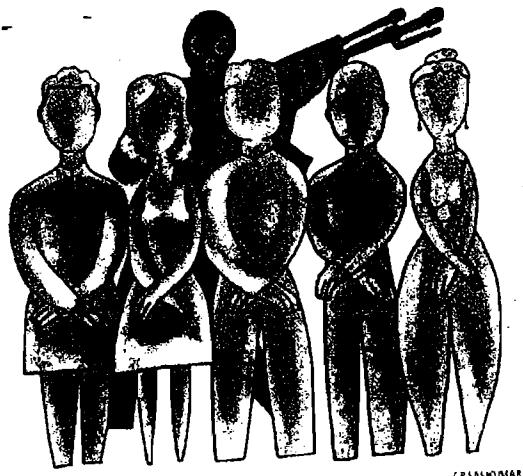
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# Terror, from Mumbai to Nairobi

The Kenya attack shows a new pattern of hostage-taking and self-sacrifice, through which terrorists force their demands and command the world's attention

SHAUL SHAY



THE WAY in which the attack on the Nairobi mall was carried out aligns with a new plan of action put forward in a message by al-Qaeda leader Ayman al-Zawahiri on September 13.

SINCE 2008, al-Qaeda and al-Qaeda-affiliated terror organisations have adopted a modus operandi that can be described as "self-sacrifice mega terror abduction", first introduced by Chechen rebels against Russian civilian targets. The Westgate Mall attack in Nairobi late last month is itself a variation of previous attacks in Mumbai in 2008 and Algeria in January this year. This new kind of terrorist attack is a combination of a self-sacrificial operation along with hostage-taking. The terrorists in such a mission are ready to die, as in a suicide attack. The hostages are used mainly as human shields and are not real bargaining chips in negotiation. The objective of the terrorists is to kill as many civilians as possible and to extend the fighting against security forces for as long as possible (about three to four days) to gain maximum media coverage.

The latest example in Kenya was relatively complex and required detailed planning and advanced operational skills. To a great extent, such attacks match the theoretical model that describes terror as a sort of theatre in which each participant plays a role in transmitting the terrorists' message. Abductions are generally the most prolonged type of attack and therefore require the "best play", as well as the "actors" (terrorists),

ability to adapt the developing drama to shifting reality.

In contrast to attacks that consist of a rapid, dramatic incident, such as suicide bombing, these attacks are prolonged incidents with characteristic peaks. In the case of suicide bombings, the government cannot influence events in real-time due to the speed of the developments. Its main activity is prior to the attack by taking steps to prevent and thwart attacks, and immediately in the aftermath, by evacuating the victims, making arrests or apprehending the assailants. When it comes to hostages, the government is forced to enter a complex process of crisis management while facing moral, political and military dilemmas under a tight schedule, as well as exposure to public and international censure.

Hostage-taking is a particularly effective tool in the hands of the terrorists to present their worldviews and demands, and to force them onto the agenda of the decision-makers as well as influence local and international public opinion.

An examination of the characteristics of these attacks reveals a pattern. For instance, the perpetrators of the last such terror attacks were all linked to al-Qaeda. The Mumbai attack in November 2008 was carried out by the Lashkar-e-Taiba, the strike on the Al-Amenas gas facility in Algeria in January was done by al-Qaeda in the Islamic Maghreb and the attack on the shopping mall in Nairobi was by al-Shabaab al-Mujahideen, which is a branch of al-Qaeda in east Africa.

The targets were prominent public places important to the economy and to tourists (hotels in Mumbai, gas facility in Algeria, big shopping mall in Kenya). They were also

directed towards foreign hostages and victims (foreign guests in the hotels and Jews and Israelis in Chabad House in Mumbai, foreign workers in the gas facility in Algeria and foreign citizens and Israelis in Nairobi). In all cases, the attackers allegedly had a safe haven in a neighbouring country: Pakistan in the Mumbai attack, Libya in the attack in Algeria and Somalia in the attack in Kenya. The strikes were conducted by big groups of terrorists: 10 in Mumbai, 30-40 in Algeria and between 10-15 in Kenya. The number of hostages taken was also big, in the hundreds in all three cases. Fatalities also numbered between dozens to hundreds, and hundreds were wounded in each of the three cases, with some of the dead being foreign citizens.

The way in which the attack on the Nairobi mall was carried out aligns with a new plan of action put forward in a message by al-Qaeda leader Ayman al-Zawahiri on September 13. Al-Zawahiri warned against attacks on non-Western states unless the regime was part of "the American forces". He recommended taking "the citizens of the countries that are participating in the invasion of Muslim countries as hostages so that our prisoners may be freed in exchange". He also

stressed that it was important to avoid Muslim casualties.

The modern urban arena offers many publicity-rich targets, and protecting all potential targets of this type is nearimpossible. So what lessons can be learned for the future? I would suggest three. One, better and more efficient intelligence before the attack to prevent it and during the phase of crisis management. Two, qualified counter-terrorism units capable of fast response. Kenyan, Algerian and Indian authorities waited too long to take definitive action to kill the terrorists. They allowed the siege to stretch out over three to four days. That may have made sense on the assumption that they were dealing with a "normal" hostage situation but, in future, terrorists should not be allowed to control the situation for so long. Three, better coordination between the different agencies and services involved in crises management.

An attack such as this keeps the terror organisation in the news, extracting maximum publicity. There is evidence to suggest that such operations motivate other terrorist groups to adopt similar methods. The terror organisation constitutes a constant threat based on the trauma of the previous attack, while declaring that similar attacks will follow. So we have to prepare a better response in advance.

*The writer, a colonel (res) and former deputy head of the National Security Council of Israel, is senior research fellow at the Begin-Sadat Centre for Strategic Studies and the International Policy Institute for Counter-Terrorism at the Interdisciplinary Centre, Herzliya, Israel*

V. Cusp

[1911-2013]

# Man who threw US out of Vietnam dies



THE NEW YORK TIMES  
OCTOBER 4

VO NGUYEN Giap, the relentless and charismatic North Vietnamese general whose battlefield victory at Dien Bien Phu drove France out of Vietnam and whose tenacious resistance to the United States in a long and costly war there eventually sapped America's political will to fight, died on Friday in Hanoi. He was believed to be 102.

The death was reported by Vietnamese media, including the respected *Tuoi Tre Online*, which said he died in an army hospital.

General Giap was among the last survivors of a generation of Communist revolutionaries who in the post-war decades freed Vietnam of colonial rule and fought a superpower to a stalemate. In his later years, he was a living reminder of a war mostly old history to the Vietnamese.

But he had not faded away. He was regarded as an elder statesman in a unified Vietnam whose hardline views had softened with the cessation of war. He supported economic overhaul and closer relations with the US while publicly warning of spread of Chinese influence.

A teacher and journalist with no formal military training, Vo Nguyen Giap joined a ragtag Communist insurgency in the 1940s and built it into a highly disciplined force that through 30 years of revolution and civil war ended an empire and united a nation.

He was charming and volatile, an erudite military historian and an intense nationalist who used his personal magnetism to motivate his troops and fire their devotion to their country. His admirers put him in company of MacArthur, Rommel and other greats of the 20th century.

# The upside of the falling rupee

How India is using the opportunities in a weak currency, in terms of import substitution and a spurt in exports

NEELKANTH MISHRA



A WEAK currency helps growth, and is in many ways equivalent to monetary easing. One recalls the fear of currency was not long back; it seemed as if the developed countries were in a game of competitive currency devaluation in their desperation to get their economic vitality back. This took a back seat when the reverse started to happen, and the currencies of developing economies went into a free-fall. In India, the precipitous decline of the rupee between May and August created panic, very similar to a run on a bank. But now that some stability has returned, we can evaluate the beneficial impact on the economy.

The opportunities clearly lie in import substitution and exports as local manufacturing costs fall with the rupee's decline. To understand the substitution argument better, Credit Suisse research divided India's import basket into four categories based on the reason for importation: unavailability, incapability, lack of capacity and lack of cost competitiveness. Of these, Indian manufacturers were able to benefit from the weak currency only in the "lack of cost competitiveness" category.

Unfortunately for India, the first three categories accounted for more than 85 per cent of imports last year. Imports of goods that the country just does not have, such as crude oil, gold, coking coal, copper and potassium fertiliser, were almost two-thirds of India's import basket. Another 12 per cent were imports of goods that India cannot make, including cellphones, computers, aircraft and high-end cars. These categories of imports would only fall with a decline in prices, when local demand weakened, or regulators imposed restrictions (as they have done with gold). Due to lack of capacity, for example, some types of chemicals, steel or automotive parts, were 12 per cent of the import basket. In some of these categories, such as steel, capacity growth is picking up, and substitution is happening, though at a slow pace.

The lack of cost competitiveness group was only 13 per cent of total imports last year, but at about \$42 billion, it was not a small amount in absolute terms. Among other things, it included low-tech consumer appliances, some types of capital goods and pharmaceutical ingredients. Some of these sectors have already started to see substitution.

A much larger opportunity lies in exports: the higher the proportion of rupee-based costs for an exporter, the larger the advantage of a weak currency. For example, a copper smelter that imports copper concentrate and exports copper would not gain much, as it has 98 per cent of its

costs in US dollars. On the other hand, as almost two-thirds of the costs in two-wheeler manufacturing are denominated in rupees, two-wheeler exports get a boost.

In fact, there are some exciting changes afoot in the automotive sector. Indian two-wheeler manufacturers are making deep inroads into the growing markets of Africa and Latin America. The currency of

THERE ARE several categories of exports that should benefit from a depreciated rupee. But these changes will only play out over a period of time: capital markets and exchange rates may move at the speed of thought, but the real business response to these changes is a lot slower.

course helps, but they have also improved productivity substantially. It is remarkable that despite sharp increases in the prices of metals, rubber and labour over the last two decades, the rupee price of a motorcycle is pretty much what it was when I became capable of riding one in the mid-1990s, and yet the mileage, design and power are better than before.

Small-car manufacturing is a classic example of demand creating supply. Now that domestic car demand has reached a level that makes

the market attractive for global automakers, most foreign brands have entered India. But with high imported content, the rupee's weakness makes it difficult for them to compete against well-entrenched manufacturers that have high levels of indigenisation. The new entrants cannot indigenise more until they get sufficient scale locally: a chicken and egg situation. The solution is exports: an increasing number of car makers are making India a small-car export hub. A fifth of all small cars manufactured are already exported, and this proportion is likely to rise sharply in the coming years.

Take IT services: the salaries of entry-level Infosys engineers have been unchanged for six years. In US dollar terms, they are back to 2005 levels! There has been a sharp surge in the supply of engineers as intake capacity in colleges has more than doubled over the last six years. Some question the quality of this expanded cohort, but such cynicism ignores the fact that if quality was inversely proportional to the quantity of graduating engineers, it would have been falling steadily for two decades! The volume growth in IT may not just happen with Indian companies, but also with global firms increasing the size of their India operations.

The real surprise in India's export story over the last few years has been agriculture. Agriculture exports have soared from \$18 bn to \$41 bn in three years. Many were surprised that India was the largest beef exporter in the world last year, and beef export volume is expected to

rise another 20 per cent this year. The rise in wheat and rice exports is likely the result of rising production with stagnating demand. After all, with rising automation (people cycling instead of walking, using tractors, etc.), the per capita consumption of cereals is falling in India but grain production keeps rising. The surplus sits in godowns until there is no other option but to export. From a purely economic perspective, the farmer is the strongest beneficiary of a weaker rupee, as his cost base is almost purely in rupees.

There are several categories of exports that should benefit as well, including textiles and bulk drugs. But these changes will only play out over a period of time: capital markets and exchange rates may move at the speed of thought, but the real business response to these changes is a lot slower. It could take several months, for example, for an exporter to expand capacity, get orders, manufacture and export.

In the last four decades, India's exports have declined only in six years, and mostly after a global crisis. At 24 per cent of GDP, goods and services exports are now a meaningful part of India's economy (for comparison, China is at 31 per cent). Even if they grow by 10 per cent, they can add up to 1 percentage point to reported GDP growth. We could thus see a growth surprise driven by exports, and the RBI, in its policy decisions, should already be factoring it in.

The writer is the India Equity Strategist for Credit Suisse

Very Emp

# India to start power supply to Bangladesh from today

PRESS TRUST OF INDIA

New Delhi, 4 October

Marking a key step in bilateral co-operation, India will start supplying electricity to Bangladesh from Saturday through the new transmission line between the two nations.

"Electricity will begin tomorrow to flow from India to Bangladesh through a new transmission line, marking South Asia's first-ever high voltage direct current (HVDC) interconnection between two countries," the Asian Development Bank (ADB), which had partly financed the project, said on Friday.

Early last year, NTPC's Vidyut Vihar Nilam Ltd and Bangladesh Power Development Board (BPDB) had inked an electricity purchase pact.

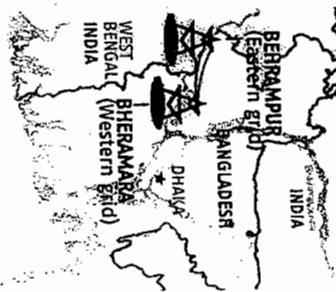
The transmission line would link India's eastern power grid with the western electricity grid of Bangladesh. "Testing of the sub-station installations has been ongoing since early September but the interconnection will be in operation starting October 5," ADB said.

The multilateral lender said from the trading arm of NTPC would commence supply to the BPDB under a government-to-government contract. "This will

eventually be scaled up to allow 1,000 Mw of power flows," ADB said.

This arrangement would help Bangladesh to purchase power from India at cheaper rates than buying from rental plants in that country. The interconnection on the Bangladesh side, Director General of ADB's South Asia department, Juan Miranda, said, "The ground-breaking link will help provide the urgently-needed power to Bangladesh." Miranda noted that the link would be a key milestone for South Asia, as it looks to set up a regional energy market making best use of the region's diverse and unevenly distributed energy resources.

## ROUTE FOR POWER TRANSMISSION



Map by AP

## DECODING THE MODEL CODE OF CONDUCT

With the announcement of poll dates for five states on Friday, the model code of conduct came into effect. What does it mean for parties, candidates and voters?

### THE SOURCE

Aggravating religious differences or creating hatred between different castes and communities



- Criticising candidates on any aspect of their private lives not connected with public activities
- Criticism based on unverified allegations or distortions
- Utilising official visits for electioneering
- Use of pilot car with beacon lights
- Issuing self-promotional advertisements at the cost of the public exchequer
- Sanctioning grants/payments out of discretionary funds
- Announcing new government schemes; old ones can continue
- Use of religious places for election propaganda

**WHAT IS IT:** A set of norms governing the conduct of political parties and candidates

**IN FORCE FROM:** Date of announcement of election schedule till elections are over

**EC's ROLE:** To ensure code is followed for the sake of free, fair and peaceful polls

### CHECKS AND BALANCES

- Govt cannot transfer/give new postings to officials involved in election work without EC approval
- Govt can grant parole to convicted criminals after consultation with the chief electoral officer
- Parties/candidates can use govt aircraft/choppers for electioneering, but there should be no discrimination between the ruling party and the others; they will have to be paid for and proper records maintained



### BRIBERY OF VOTERS

Distributing any item to voters having candidate's picture or election symbol is prohibited



**Consequences:** A complaint can be filed before the area magistrate by the district administration.

### PERMITTED EXPENDITURE

Assembly constituency expenditure range is ₹8 to ₹16 lakh per candidate



The amount depends on the size of the state. This rule comes into force from the time of filing of nominations

# India, Bangladesh set to sign motor pact in trade push

Trucks from each side will be allowed to ply within each other's territory

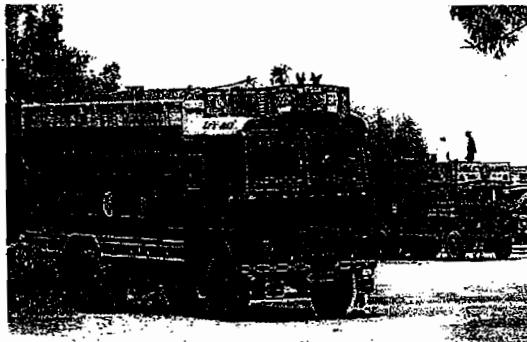
NAYANIMA BASU  
New Delhi, 5 October

**I**ndia and Bangladesh are set to sign a historic deal to allow cargo trucks from both sides to ply within each other's territories. This will be for the first time India enters such an agreement with any of its neighbouring countries.

The agreement, known as the 'Motor Vehicles Agreement', had been pending for quite some time. The ministry of commerce and industry had presented the draft proposal to Bangladesh earlier this year. While Dhaka is still "examining the proposal", the deal is expected to be inked before India heads for elections next year.

"Bangladesh has already agreed to the proposal multilaterally under the SAFTA (South Asian Free Trade Area) framework. We have only asked them to do it bilaterally," a senior commerce department official told *Business Standard*.

At present, trucks from both sides are allowed to enter 150 km within each side of the border where they unload and pick up the cargo. However, under the proposed deal, trucks from Bangladesh will get permission to drive till their destinations where it will unload the cargo. Similarly, Indian trucks will be allowed to move inside Bangladesh to unload and pick-



## A HISTORIC MOVE

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up the items required.

For example, if a particular truck from Bangladesh carrying garments have to deliver a consignment in Mumbai, it will be allowed to drive till Mumbai and unload the shipment there. Similar procedure will be allowed for Indian container trucks. The official said this will not only help reduce the heavy congestion on the border, but will also address the inadequate

infrastructure problems that create hassles for exporters on both sides.

The matter was also touched upon during the bilateral meeting between Prime Minister Manmohan Singh with his Bangladeshi counterpart Sheikh Hasina on sidelines of the United Nations General Assembly in New York, according to an official who did not wish to be identified.

It is learnt that the com-

merce department has also taken up the issue with Bangladesh High Commissioner to India, Tariq A Karim, to expedite the matter. However, there is a possibility that Bangladesh might delay signing the deal as it is facing severe infrastructure problems and inking the deal will entail major infrastructure overhaul for which the country may not be ready at the moment.

According to a study by the Confederation of Indian Industry (CII), inadequate warehousing, cargo handling equipment, customs and immigration facilities and means of communication at some of the road- and rail-based land ports on both sides continue to impede the two-way trade.

"Bilateral transport agreement such as the Comprehensive Motor Vehicular Agreement is needed for seamless cross movement of cargo up to the delivery point and undoing the inconvenience of physical trans-shipment of goods at borders, which would to a large extent help in overcoming the present requirement of trans-shipment of cargo at the border points," CII said.

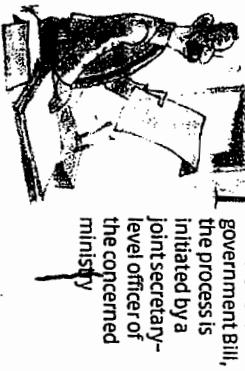
Bilateral trade reached \$5.14 billion in 2012-2013 from \$3.78 billion in 2011-2012 and \$3.24 billion in 2010-2011.

ALSO READ, IN DEPTH  
Pragmatism over politics 10>



## HOW A GOVERNMENT BILL REACHES PARLIAMENT

In the controversy surrounding who is to blame for the controversial ordinance of the government that sought to protect convicted politicians, Business Standard explains how a government Bill/ordinance is drafted. In the present case, the ordinance belonged to the law ministry:



■ In case of a government Bill, the process is initiated by a joint secretary-level officer of the concerned ministry



■ A memorandum is prepared by the officer. This is then approved by the concerned minister



■ Suggestions are sought from interested ministries and public.



■ After these have been incorporated, the memorandum is then referred to the law ministry for a formal drafting into a government Bill.



■ After the law ministry's vetting, the Bill is then returned to the parent ministry which then brings it before the Cabinet.

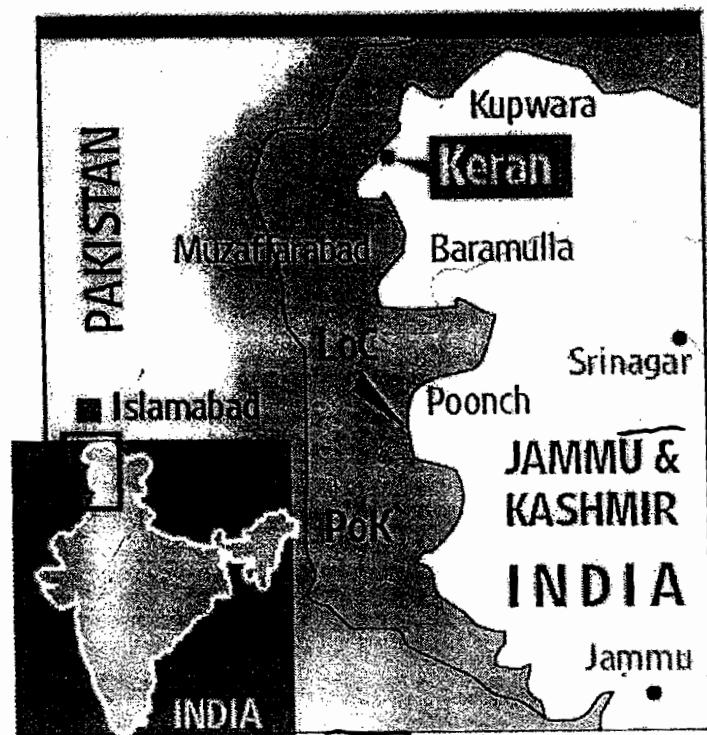


■ Subject to the nod of the Cabinet, the Bill is forwarded to the Ministry of Parliamentary Affairs (PAM). The PAM then sends a formal notice to the Lok Sabha and the Rajya Sabha for tabling of the Bill.

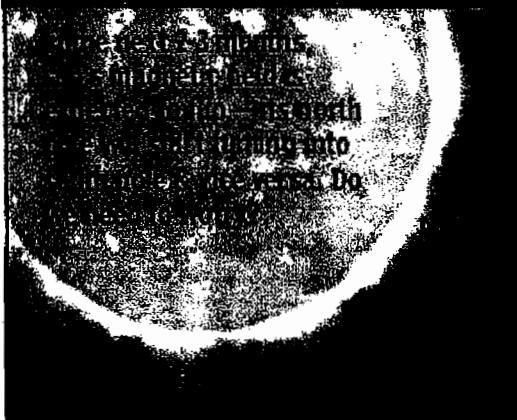
**Note 1:** Procedure of drafting a Bill and ordinance are same. However, according to the Constitution, an ordinance can only be evoked if either of the two Houses of Parliament is not in session. Hence, an ordinance is referred as an 'emergency provision'

**Note 2:** Any Member of Parliament can introduce a Bill. All such Bills are called Private Member Bill. None of the above steps are followed in the drafting of such a Bill

Illustration: Binay Sinha

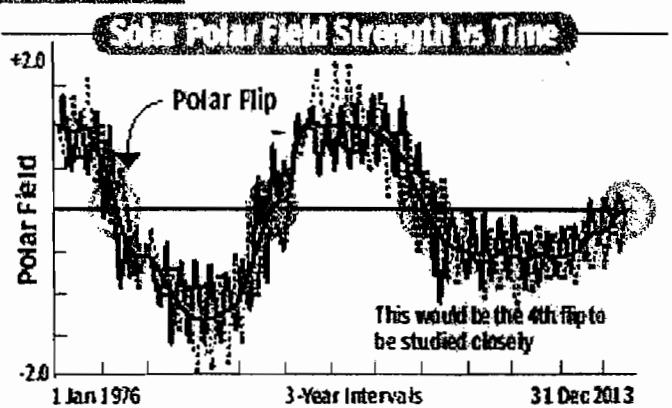


## POLE DANCE



### 11-Year Cycle

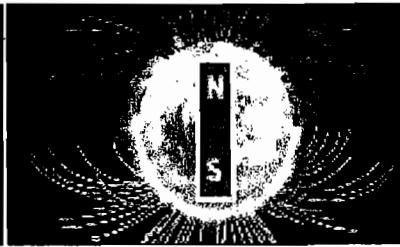
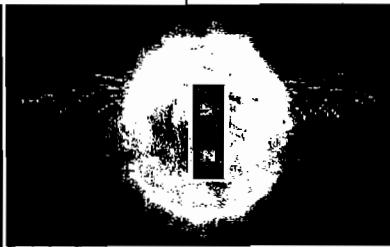
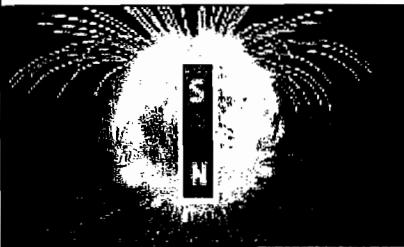
Sun's magnetic field changes polarity roughly every 11 years as its inner dynamo reorganizes itself



**Giant Reverse Dynamo** At many million degrees, sun's interior is so hot that matter breaks up into electrically charged particles. The motion of these particles produces magnetic fields, like a dynamo in reverse

**It's almost as if a giant magnet inside the sun is turned upside down**

DIBYENDU NANDI | ASTROPHYSICIST



Positive pole

Negative pole

### How Does It Affect Us?

► During the flip, sun's magnetic field is weakest. This corresponds with the peak of the 11-year sunspot cycle, when chances of solar magnetic storms are high. These can pose a threat to satellites,

telecommunications, air-traffic on polar routes and power grids in countries at high latitudes

► Telegraph & power failures

due to solar storms have been recorded since 1895. In March 1989, the power grid in Canada's Quebec shut down, leaving 6 million people without power for 9 hours



# Now, All Eyes on Bali...

The new director general of the World Trade Organization Roberto Azevedo is rushing from capital to capital to build some consensus before the ministerial talks in Bali in December. On Monday, he will stop over at Delhi to hold parleys with commerce and industry minister Anand Sharma. ET reviews the situation ahead of the Bali ministerial...

## WHAT'S BEING NEGOTIATED

Doha round 2001

## STATE OF PROGRESS

Stuck despite eight rounds of ministerial talks

### AGENDA OF THE BALI MINISTERIAL



**The trade facilitation agreement**  
Pitched by developed world. Aims to remove red tape & smoothen cross-border trade



**The food security proposal**  
The G-33 countries' agenda- to allow govt procurement for public stockholding from poor and marginal farmers.



**Development Agenda**  
Monitoring Mechanism for Special & Differential Treatment provisions in WTO



**Least Developed Countries proposal**  
Duty free, Quota free market access for LDCs

### THE PROBLEM AREAS

#### Trade facilitation agreement

Developed world has pitched it as a measure that will promote trade, reduce costs and bring predictability to trade

Developing countries feel it will impose significant costs on them, which they may not be able to afford

India has proposed suitable modification to the proposals and wants it to be part of an overall package

#### INDIA'S STAND

TF cannot be harvested without adequate balance both within the TF agreement and with other elements of the Bali package.

#### Food security proposals

Championed by India, the proposal is backed by the group of 33 countries

Food procured for public stockholding purposes from low income or resource poor farmers in developing countries not be counted as prohibited subsidy

Developed world has opposed the proposal

US has said that even if it does something it would be "very little".

#### INDIA'S STAND

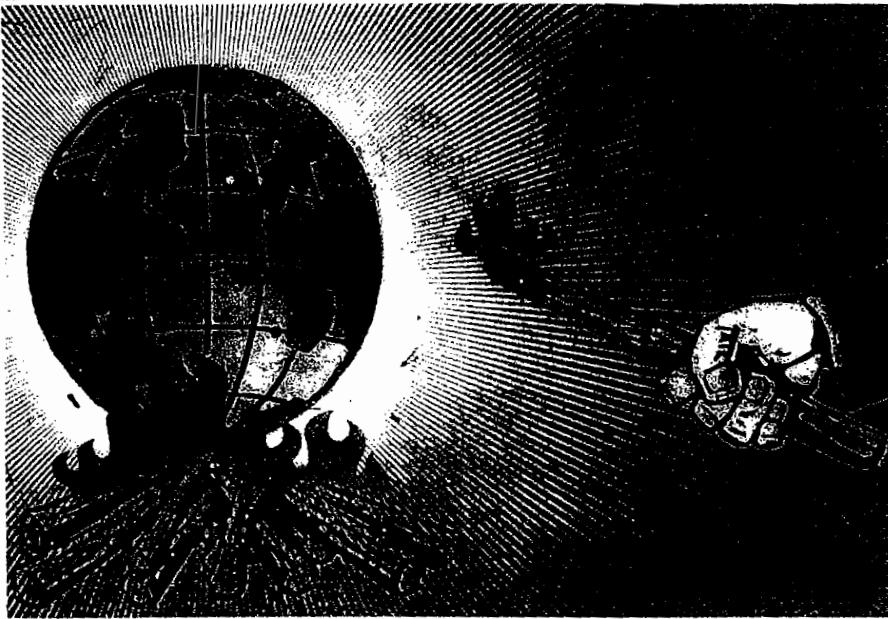
Food security is a humanitarian question, especially in these times of volatility. It cannot be sacrificed to commercial considerations

### WHAT WILL SHARMA TELL AZEVEDO

- India is not standing in the way of the trade facilitation agreement but only seeking balance in the pact
- G-33 countries' food security proposal and the package for the LDCs are equally important to harvest the multilateral agreement in Bali
- Sharma will also push for a binding agreement on customs cooperation within the TF pact
- Developed countries should provide financial and technical assistance to the developing countries for TF commitments



ILLUSTRATION BY AJAY MOHANTY



# Slow burn

Climatic trends, even if distant, have significant implications for India

## Muddy waters

UBIR GOKARN

The Intergovernmental Panel on Climate Change is in the process of putting out its fifth series of assessment reports. There are three components in this series. The report on the first component – science – was released at the end of September. The other two – impacts and mitigation – will be published in March and April 2014. While we wait for the perspectives that those reports will provide on strategic responses, the assessments made in this one must provoke some thought on the trajectory of climate change over this century.

The report assesses available scientific evidence for seven major climate phenomena. Looking at historical patterns, it assigns a likelihood to whether a change in trend has taken place since 1950 and whether this is the consequence of human actions. Looking ahead, it makes a judgement on the prospects of these trends being reinforced over two time horizons – early 21st century and later 21st century.

Looking back over the past six decades, two out of the seven phenomena are seen to have had a high likelihood of intensification. These are “warmer and/or fewer cold days” and “warmer and/or more hot days” over land areas. Further, the human contribution to both these changes in trend is seen to have been very likely. The scientific evidence apparently is far less persuasive on the other five phenomena. Some are likely to have seen a change in trend over this period, while there is low confidence in reaching this inference in others. In one, “increase in intense tropical cyclonic activity”, while

the global trend is indiscernible, it is virtually certain to have happened in the North Atlantic — last year’s Hurricane Sandy offers a vivid illustration of this!

Does the historical pattern matter? In particular, are predictions of future trends critically dependent on the precision with which models have explained past dynamics? This is always a dilemma in forecasting, whatever the domain of variables. Be that as it may, the mandate of the report is to assess the likelihood of these trends being reinforced over the course of the current century and this has been done. Keeping in mind all the caveats about forecast accuracy, there is a striking pattern to the forecasts. For the early 21st century time horizon, the highest probability classification for trend reinforcement is “likely” — as opposed to “virtually certain” or “very likely”. Four of the seven phenomena are assigned this — besides the two mentioned above relating to daily temperatures, “heavy precipitation events” and “increased incidence/magnitude of extreme high sea level”. Of the other three, one — “warm spells/heat waves” — was not formally assessed, while the remaining two — “increase in intensity/duration of drought” and “increase in intensity of tropical cyclone activity” — are phenomena for which there is relatively low confidence in an inference about intensification.

However, this pattern changes dramatically when the forecast horizon shifts to the late 21st century. Over this time frame, the two phenomena relating to daily temperature variations — fewer cold days and more hot days, respectively — are judged to have a virtual certainty of trend reinforcement. Three of the remaining five — heat waves, heavy precipitation events and higher sea levels — are seen to be very likely to see an intensification. The intensification of drought incidence is

seen to be likely, while that of tropical cyclonic storms is seen to be more likely than not. Of course, as one delves deeper into the assessments, there are some regional differentiations that the scientific literature highlights, but those are for future discussions. Look at some implications of this broad risk assessment for India.

The first significant issue is the horizon itself. The report suggests that the more dire consequences of climate change will manifest later in the century, immediately introducing a demographic divide in the global debate on mitigation costs and who is to bear them. Obviously, the farther into the future the consequences are, the greater the stake that countries’ young populations have. At the same time, the burden is to fall hardest on generations yet unborn. It is a fact that democratic politics always prioritises the needs of those who are “present and voting”. Assume that as a society we have a responsibility to not leave scorched earth (literally!) behind for future generations, how do we institutionalise the effective protection of the interests of these generations?

Two other trends should also cause concern: increase in the frequency of heavy precipitation events underscores the need for building infrastructure that can withstand heavy floods in areas that are prone to them. We saw just how much damage such flooding can do in the recent experience of Uttarakhand. Presumably, the hill states are going to be the likely victims of more such events and every episode threatens to wipe out infrastructure constructed decades ago. But hill regions are not the only ones vulnerable; flooding in river basins can also cause enormous damage and long-term disruption of livelihoods. Should we be thinking of significantly ramping up disaster management mechanisms?

The assessment does not specifically refer to fall trends, but we need to worry about the potential impact on spatial and temporal distribution. Our cultural sector is struggling to meet the demand for many food products and the growing demand-supply imbalance has significant macroeconomic implications. Are one or more of these climate phenomena going to exacerbate the problem through their impact on all water availability?

The increase in sea levels has obvious significance for an economy with a long coastline. Apart from direct physical impact, including freshwater contamination, there is a very significant issue of migration. This is not just a national issue; it has to be seen from a regional perspective, as significant coastal populations find it necessary to relocate, some, presumably across national boundaries. Do we need to consider a regional mechanism that can anticipate the movements and propose measures that make the less painful as possible for the affected people?

The most dire judgement of the report is that the matter what is done from now on, the cumulative impact of previous emissions will be the predominant driver of the late 21st century outcomes. In other words, there is nothing we can do to stop the burn; at best, we can keep it on slimmer. Everything now seems to depend on adaptation and mitigation.

The writer is director of research, Brookings India, and former deputy governor of the Reserve Bank of India. Views are personal



## **What is *Nitaqat*?**

The Nitaqat is a carrot-and-stick incentive programme for companies and businesses to hire more Saudis across a spectrum of jobs.

It categorises firms into four colour ranges: blue (premium), green, yellow, and red.

For example, if a company has 40 per cent Saudis on its under-500-member staff, it is in the blue (premium) category and will enjoy privileges in importing foreign manpower. If the company has only 12-39 per cent Saudi staff, it will be in the green category and its hiring privileges will be fewer. If a company's Saudi employees' percentage is only 6-11 per cent, it will fall in the yellow range, and hence will need to do some extra hiring to fall in line with the Nitaqat. If the percentage is between 0 and 5, the company is in real trouble: for instance, its foreign staff's work permits will not be renewed.

## **Sebi Relaxes Entry Rules to Woo Foreign Portfolio**

India's securities market regulator has eased entry rules for foreign portfolio to attract more overseas money into the country.

The board of the Securities and Exchange Board of India (Sebi), which met (Foreign Portfolio Investors) Regulations, 2013. These rules have been framed the existing rules for foreign institutional investors, qualified foreign investors recommendations of the KM Chandrasekhar committee, Sebi said in a statement big positive for foreign investors and the Indian markets as it is likely to reduce undertaken by foreign investors under the existing regulations," said Tejesh Ch

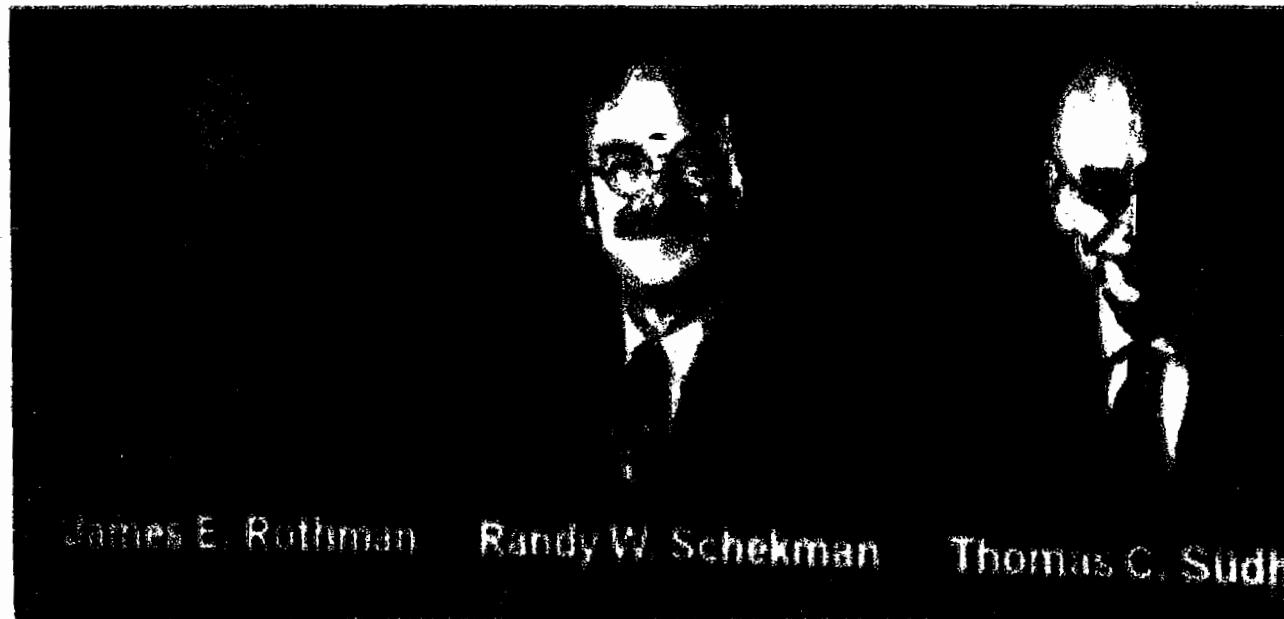
"However, it needs to be seen how soon the FPI regime is implemented as it which Sebi, RBI and I-T authorities get their acts together and amend the existing new rules," Chitlangi added.

FPIs have been allowed to trade in stocks without any prior registration with simplified the investment process by delegating registrations to depository part now be required to carry out the necessary due diligence and obtain appropriate overseas investors before registering them.

Sebi has clubbed current foreign institutional investors, sub-accounts and qualified investor class called FPIs. It has segregated FPIs into three categories: the first like foreign central banks, sovereign wealth funds and multilateral organisation broad-based funds such as university funds, endowments and pension funds are charitable trusts, corporate bodies and individuals. Sebi said KYC requirements risk profile of the investors. The registration process for government-related entities will be most stringent for charitable trusts and individuals. "All qualified foreign investors will otherwise deal in securities till one year from the date of notification of this regulation registration through designated depository participants," Sebi said.

— Our Bureau/ Mumbai

# THE NEWEST LAUREATES



James E. Rothman

Randy W. Schekman

Thomas C. Südhof

Portraits of the winners on a screen at the Nobel Assembly in Stockholm



## WHO WON?

**AMERICANS** James E Rothman, professor of biomedical sciences at Yale University; Randy W Schekman, professor of cell and developmental biology at University of California; and German-born Thomas C Südhof, professor at Stanford University

## FOR WHAT?

FOR their discoveries of how hormones, enzymes and other key materials are transported within cells, a process known as "vesicle traffic".

## SIGNIFICANCE

SOLVES the mystery of how animal cells organize internal transportation system to direct molecules to the correct place. This helps explain how certain illnesses, including diabetes and tetanus work.

## HISTORY

- Nobel Prizes in Physiology or Medicine have been awarded 103 times between 1901 and 2012.
- Only 10 women have been awarded the Nobel Prize in this field up to 2012.
- The youngest Nobel Laureate in this field is Frederik Banting, who was 32 years old when he was awarded the prize in 1923.
- German dictator Adolf Hitler had forbidden three German laureates from accepting their prizes.

# CLIMATE CHANGE AND INDIA

## Who's Looking at the Climate?

US, Europe and China have clear plans based on carbon budgets, the new currency of climate change talks. India does not, reports Hari Pulakkat

IT WAS LARGELY DECIDED IN THE WEE hours of the morning, after intense discussions, only a few hours before the report was released. Late last month, the Inter-governmental Panel for Climate Change (IPCC) meeting in Stockholm announced a carbon budget for the planet, a maximum amount of carbon dioxide the world can emit without inviting dangerous climate change. On the surface it seems like a simple correlation: human beings can emit only another 350 giga tonnes of carbon dioxide if the warming has to be within safe levels of 2 degree centigrade. However, a lot of intricate science went behind this calculation, and it is set to lead to even more intricate political wrangling in the next two years.

The concept of a carbon budget has been around for at least a decade, but it is the first time IPCC has given a number and announced it in strong terms. This budget will form the basis of climate talks from now on, which will culminate in a global treaty to be signed in Paris in December 2015. This new basis is actually advantageous for India, which otherwise has been steadily losing its position in climate talks. However, the government has little time to formulate a clear strategy in terms of carbon budget. "There is a small window to articulate our point of view in the climate talks if we want to shape an agreement for 2015," says Navroz Dubash, senior fellow at the Centre for Policy Research.

### The Need For A Plan

There is a strong reason why IPCC introduced this concept now. Our understanding of the climate system has improved tremendously over the last decade. "In the last six years, our models have been able to link carbon emissions with temperature rise very well," says Govindaswamy Bala, professor at the Indian Institute of Science and one of the authors of the chapter on carbon budget. Now that there is a carbon budget for the planet, climate talks will veer away from annual emissions to how to share the budget. "The evidence for warming is so strong that governments can no longer be complacent about it," says Krishna Kumar, professor at the Indian Institute of Meteorology in Pune and a co-author of the summary for policy-makers of the IPCC report.

So the next round of talks, to continue in Warsaw next month, will focus on how this budget is to be shared between countries. This decision would depend on many factors, one of which would be the strength of a country's arguments. This would, in turn, depend on a clear development and decarbonisation plan prepared by its government. For India, with low accumulated emissions, it is a better deal than one based on annual emissions. But while China, the US and Europe have good plans based on carbon budgets, India is yet to develop one, say officials who have been part of negotiations in earlier climate talks. "If we are silent on the carbon budget issue, we will not have something to put on the table during the talks," says Mukul Sanwal, former lead negotiator for India and executive secretary of the United Nations Framework Convention on Climate Change.

Sanwal now teaches climate change politics at the University of Massachusetts in the US.

In the environment ministry, the joint secretary and additional secretary in charge of climate change negotiations were unavailable for comment. Calls and an emailed query to the secretary's office remained unanswered at the time of going to press.

### China Versus India

The Kyoto Protocol, signed by many developed countries in 1990, is now considered a failure as it had no impact on global carbon dioxide emissions. India had been refusing so far to be part of any deal, saying that it has development priorities that would be hurt by serious emission-reduction measures. This position is being gradually weakened over the years as other countries kept increasing the pressure on India. It does not help that climate change was never been a top priority in India, and has almost completely disappeared from the government radar in recent times.

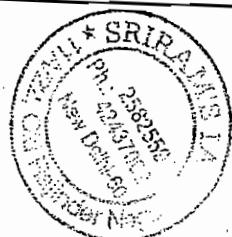
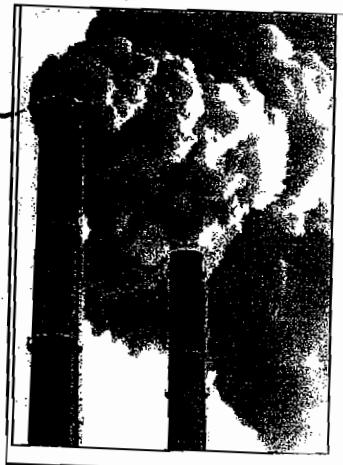
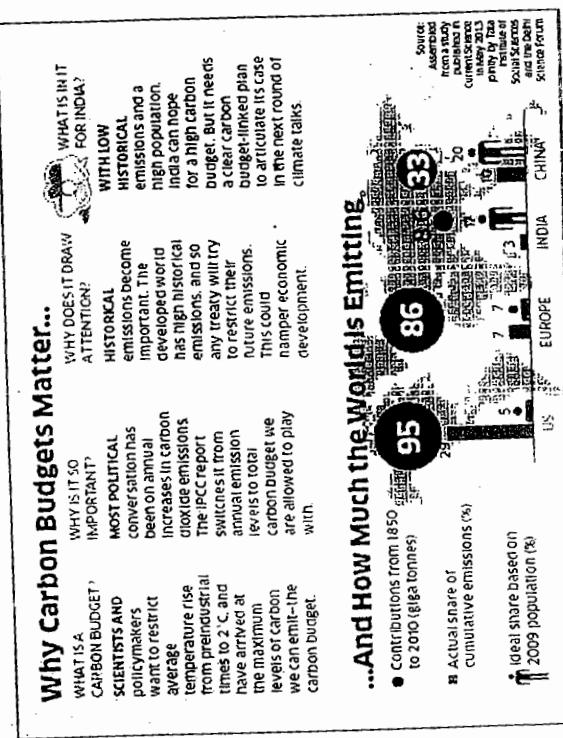
Shyam Saran, former foreign secretary, quit his job in 2010 as special envoy on climate change. Since then, environment minister Jairam Ramesh, who had been driving India's climate change policy, has also left the ministry. India's team for climate change negotiations, if it exists in full, has no visible leadership.

While this is a problem, the biggest obstacle would be the absence of a study that linked the country's development future with a carbon budget, something essential to put forth a strong case at the climate talks. "India's climate policy has not yet fully come to terms with the carbon budget concept," says T Jayaraman, professor and dean at the Tata Institute of Social Sciences at Mumbai. Other big emitters had recognised this idea a few years ago. In May 2011, US National Research Council had jointly produced a report on America's Climate Choices, and it had recognised carbon budgets as a key concept. This agreement was

probably the reason why the US did not oppose the introduction of the carbon budget idea in the IPCC report.

China, with the highest annual emissions, quite clearly gained from a shift away from annual emission reductions. Climate change talks participants also say that China is thoroughly prepared to deal with the carbon budget concept. They also say that both US and China were remarkably quiet during the discussions at the IPCC meeting in Stockholm. Unless India articulates its plans clearly at least 18 months in advance of the treaty, there is no chance of it being heard loudly in these talks. This leaves the country little time to orient national development plans based on a carbon budget. China is expected to complete its major infrastructure projects by 2020, when the treaty is supposed to come into effect. India's infrastructure development still has a long way to go, and therefore much to lose from a treaty forced on it.

An expert group headed by Kirit Parikh, set up to develop strategies to reduce carbon intensity of the GDP by 25% by 2020, is yet to submit its final report even after three years. In the end, even such reductions may fall far short of the requirements—from a climate change point of view—if the GDP grows well during the next decade.



## Blurred 5/20 vision

Restrictions on domestic carriers flying abroad need to be removed

For well over a year, talk about scrapping the notorious 5/20 rule for domestic carriers keen on flying abroad has been doing the rounds in Rajiv Gandhi Bhavan and on Raisina Hill. But the civil aviation ministry appears to be on cruise control when it comes to actually taking a decision, and bringing a note to Cabinet to that effect. Yet the need to do away with a uniquely pointless policy that mandates that a domestic airline must have been in operation for five years and have 20 aircraft before flying abroad is growing more urgent by the day — especially since a number of foreign start-ups, such as Air Arabia, Tiger Airways and AirAsia, have been allowed to fly into India. Since these airlines are outside the purview of these restrictions, they enjoy an unfair advantage over domestic airlines that are hobbled by them. So far, however, despite the monthly assurances from the civil aviation minister, the issue has reached the stage where the ministry and the Directorate General of Civil Aviation said they will "hold consultations" on an issue that is clearly a no-brainer.

The groundswell for change has been growing within the policy-making set-up too. Over the past year and a half, the ministries of finance and corporate affairs as well as the Planning Commission have repeatedly stated that there is no logic to the policy. In January last year, a study commissioned by the ministry of corporate affairs unequivocally said the barriers to international operations were anti-competitive because they limited the number or range of suppliers and reduced their ability and incentive to compete. As the report pointed out, fleet size requirements incur a large start-up cost for domestic airlines and the policy also left domestic operators worse off at a time when foreign operators' services to and from India were steadily expanding. Most importantly, the report said, the policy "biases the market towards big airlines which already have economies of scale. Furthermore, this rule incentivises mergers". The report suggests that a better criterion to set would be financial viability — a sensible idea, as passengers stranded overseas when Kingfisher abruptly closed operations will testify. Global safety norms should be the other benchmark, and it is worth remembering that it is state-owned Air India, with extensive overseas operations, that has been lax in this regard, not domestic private airlines.

It is possible that the ministry is moving cautiously on grounds that a change in policy is being effected just as AirAsia and Singapore Airlines are scheduled to make their domestic debut via tie-ups with the Tata group. So it runs the real risk, especially in the current political climate, of being accused of favouring these entrants. Indeed, barring Wadia-owned GoAir, all the major domestic airlines now meet the criteria for international operations. But the existence of this stipulation on the rule books does little for India's already tattered global reputation for doing business.

# ... sticks paper trail to voting machines

## Election panel relieved, as it had feared voting machines would be scrapped

SAHU MAKKAR

New Delhi, 8 October

Fear that the Supreme Court would scrap electronic voting machines (EVMs) made the Election Commission of India put up a fight in the apex court on the issue, ending on Tuesday with a direction to introduce a paper trail in EVMs for the 2014 general election.

It means votes will be recorded on EVMs but a paper slip will also be generated for each cast poll. For instance, if we had the same number of total electors today as in the 2009 general elections, a total of 71,69,85,101 paper slips would be generated. India had completely stopped using paper ballots since the 2004 elections.

The slips will be collected in a separate and sealed box attached to the EVMs. A voter can glimpse his slip for six to seven seconds before it is automatically captured in the sealed box. The slip will reassure the voter about the contest or party for which he has voted. Also, the contestants can later have the option of manually counting how many people voted for them, ending a controversy generated during closely fought elections.

"There is so much mistrust in the society and among intelligentsia about EVMs. We had actually anticipated that the SC might strike down the entire concept of voting, as happened in Germany a few years before," said a high-ranking

Election Commission officer, who refused to be named. "The judiciary could have ruled either way, so we didn't take a chance. We reluctantly accepted the argument of introducing the paper trail in a phased manner. Had they actually struck it down, it would have taken us 20 years back."

Adding: "EVMs have already run their course of controversy in the country and

political parties have more or less accepted their use. Only those who lose elections make some noises about EVMs."

If EVMs were scrapped, the ECI would have to order hundreds of thousands of ballot boxes, which it had already dis-

carded, and go through the cumbersome process of manu-

ally counting the votes.

few constituencies during the December 4 elections in Mizoram and Delhi. The positive side is that people will have

more faith in EVMs now because of this new alternative.

Contestants can manually count

the votes," the officer added.

Earlier in the day, the apex

court ruled that a paper trail in

EVMs will ensure free and fair

polls. It directed the Union gov-

ernment to provide financial

assistance for introducing a

Vote Verifier Paper Audit Trail

system. The court's order came

on a plea from Bharatiya

Janata Party leader

Subramanian Swamy, seeking

a direction to the poll watch-

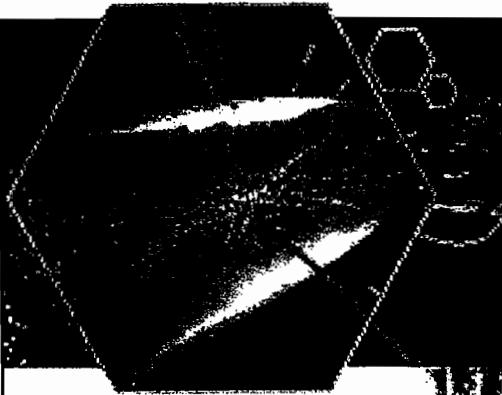
dog to ensure EVMs have a

paper trail and to issue a

receipt to each voter.

Early counting the votes. "Imagine the situation, if the directives had come just before the general elections." Even so, with the latest SC directive, the ECI would still have to do some firefighting to implement the order. It will have to procure 1.3 million printers, attached with an equal number of EVMs. The commission had tried around 300 such printers during the Nagaland elections. A single printer had come for roughly ₹3,000 each. The ECI believes it would cost them an additional ₹7,000-8,000 crore, beside the anticipated ₹15 lakh. Subramanian Swamy, seeking a direction to the poll watch-dog to ensure EVMs have a paper trail and to issue a receipt to each voter.

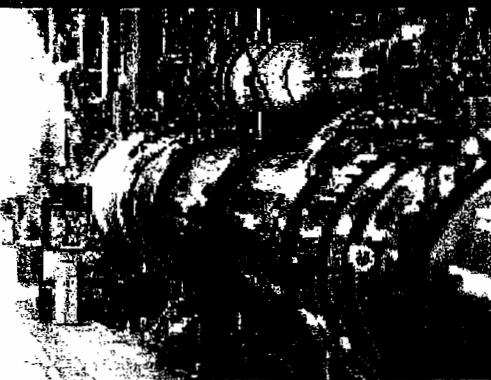
Peter Higgs (R) of Britain & Francois Englert of Belgium won Nobel prize in physics for proposing a mechanism to explain why the most basic building blocks of the Universe have mass



It was theorized 48 years ago to explain why some particles have mass and others, like photons, have none. Its existence was finally confirmed by the

## THE BIG FIND

The mechanism predicts a sub-atomic particle, the Higgs boson, without which the Universe would have no substance and life would not exist.



Finding the Higgs boson vindicates the so-called **Standard Model of physics**, developed in the early 1970s. It is the most accepted theory of how the known Universe works

BIG BOSS OF PHYSICS

The name comes from Higgs, who first published the idea of a field of mass-conferring particles in 1964; but vital work was also done by Robert Brout (who died in 2011) and Francois Englert, who is this year's joint Nobel winner

THE GOD PARTICLE

The Higgs boson is also known as the "God particle"; like the deity it is said to be extremely powerful, exist everywhere but impossible to pin down

The origin of the name comes from a book by Leon Lederman, whose draft title was "The Goddamn Particle" to describe the frustrations of trying to nail the particle. It was later changed to "The God Particle"

## The Look East policy is a successful initiative. The prime minister's visit to Indonesia must build on it

C. RAJA MOHAN



AS HE heads to Brunei and Indonesia this week, Manmohan Singh has reasons to pat himself on the back for significantly advancing India's Look East policy through his near decade-long tenure as prime minister. When outlined by P.V. Narasimha Rao in the early 1990s, India's Look East policy was merely aspirational. Under Atal Bihari Vajpayee, it had become a comprehensive engagement with the Association of Southeast Asian Nations (ASEAN). Thanks to his bipartisan effort by three different administrations in Delhi, the Look East policy has become one of India's most successful foreign policy initiatives ever.

Singh's contribution to the Look East policy has been three-fold. The first was to ensure India's economic integration with Asia. Despite doubts in the Congress party, expressed at the highest level, Singh finalised a free trade agreement with the ASEAN. He followed up with two comprehensive economic partnership agreements with Japan and South Korea. He has also committed India to negotiate a Regional Comprehen-

sive Economic Partnership with the ASEAN and its major partners. Thanks to these initiatives, India has become an integral part of Asia's economic future.

Second, on the political front, India is now part of all the ASEAN-led institutions that emerged during the last decade, including the East Asia Summit and the expanded consultations among the region's defence ministers. At the commemorative summit in Delhi last December to mark the 20th anniversary of India's engagement with the ASEAN, the two sides unveiled a comprehensive strategic partnership. The ASEAN now is seeking a more active Indian contribution to the security and stability of East Asia. Third, Singh has expanded the geographic scope of India's Look East policy to include Japan, South Korea and Australia. The growing engagement with these countries has added considerable depth to India's Asian outreach.

Singh's journey to the east includes a bilateral visit to Indonesia, the largest nation in the ASEAN and a rising power in its own right. If the East Asia Summit in Brunei is about India's new multilateral engagement with the region, the PM's visit to Indonesia highlights India's urgent bilateral imperative in East Asia. In the last two decades, Asian regionalism and multilateral institutions have taken strong roots. Yet, the rapid changes in Asia's strategic environ-

ment have compelled most Asian nations to strengthen bilateral ties, especially in the security domain.

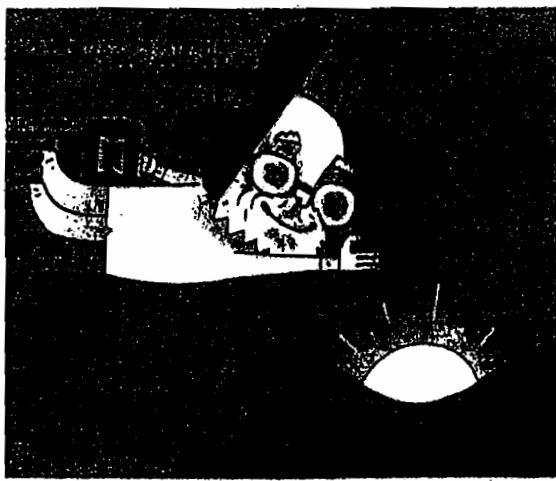
The growing tensions between China and the United States, and the intensifying maritime territorial disputes between Beijing and its Asian neighbours, have brought forth great political uncertainties. While the Indian debate has focused on the implications of rapidly expanding Chinese military power and the US rebalance to Asia in response, it has not paid adequate attention to the urgency of strengthening bilateral strategic partnerships. If the unfolding Sino-

American rivalry in Asia has generated new ideas on reinventing "non-alignment", the real option for Delhi lies in building a "solid alignment" with key regional powers like Indonesia.

After their independence nearly seven decades ago, Delhi and Jakarta together lent legitimacy to the concept of non-alignment as the Cold War between the US and the Soviet Union enveloped Asia. Today, Asia is caught in the clutches of a dynamic relationship between Beijing and Washington. Many of Asia's leading nations, including India and In-

donesia, are coming to terms with one important fact: that their room for manoeuvre will shrink whether the US and China confront each other, or collude to shape the Asian political order. One way to reduce Asian vulnerability to the uncertain dynamics in the US-China relationship is to develop stronger security partnerships between key regional powers: Delhi and Jakarta can now show the way forward much in the manner they did in the middle of the last century.

Contrary to current interpretations of non-alignment, which reduce it to a mantra without



C. RAJA MOHAN

ONE WAY to reduce Asian vulnerability to the uncertain dynamic in the US-China relationship is to develop stronger security partnerships between key regional powers. Delhi and Jakarta can show the way forward.

meaning, the originators of the idea saw it as an active attempt to shape their external environment. Criticising the Cold War was only one part of it. The other was strong bilateral security cooperation. Even as they campaigned for Asian solidarity, Nehru and Sukarno — the founding fathers of India and Indonesia — signed a friendship treaty in March 1951, which opened the door for active defence cooperation. This was followed by three agreements in the 1950s for intensive exchanges between their air forces, navies and armies. Nehru extended support to Indonesia's counter-insurgency campaign at home, and the two held their first joint naval exercise in 1960.

Delhi and Jakarta drifted apart from the mid-1960s on. But as India and Indonesia have drawn closer in the last decade, defence cooperation has once again come on top of the agenda. Still, the unfortunate reality is that despite the proclamation of a strategic partnership and the signing of an MoU on defence

cooperation, progress has been rather limited. At the heart of the problem is India's inability of defence, which has neither the strategic imagination nor the political commitment to build effective international cooperation. As a result, the MoD has long been the weak link in the Look East policy. Despite the growing demands in the region for greater military cooperation with India, the MoD has failed to respond effectively either at the bilateral or multilateral level.

Nehru and Sukarno had the vision to embark upon defence cooperation, but did not have all the means to advance it to the logical conclusion. Their successors today in Delhi and Jakarta have the financial resources — they are the ninth and 16th largest economies in the world. What Delhi and Jakarta now need is the political will.

Injecting some real content into the strategic partnership and finding a way to boost defence cooperation with Indonesia must be on top of Singh's agenda in Jakarta. A strong alignment between India and Indonesia holds the key to Delhi's much-vaunted "strategic autonomy". And Jakarta's quest for a "dynamic equilibrium" in Asia would also set the template for India's security cooperation with other regional powers in Asia.

*This article is a distillation of fellow researchers at the Observer Research Foundation, Delhi, and a contributing editor of The Indian Express.*

# The sky's the limit for India's Mars probe

The Mars Orbiter Mission will help scientists understand the red planet's geological and meteorological features better

## reachforthestars

Prakash Chandra

Nasa's announcement that *Curiosity* did not detect methane in Mars' atmosphere may disappoint India's space scientists, say reports. Hunting for methane is a prime focus of India's first interplanetary mission: the Mars Orbiter Mission (MOM), scheduled to be launched later this month. Methane is a by-product of living organisms and spotting traces of the gas would have increased the likelihood of the Red Planet harbouring some form of life.

ISRO scientists, however, deny any such concerns. "It would be naive to believe that *Curiosity*'s findings confirm the absence of methane in the Martian atmosphere," MOM project director S Arunan said. "The presence of methane is probably localised and not to be found homogeneously distributed. It is likely present only in certain regions of the atmosphere." Moreover, the detection of methane in the alien atmosphere also depends on other factors such as solar activity. A Methane Sensor for Mars (MSM) payload is one of five scientific experiments on board the MOM spacecraft and it will seek to detect methane in a different region of the planet's atmosphere.

The latest data sent back by *Curiosity* merely underlines the 'now you see it, now you don't' aspect of Mars. Tell-tale signs of conditions essential for life on Mars have so often turned out to be false alarms — since the 1890s, when Percival Lowell mistook an optical illusion for Martian 'canals', to recent 'discoveries' by robotic probes that hint at the presence of water or even micro-organisms. Scientists have used terrestrial telescopes to remotely analyse Mars' atmospheric chemistry and concluded that methane is indeed present there. And the ESA's *Mars Express Orbiter* mission recorded anomalous methane readings there in 2004. Since the MOM is designed to emulate the European orbiter's observations, the Indian probe may well resolve one of the most enduring mysteries in this solar system.

The MOM is scheduled for launch on October 28 (with a window that extends till November 19). Every two years, a narrow window opens up, which allows an optimal trajectory to be achieved for a Mars mission by combining the least amount of fuel with the shortest journey time. Orbital mechanics of both Earth and Mars dictate this. Indeed, another mission is also gearing up to use the new launch window: Nasa's *Mars Atmosphere and Volatile Evolution* (MAVEN) mission will launch on November 18. MAVEN will study

key aspects of Martian history such as the effects of the solar wind that interacts with the atmosphere, and how the atmosphere lost its water, nitrogen and carbon dioxide over time. If nothing goes wrong, MOM will swing into Mars orbit August 2014 while MAVEN will reach a month later. And while the Martian moon looks set to become the crowded with interplanetary probes expected to join Nasa's *Mars Odyssey* and the *Mars Reconnaissance Orbiter*, apart from the *Mars Express Orbiter*.

Thanks to these missions, within the next few years, we may have mineralogical maps of Mars that would be even better than those of Earth. MOM carries a thermal infrared imaging spectrometer to map Mars' surface composition and mineralogy. That would mean a better understanding of Mars's geologic and meteorological features — invaluable for the first human visitors on the planet. By then, mankind would probably have definitive or at least plausible answers to questions like what makes the Martian sky pink; or whether Marsquakes occur; or how the surface has been scarred by sheared rocks and polygonal gouges in the ground. Or, indeed, if life forms — even if they are microbes — define the biochemistry of this intriguing planet.

Prakash Chandra is a science writer.  
The views expressed by the author are personal.

# KNPP: Optimum safety ensured



ANDREI REZNICHENKO  
Expert

A very prominent global company has recently introduced a new version of its super popular smartphone, whose characteristics can no longer be called revolutionary. It has become incrementally better, that is all. Speakers at the presentation talked about the new colour scheme, the new non-essential functionality and even the price. Yet not a word was uttered about security for its data storage and access.

But is it possible to launch an innovative product these days that does not meet the strictest security requirements? The more high-tech civilisation becomes, the better its security technologies and systems in all areas, whether on a personal scale, as in smartphones, or at big industrial and energy projects.

India possesses a highly developed nuclear power infrastructure, so it is little wonder that the country's most advanced nuclear power plant, the Kudankulam NPP, has been built around the maximum safety principle. Generally, nuclear power plant safety systems and nuclear technology in general are in a state of constant flux. Russian-designed water-water reactors are arguably the world's most reliable.

The VVER design is based on the principle of the power unit's self-protection stemming from the reactor's neutron and physics characteristics, which automatically abort fission in any emergency, no matter what the operator is doing. The Kudankulam NPP's power units are equipped with a number of independent safety barriers, including a double-layer containment con-

sisting of inner and outer shells. The outer shell protects the reactor from external impact and can withstand a plane crash, a tornado, a hurricane, icing, flood, or a terrorist attack. The inner shell keeps radioactivity trapped inside in the event of a beyond design basis incident. The NPP's safety channels feature dedicated diesel generators that are designed and located to operate even when flooded. Should the above-mentioned safety systems fail, the VVER is equipped with a beyond design basis event management system. It includes a hydrogen removal system, a first circuit pressure surge protection system, a passive steam generator based heat sink for the protective shell, and a core catcher. Besides regular electromechanical protections and a unique core catcher, however, the Kudankulam NPP features a fast-acting boron injection system.

"The way it works is that, in the event of an alarm, we promptly pump boron concentrate into the reactor's first circuit. Fast boron injection is passive protection: the solution is pumped because of a pressure difference. Valves that need to be opened are the only active element there. Yet these are fast-acting valves that only take six seconds to open," says Mikhail Nikitenko, Gidropress' deputy chief designer.

Scientifically speaking, quick boron injection helps control fission intensity in water-water nuclear reactors. The passive safety system needs no energy to power it and contains no revolving components. If the external power supply is lost entirely, it will stop the reactor and ensure that any residual heat is dissipated through the laws of physics.

# Lessons from Hyderabad

## Need for a new states reorganisation commission

**T**here is little doubt that the Congress party has made a mess of the creation of Telangana. True, pretty much every territorial partition, whether of Bengal in 1905 or India in 1947 or some of the states in 1956 or more recently, has caused angst in the hearts and minds of the status quoists. But, that being so, the challenge has always been to manage the angst. It is in this that the Congress party and its governments, both at the Centre and in the state, have failed. The former botched the creation, and the latter is botching the post-partum pain. The episode, therefore, offers three key lessons.

The first lesson is that there should be a proper agenda for the creation of new states. Post-Telangana, there are several claimants – Vidarbha, for one; Gorkhaland, for another – and eventually some future government will allow their demands. Therefore, one of the better legacies that the United Progressive Alliance (UPA) can leave behind is a new states reorganisation commission. Even if the UPA doesn't create it, it can at least announce the intention to set up one. This will go a long way towards removing suspicion and knee-jerk opposition from the Opposition parties. This has become very important now because the Congress has handled it badly. After all, it is difficult to find anybody who believes that this decision was taken without an eye on the electoral arithmetic and the dates of the general election. With, and in, Telangana, it is argued that the Congress can hope to get around 15 seats in the 2014 general election; without it, some in the party feared it would have got less than five – in a state that has been the bulwark of two successive electoral victories for the Congress. Thus, Y.S. Jagan Mohan Reddy's remark – that the state was created only to make Rahul Gandhi prime minister – strikes a chord with many listeners. Intentions, like Caesar's wife, don't merely have to be honourable; they have to be seen to be so as well.

Another lesson would be to examine if India is paying a political cost for not changing the number of parliamentary constituencies for several years, even as its population has risen in this period. As numbers have increased, so has the political relevance of the smaller groups. Since representation has been frozen, the way out has been the creation of smaller states. If the number of Lok Sabha and Assembly seats is not increased to represent optimal numbers of people, this process may accelerate in the future. Meanwhile, it is state capitals, rather than New Delhi, that most affect people's lives. Together, this leads to ever-stronger demands for new states. Lastly, there is the question of preparedness when a state is divided. This has to be at the political, social and law-and-order levels. All three have been casually, and poorly, handled in this case. It is no excuse for the state's chief minister to say that he is caught in a dilemma. The consequences of his dilemma should not have been borne by the people and the economy of his state. If the Congress now loses Seemandhra for good, just as it lost Tamil Nadu after the Hindi agitation of the mid-1960s, it will have only itself to blame.

**BIG PICTURE**

# What US shutdown means for India



**M. K. BHADRAKUMAR**  
Foreign policy analyst

The shutdown of the US government is beginning to play out in the international arena. The cancellation of President Barack Obama's Asian tour to attend the annual summit of the Asia and Pacific deepens the scepticism of the regional states regarding the efficacy of the US' rebalancing strategy in Asia. The "pivot" to Asia is becoming unsustainable in terms of both the financial burden it carries as well as the Obama administration's own order of priorities.

The dysfunctional nature of the US political system makes the Obama administration's agenda to push for a Trans-Pacific Partnership agreement much harder. Meanwhile, the cancellation of Obama's tour has taken a toll on the efforts to steamroll a peace process in Syria. The Kremlin was

looking forward to a meeting between President Vladimir Putin and Obama on the sidelines of the Brunei summit, with Syria in focus. The work by the experts from the Organisation for the Prohibition of Chemical Weapons is proceeding according to plan but a political underpinning is urgently needed in the nature of a peace process without which the civil war conditions in Syria may aggravate and new flash-points may arise.

A Putin-Obama meet would have helped at this point. Moscow seeks an early Geneva 2 conference that brings together the Syrian protagonists and Washington needs to prevail upon the US' regional allies in the Middle East to roll back their covert military-financial-logistical support of the Syrian rebel groups.

Doubts are bound to rise in the

Iranian mind regarding Obama's political muscle to carry the non-cooperative Congress along if he were to engage. An incremental approach is needed to untie the knots of the US-Iran standoff. While in Tehran there seems to be unity of purpose following the election of Hassan Rouhani as president to negotiate with the Obama administration in a spirit of "heroic flexibility", the same cannot be said about the alchemy within the political establishment in Washington where the White House and the Congress are not on the same page on Iran.

Closer home, the uncertainties over the post-2014 scenario in Afghanistan are deepening. The gnawing doubts in the Afghan mind about the dependability of the US to fulfill commitments have held back the conclusion of the status of forces agreement and that, in turn, may prompt the Obama administration to exercise the so-called "zero option", which is to withdraw all troops and leave the Kabul government on its own. Without any troop presence, the US may not have the motivation to extend financial support for the Afghan economy, which critically depends on foreign aid for survival.

India cannot remain unaffected by these unseemly trends. India needs to think the unthinkable, namely, the era of American dominance on the world stage is ending. What is unfolding is a global transformation process that is redrawing the power dynamics and

the global balance of power. The US may remain the biggest military power and, arguably, the country with the biggest reach and influence in world politics, but it is not necessarily any longer the lead player. Indeed, in his address to the UN General Assembly a fortnight back, Obama candidly admitted the limits to American influence.

The harmony in the international system depends on the accord between the leading actors such as US, Russia and China and the rising powers, which includes India. India needs to adjust to this emerging reality. Yet, there are disquieting signs.

The Indian policymaker reminds one of the deer crossing the highway and is transfixed by headlights of vehicles speeding past. The mantra remains, "The India-US bilateral relationship is embedded in a larger vision of a global strategic partnership."

The foreign-policy elite cannot keep a closed mind, holding on to ingrained ideas and old assumptions rooted in "unipolar predicament". The simple mathematical truth is, Asia is shifting gear to global leadership, thanks not only to its economic dynamism but also due to the deep social and intellectual ferment that is underway – and, it is to Asia that India belongs.



Read the author's blog  
[indrus.in/blogs/realpolitik](http://indrus.in/blogs/realpolitik)

# The SC should Not make Us Rethink Aadhaar



Varad Pande

A recent Supreme Court interim order has reopened the debate on Aadhaar. We need to understand the implications of the order and reassess the "why" and "what" of Aadhaar.

The order says that no service should be denied to a person who doesn't have Aadhaar. This is a fair observation. Aadhaar has always intended to be an instrument of inclusion, not exclusion. The Unique Identification Authority of India, which manages the Aadhaar programme, has always maintained it is voluntary. A government circular issued in December 2012 makes it clear that "no person should be denied service for want of Aadhaar..."

Clear protocols are being put in place for "exception management", or ensuring that service is not denied to anyone. For example, for cooking gas subsidy, the Aadhaar-based payment has been initiated only in districts with over 80% enrolment. Focused enrolment campaigns are being undertaken and issuance of Aadhaar fast-tracked. Permanent enrolment centres are being set up at the block level to provide ongoing enrolment.

Second, the order says it should be checked whether a person is "eligible" for Aadhaar and that Aadhaar should not be given to illegal immigrants. From the outset, Aadhaar has been a programme for all Indian residents. It does not go into the complex question of citizenship and does not confer any rights of citizenship. Nor does it entitle a resident to any benefits by itself; it is a mere proof of identity. The prereq-

uisites for enrolment into it have been deliberately kept at a minimum – a valid proof of identity and address.

Those who don't have these can be introduced by another Aadhaar holder, subject to checks and balances. For the poorest and the most marginalised, Aadhaar becomes the first step on the ladder of social and economic empowerment.

This is also a good moment to reassess why India is undertaking the gigantic Aadhaar exercise. The first benefit is proof of identity. But the benefits go much further: Aadhaar is now recognised as a valid know-your-customer (KYC) to open a bank account and many other services.

Aadhaar has launched an electronic KYC service that makes this process instantaneous. It will now be possible to open bank accounts instantly at the doorstep, through biometric-enabled micro ATM machines handled by business correspondents, if one has an Aadhaar number. This opens up access to a range of formal financial services for the poor.

Aadhaar is the basis for the direct benefit transfer (DBT) programme that aims to transform public service

delivery in India by providing payments to intended beneficiaries directly. This cuts out several layers of intermediaries who have been the bane of the delivery problem in India. DBT-Aadhaar can be a true "win-win": by eliminating "duplicates" and "fakes", it ensures that the right person gets the benefits, and generates fiscal savings at the same time. Successful experiments in districts like East Godavari in Andhra Pradesh, with more than 95% enrolment, show that beneficiaries are much more satisfied with the new DBT-Aadhaar system and, at the same time, fiscal savings of up to 20% are being realised.

Aadhaar already has an unprecedented scale: more than 520 million Indians are now enrolled – making this possibly the world's largest ID scheme – with the first major target of 600 million likely to be exceeded by mid-2014. Andhra Pradesh already has near-universal enrolment, with more than 90% of the population signed up, with a functional DBT model for NREGA and pension payments. Even Jharkhand has over 70% enrolment.

Of course, there are teething troubles: slow enrolment, lack of mobile network coverage in remote areas, delays in seeding Aadhaar numbers in databases, and lack of coordination between government agencies and the lackadaisical attitude of some banks.

But these are not arguments to turn our back on DBT-Aadhaar. They point to the need for better implementation and tighter coordination. We cannot throw out the baby with the bathwater. DBT-Aadhaar promises to transform a flailing state, enabling us to leapfrog to a 21st-century delivery system. While recognising its limitations and implementation challenges, it deserves our unstinted support.

*The writer works for the ministry of rural development. Views are personal*



# IFC launches \$1-billion offshore rupee bond

BS REPORTER  
Pune, 10 October

International Finance Corp (IFC), a member of the World Bank Group, has launched a \$1-billion offshore bond programme—the largest of its kind in the offshore rupee market—to strengthen India's capital markets and attract greater foreign investment in a time of renewed economic uncertainty across the world.

Under the programme, IFC will issue rupee-linked bonds and use the proceeds to finance private sector investment in the country.

"Vibrant domestic capital markets ensure access to long-term, local-currency finance for the private sector—the key engine of job creation in emerging markets," said Jin-Yong Cai, IFC's chief executive. "IFC's offshore bond programme will help bring depth and diversity to the offshore rupee market and pave the way for an alternative source of funding for Indian companies."

India accounted for \$4.5-bil-

lion of IFC's committed investment portfolio as of June 30—more than any other country.

In FY13, IFC invested \$1.38 billion in India to achieve several strategic priorities such as promoting inclusive growth in India's low-income states, addressing climate change, and supporting global economic integration.

Arvind Mayaram, secretary of economic affairs in India's ministry of finance, said: "With the launch of a rupee bond in the global markets, IFC is turning a new corner. This is a new initiative for the intermediation of international savings for development in India. It will also help deepen the capital markets in India and establish an Indian rupee benchmark in the global markets."

Over the years, IFC has issued bonds in 13 local currencies, including the Brazilian real, the Chinese renminbi, the Nigerian naira, and the Russian rouble. Often, IFC is the first international or corporate issuer of local-currency bonds in a market.

# All in the mind

## The focus on youth obscures the challenges of crafting a forward-looking politics

**I**N RAMPUR on Wednesday, Rahul Gandhi assured his audience that the next government would be a "yuvaonki sarkar", a government of the young and for the young. This was clearly meant as a promise of better things to come. Yet, in India's politics, the categories of old and young, and the value judgements they invite, have time and again proved to be meaningless.

One of the dominant assumptions about young leaders is that they tilt against the status quo. But most mid-level young politicians are inheritors whose vocabulary may be superficially different from those of their powerful parents, but whose early experience and political instincts are entirely conditioned by this fact. The graphs of the chief ministers of Uttar Pradesh and J&K, Akhilesh Yadav and Omar Abdullah, have offered sobering evidence that young leaders do not inevitably guarantee progressive governance, that they can end up being hypercautious practitioners of a politics they had no hand in inventing. Rahul Gandhi himself is yet to demonstrate, first, whether he has a coherent vision of governance and politics, and then, if it is substantively different from that which is as-

sociated with his party's "old guard". For new ideas to travel up in a party, it needs to have open ladders of advancement, a way for members to mobilise around a platform, a policy. Youth is often conflated with change, and young people are seen to be mascots of the future, but novel or risky ideas can come from anywhere, from experienced administrators as much as from energetic new entrants. Many not-so-young chief ministers have shown the determination to uproot old dysfunctions, and improve governance—Nitish Kumar being a striking example.

This focus on youth, as a stand-in for forward-looking politics, obscures the real challenges of revitalising parties and governments. For instance, it is often pointed out that young politicians lay stress on technology, without considering the uses they put that technology to, or what social ends they value. The real test, for a "yuvaonki sarkar", is in how it answers to the needs of this overwhelmingly young country, in terms of schools, skills and jobs. The actual age of those delivering this change is immaterial. To paraphrase Gandhi himself, youth is just a state of mind.



## **Hub and Spokes**

In the sphere of East Asian relations, according to Victor Cha, hub-and-spokes refers to the network of bilateral alliances between United States and other individual East Asian countries. This system constructs a dominant bilateral security architecture in East Asia, differing from the multilateral security architecture in Europe. United States acts as a "hub" and Asian countries such as Republic of Korea(ROK), Republic of China(ROC) and Japan fall under the category "spokes." Whereas there is a strong alliance between the hub and the spoke, there are no firmly established connections between the spokes themselves.

# FUND BOOST

## IFC launches \$1bn -linked bond

TIMES NEWS NETWORK

New Delhi: The International Finance Corporation, the World Bank arm that lends to the private sector, on Thursday launched a \$1-billion (over Rs 6,000 crore) offshore bond programme aimed at boosting investments in India.

The move comes at a time when India is aiming to accelerate growth and attract investment, particularly in the infrastructure sector. This programme would help strengthen India's capital markets and also attract greater foreign investment. Under the programme, IFC will issue rupee-linked bonds and use the proceeds to finance private sector investment in the country.

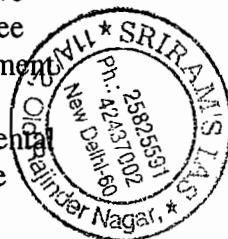
Economic affairs secretary Arvind Mayaram said that the new initiative will help deepen the capital markets in India and establish an Indian rupee benchmark in the global markets. "We see IFC as an important development partner. It has been contributing significantly in financing private sector projects, including public-private partnerships, in several key developmental areas," Mayaram said. He said that with the launch of rupee bonds in the global markets, IFC is turning a new corner.

IFC CEO Jin-Yong Cai said that vibrant domestic capital markets ensure access to long-term, local-currency finance for the private sector — the key engine of job creation in emerging markets. He said that IFC's offshore bond programme will help bring depth and diversity to the offshore rupee market and pave the way for an alternative source of funding for Indian companies.

India accounted for \$4.5 billion of IFC's committed investment portfolio as of June 30, more than any other country. In the fiscal year 2013-14, IFC invested \$1.38 billion in India to achieve several strategic priorities such as promoting inclusive growth in India's low-income states, addressing climate change and supporting global economic integration.

Often, IFC is the first international or corporate issuer of local-currency bonds in a market. When issuing local-currency bonds, IFC works closely with regulators and market participants to refine the regulatory framework, encouraging greater participation in the local markets and providing a model for other international issuers.

IFC has provided over \$10 billion in local-currency financing across 58 currencies using a variety of financing tools — more than any other international finance institution.



# INDIA, ISRAEL TO PROMOTE INVESTMENTS



Israeli Economics Minister Naftali Bennett (*right*) with Maharashtra Chief Minister Prithviraj Chavan in Mumbai on Thursday PTI

## Security, energy and agriculture among focus areas

SANJAY JOG

Mumbai, 10 October

The governments of India and Israel have agreed on joint initiatives in investment, research and development (R&D), security and farming, among others.

The countries would jointly set up a research and development (R&D) fund and promote investments in security, cyber security, energy, water recycling and solid waste management, agriculture and post-harvest management. The size of the fund has not been decided.

Israel also proposes to increase the number of model farms from 20 to 100 across the country, helping farmers increase production. The

you have short-term objectives," he said. The time taken for investment decisions is a little long in India, the minister said, adding his country expects faster decision making.

India and Israel are working to finalise a free trade agreement and a free talent deal, he said. "Israeli students should take a plane and land in India to join the university of their choice. We want to promote free flow of talent in both countries."

The annual bilateral trade has increased to \$6 billion

from \$180 million in 1992, Bennett said. "Our goal is to double it. The FTA is expected to expand the basket of goods that will be traded and create significant opportunities for traders and business persons of both countries."

The economy minister also met Maharashtra Chief Minister Prithviraj Chavan. "Israel will set up a model farm at Dapoli in the Konkan region to help increase mango output. A similar model farm will be established in Nagpur for citrus fruit."

# **NFRA**

Central Government has introduced a new regulatory authority named as National Authority for Financial Reporting known as National Financial Reporting Authority (NFRA) with wide powers to recommended, enforce and monitor the compliance of accounting and auditing standards. NFRA shall be responsible for monitoring and enforcing compliance of auditing and accounting standards and for that purpose, oversee the quality of professions associated with ensuring such compliances. The Authority shall investigate professional and other misconducts which may be committed by Chartered Accountancy members and firms. There is also a provision for appellate authority.

The National Financial Reporting Authority shall be a quasi - judicial body to regulate matters related to accounting and auditing.

National Financial Reporting Authority, which is supposed to be constituted as an oversight regulatory body to recommend accounting and auditing standards , shall consist of a chairperson and such other prescribed members not exceeding 15.

The head office of National Financial Reporting Authority shall be at New Delhi and it may, meet at such other places in India, as it deems fit.

Its accounts shall be audited by Comptroller and Auditor General of India (CAG)



# New scheme offers flexi entry & exit points in vocational courses

AICTE says 360 colleges have signed up for National Vocational Education Qualification Framework

M SARASWATHY  
Mumbai, 9 October

Students of vocational courses under the National Vocational Education Qualification Framework (NVEQF) will have 'flexible' entry and exit points. According to Shankar S Mantha, chairman of All India Council for Technical Education (AICTE), the scheme provides multiple choices in both vocational and formal education systems.

AICTE, which comes under the Union ministry of human resource development (MHRD), launched NVEQF for implementation in polytechnics, engineering colleges and other university colleges from 2012-13. The programmes are sector-specific, and sectors such as information technology (IT), media, entertainment, telecommunications, mobile communications, automobile, construction, retail, hotels and fashion designing, among others, have been identified for implementation.

The scheme will have seven certificate levels with each level, requiring about 1,000 hours of education and training yearly. For the vocational stream leading to a degree or diploma, these hours will have both vocational and academic components. The vocational component will go on increasing as the level of certification increases. A diploma will be awarded after certificate level five and a degree after level seven, subject to statutory approval.

BVoc (bachelor-vocational) has been notified, said Mantha. He added AICTE was seeking registration of colleges to adopt the community college concept. It is also seeking skill knowledge providers (SKPs) which would provide skill training. NVEQF is the



## CHOICES GALORE

- The scheme addresses lack of uniformity in qualifications across institutions and no formal recognition of informal (prior) learning
- Helps students exit education system and enter job market as and when they desire. They can come back to education later
- Scheme to have seven certificate levels, with each certificate level having approximately 1,000 hours
- Each 1,000 hours at the certificate level should have certain number of hours for vocational competency-based skill modules
- Rest will be for general learning simultaneously integrated and providing a diploma for vocational education after certificate level five or leading to a degree for vocational education after level seven in the university system (subject to their statutory approval)
- Colleges can become community colleges to offer courses under NVEQF
- Sector skill councils to set the occupational standards
- AICTE partners with American Association of Community Colleges for collaborating with community colleges in the US

framework, while the community college is the vehicle.

According to Mantha, there are about 40,000 colleges in the country and any of these can operate as a community college by offering education under NVEQF. "As on date, we have got 360 colleges and 100 SKPs to register online, and we will be rolling out NVEQF this year. The school boards, the boards of technical education and the universities also need to adopt a seamless integration of NVEQF in our education system," said the AICTE chairman.

Under this scheme, a student can choose to avail com-

petency-based skill learning along with general education without changing courses and by moving through a certificate-level into a formal system of education and vice versa.

The colleges enrolling students under NVEQF would also sign a memorandum of understanding (MoU) with an SKP for skills training. AICTE will create the content until this model matures and critical mass is established and a self-driven and self-regulatory process evolves.

AICTE will seek to provide the requisite statutory approvals to any institution wishing to conduct these pro-

*"The school boards, the boards of technical education and universities also need to adopt a seamless integration of NVEQF in our education system"*

SS MANTHA  
Chairman, AICTE

acquired in both skills and education.

Mantha explained all vocational education is sector-specific. AICTE has identified more than 60 specialisations under these sectors. Skill and education content is developed by respective industry bodies. AICTE is open to working on new sectors and specialisations with industry partners. It has 10,000 colleges in its domain and 30,000 others. The regulatory body has also signed an MoU with American Association of Community Colleges (AACC) for collaborating with community colleges in the US.

The industry is also a partner in this endeavour. "NVEQF is a framework that has industry as an equal partner. We have MoUs with BSNL, IL&FS and the British Commission," said Mantha.

On making NVEQF mandatory in all education institutes, Mantha said, "I wish this is so. There is no point in converting an existing division in a school or a polytechnic or a college to run NVEQF. What should happen is all these should create a new division of maybe 100 students that conducts NVEQF in different sectors and becomes the feeder mechanism."

He added the gross enrollment ratio, employment opportunities and, consequently, the nation's gross domestic product will change when new entrants come into the system and not when the current lot are re-aligned.

MHRD is looking to skill 500 million people in India by 2022, through its various initiatives. National Policy on Skill Development, approved by the government, has set a target for skilling 500 million persons by 2022. The National Council on Skill Development (NSDC) has a target of skilling 150 million by 2022.

## MORE JOBS FOR THE DIFFERENTLY-ABLED

The Supreme Court on Tuesday directed the Union government to implement the Persons with Disabilities (Equal Opportunities, Protection-of Rights and Full Participation) Act, 1995, to provide at least 3% reservation in government jobs. The court has given three months to implement the order in letter and spirit. It ruled reservation had to be based on total cadre strength rather than only the identified jobs. Here is a look at the status of the differently-abled in the country:



### Census 2001

**2.13%**  
Proportion of  
differently-abled in  
population

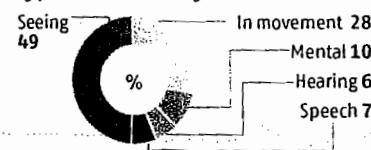
**21 million**  
Estimated size of  
differently-abled  
population

**738** Sex ratio among the disabled

### Geographical spread



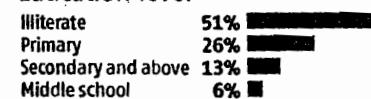
### Type of disability



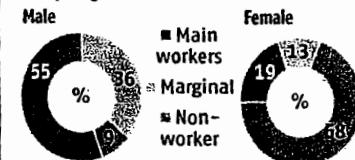
### Differently-abled population by age-group

Less than 30 years | More than 50 years  
**over 50%** | **25%**

### Education level



### Employment status



A UN report of 2006 suggests India has **6-7% differently-abled population** or around 70 million, of which 100,000 could be employed

A World Bank report of 2007 estimates the differently-abled at **4-8%**. The number is between 40 million and 90 million. The report indicated a sharp decline in employment from 42.7% in 1991 to 37.6% in 2002.

Planning Commission Vision 2020 document pegs the number of disabled at

**5%**

According to a study commissioned by Planning Commission in 2008:

#### Reservation in govt jobs for the differently-abled against identified jobs is

Group A	3.07%
Group B	4.41%
Group C	3.76%
Group D	3.18%

#### Reservation in public sector units for the differently-abled against identified jobs is

Group A	2.78%
Group B	8.54%
Group C	5.04%
Group D	6.75%

Compiled by Sahil Makkar



AMBA  
SALEKAR

# No casual vacancies

Supreme Court creatively interprets a statute to expand quotas for the disabled

**T**HREE is less than meets the eye when it comes to the recent Supreme Court decision, said to guarantee a 3 per cent reservation in government jobs for persons with disabilities. Even a crusading full bench could only do so much against a loophole riddled statute.

The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995, introduced the concept of a minimum 3 per cent reservation in all establishments — that is, corporations established by law; authorities and bodies owned, controlled or aided by the government; government companies and all government departments — for certain categories of persons with disabilities. Section 32 of the act mandates the government to identify posts in establishments under it, which can be reserved for persons with disabilities. The confusion was created by section 33, which said that a minimum of 3 per cent of all vacancies in an establishment would be reserved for persons with disabilities, of which 1 per cent each would be reserved for three categories of disability: first, blindness or low vision, second, hearing impairment and third, locomotor disability or cerebral palsy. These reservations would be "in the posts identified for each disability".

The Union of India had ar-

gued that the 3 per cent figure was to be calculated on vacancies within the posts identified for reservation by the government under section 32. This severely limited the number of posts that would eventually be reserved for persons with the specified disabilities. The court had two issues to resolve: how the 3 per cent reservation was to be calculated, and whether this calculation was to be based on the total cadre strength or only the vacancies available in the cadre.

The government's interpretation was leading to a clearly ab-

tend the reservation beyond identified posts was very clear.

Relying on a draft legislation to determine the legislative intent of a provision drafted in 1995 is quite unprecedented. But the court seems to have been eager to do justice to persons with disabilities and the wording of the statute left it in no doubt that the reservations were meant to be vacancy-based and not post-based.

The vacancy-based reservation approach poses a problem, because in order to reach a stage where 3 per cent of vacancies are even available for reservation, a

**The Centre had argued that the 3 per cent figure was to be calculated on vacancies within the posts identified for reservation by the government. This severely limited the number of posts that would be reserved.**

surd result, quite contrary to the aims of the statute concerned. The court proactively and creatively interpreted statutory provisions to avoid this. It held that in light of India's constitutional obligation to be a welfare state, and based on an interpretation of the intent and purposes of the parent statute, the 3 percent reservation in section 33 could not be limited only to the posts identified for reservation under section 32. To determine legislative intent, the court also relied on the provisions of the draft Rights of Persons with Disabilities Bill, 2012. In the draft bill, the court found that the intent to ex-

substantial number of vacancies must arise in the cadre of each establishment. It seems difficult to even estimate how long it would take for the first set of reservations, post this ruling, to actually come into effect. Be that as it may, and despite working in the disability sector, I can not find fault with the plain interpretation of the statute by the court.

Let it not be said, however, that concern regarding vacancy-based reservations was never raised outside these legal proceedings. In 2010, the ministry of social justice and empowerment constituted a committee, comprising

persons with disabilities as well as representatives of organisations working with such persons, under Sudha Kaul. It was meant to draft the bill mentioned above. In the legal consultations held, it was observed that "the reservation of vacancies instead of posts needs to be re-examined". The committee draft of 2011 reflected this, with the proposal that, "All establishments shall reserve not less than 3 percent of all posts, for persons with disabilities". If this clause had been part of the draft bill finally considered by the court, things might have been different. Unfortunately, the proposed section 39 of the bill states, "Every appropriate government shall reserve not less than 3 percent of the vacancies meant to be filled by direct recruitment".

We can argue endlessly about what the court should and could have done to promote inclusion, but it is of the utmost necessity to seek appropriate changes to the draft bill, which, despite the apprehensions of the disability sector, is in the final stages prior to introduction in Parliament. The disability sector needs to pull out its fine-toothed combs to make sure that nothing is lost in interpretation this time around.

*The writer is an advocate, and fellow, Inclusive Planet Centre for Disability Law and Policy  
express@esp.resonance.com*



# Lohia's dream still remains a dream

Our society still has not been able to get rid of caste discrimination and political parties are reluctant to give backward leaders their due

Kiran Yadav

**T**oday is Ram Manohar Lohia's 46th death anniversary. But the socialist thinker and his thoughts are still relevant for this country. This is because we have not been able to get rid of caste discrimination. In 1954, Lohia wrote: "Caste is the most overwhelming factor in Indian life. Those who deny it in principle accept it in practice. Life moves within the frontiers of caste and cultured men speak in soft tones against the system of caste, while its rejection in action just does not occur to them". These words still apply to India.

Despite the spread of literacy in the country, not much has changed when it comes to caste discrimination: literates indulge in discrimination more than illiterates; political parties still decide their candidates based on caste and even the next generation leaders are also perpetuating this trend; appointments to the highest political and bureaucratic offices are made keeping the caste of candidates in mind. So deeply ingrained is the system in our psyche that even an egalitar-



■ RM Lohia: March 23, 1910-Oct 12, 1967

ian religion like Islam has been infected with the caste system. The bureaucracy, which is supposed to act as a harbinger of change, has its own caste system: the IAS are the Brahmins, the IPS and the military the kshatriyas, the IRS the vaishyas and others the shudras. Lohia advocated preferential opportunities for backward castes to destroy the caste system. He trashed the argument that raising the standards of living, merit and equality of opportunity would end the system. He said, "To make this battle somewhat equal, unequal opportunities would have to be extended".

Lohia advocated 60% reservation for the

backward castes in government jobs. He offered important positions in his party to people from backward castes. But today, the two major political parties — the Congress and the BJP — are reluctant to give their backward caste leaders important positions in their parties. The unholy nexus that exists today between the judiciary and the media would have appalled Lohia. Some of the recent high court judgements reflect an elitist and castelist mindset and the media laps up these judgments, projecting them as public opinion. Lohia would have advocated a model that addressed the aspirations of the most backward among the backwards. He would have also argued for a longer time period for quotas because it takes time to correct historical wrongs.

Lohia's crusade would have never been limited to reservation in jobs. He would have wanted the State to proactively take up the cause of promoting inter-caste marriages and even make it a pre-condition for government jobs.

Kiran Yadav is member, Uttar Pradesh State Backward Classes Commission

The views expressed by the author are personal



JANET  
YELLEN

# The Next Fed Chief



President Obama will nominate US Federal Reserve number two Janet Yellen as the next governor of the world's biggest central bank. More of a monetary dove than even outgoing governor Ben Bernanke, Yellen's appointment will come as a big boost for India, struggling to raise foreign flows to fund its high current account deficit. ET takes a look at what the appointment of Yellen, 67, who will be the first woman chairman of the Fed in its 100-year history, means for India

## INDIA HAS 3 MAIN INTERESTS AS FAR AS US POLICY GOES

- 1 When will the Fed start to taper its monetary stimulus?
- 2 What happens to US interest rates?
- 3 The recovery in the US economy

### TAPER IS LIKELY TO GET DELAYED

Janet Yellen backed the US Fed's aggressive stimulus programme as the world's biggest economy stumbled after the global financial crisis. Her elevation will ensure continuity of policies at the Fed

She has openly voiced concern over high unemployment levels. She is expected to be very cautious in unwinding the measures taken to stimulate the economy

#### How does it help India?

Winding down of the Fed's \$85 billion a month bond purchases is not going to begin in a hurry

It will give India time to get its current account deficit under control before the cheap dollar tap is turned off

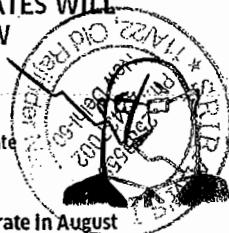
### INTEREST RATES WILL REMAIN LOW

**6.5%**  
The Fed's target unemployment rate

**7.3%**  
Unemployment rate in August  
It has committed to keep interest rates low until this target is achieved

#### How does it help India?

The rise in US interest rates will derail debt inflows into India on which the country has become reliant. Debt outflows could upset India's current account funding plan. Low interest rates in the US will keep developing markets calm



### NOW

Vice chairwoman of the US Fed since October 2010

Professor emeritus at the University of California at Berkeley

### EARLIER

### STEPS TO ACCELERATE GROWTH WILL CONTINUE

### HURDLES YELLEN NEEDS TO CROSS

**100** Senate seats.

Under Yellen, the focus is likely to remain firmly on growth. She may be ready to tolerate higher inflation

**60** Votes Yellen needs for approval

#### How does it help India?

Steady recovery in the US will help push India's exports. Recovery in exports will address

**54-46** Democrats control the Senate

## The Mudgal committee suggests all-too-necessary reforms for film certification

**M**OVIES, the liveliest of the arts, are a risky business in India. Filmmakers have to weigh every creative decision for potential trouble with the certification board, and they may even have to placate political fronts and citizen groups seeking bans, or distributors who run shy of screening controversial material. Acknowledging that the system is broken, after Kamal Hasan's *Vishwaroopam* ran into trouble in Tamil Nadu, the I&B ministry set up a panel headed by Justice (retd) Mukul Mudgal to reassess the Cinematograph Act, 1952. The committee has produced an enlightened report, suggesting a move from blunt "U" and "A" categories to a rating system based on age, as used in many other countries. It made many other sensible suggestions, from changing the way screening committee members are found to strengthening the appellate tribunal. It also emphasised that states should not be allowed to invoke law and order to interfere with a film once it has been cleared by the certification board. Though the Supreme Court has affirmed this principle, it is frequently disregarded, as nervous administrations give in to anyone who raises their voice to block a film. One instance strengthens another, and so the most irritable judge-

ments prevail, and citizens think such bans are their due.

The Cinematograph Act was first rolled out in 1918, and for all its subsequent amendments, is tinged with the colonial view of the audience as infantile, in need of wise adults to cover their eyes and ears from anything "offensive". After Independence, the state used the law's provisions to curb depictions of sex and violence, seemingly afraid of setting off unruly energies. It also banned films, changed endings and forced scenes to be reshot, to the extent that producers often end upskirting difficult material to avoid litigation later. Our movies rarely name political parties or take on live controversies. As the Mudgal panel noted, the composition of screening committees is often dictated by political factors rather than reflecting diverse sensibilities. They have often hewed to the most conservative views, despite occasional blips, like when Vijay Anand headed the board and suggested X-rated theatres for soft porn.

The Mudgal committee's suggestions point the way to a more rational and liberal view of cinema, where films can be made freely, and the decision to watch them could rest with informed viewers, instead of having others think for them.



## A TROPICAL CYCLONE IS A ROTATIONAL LOW PRESSURE

system in tropics when the central pressure falls by 5 to 6 hPa from the surrounding and maximum sustained wind speed reaches 34 knots (about 62 km/h). It is a vast, violent whirl of diameter 150 km to 800 km, spiraling around a centre and progressing along the surface of the sea at the rate of 300-500 km a day.

### A FULLY DEVELOPED TROPICAL CYCLONE HAS A CENTRAL



Satellite image of Phailin at 4 pm,  
provided by US Navy

cloud-free region of calm winds, known as the "eye" of the cyclone, with a diameter varying from 10 to 50 km. Surrounding the eye is the "wall cloud region" characterised by very strong winds and torrential rain, which is about 10-150 km wide. Winds over this region rotate around the centre and resemble the "coils of a snake". Wind speed falls off gradually away from this core region. The height of the cyclone is about 15 km. A mature cyclone releases energy equivalent to that of 100 hydrogen bombs.

### THE WORD CYCLONE

**COMES FROM THE GREEK 'CYCLOS'**, meaning 'coiling of a snake'. It was coined by Henry Piddington who worked as a reporter in Kolkata during the Raj. Tropical cyclones over the Atlantic are called hurricanes; those over the Pacific are called typhoons.

### MAXIMUM SUSTAINED WIND SPEEDS, MENTIONED BY THE

India Meteorological Department (IMD), is the strongest surface wind speed in a three-minute cycle within the cyclonic system at the standard height of 10 m (33 ft) in an unobstructed exposure. US National Hurricane Centre uses 1 minute averaging time for reporting sustained winds.

### CLASSIFICATION OF LOW PRESSURE SYSTEMS IN INDIA

moves from a 'low pressure area' with an associated wind speed of less than 17 knots (32 km/h) to a 'supercyclonic storm', where wind speeds reach over 119 knots (220 km/h). Phailin is a 'Very Severe Cyclonic Storm', with associated wind speeds of 64-119 knots (119-220 km/h).

### OVER NORTH INDIAN OCEAN, TROPICAL CYCLONES HAVE

average radii of 300-600 km. The smallest ones have radii of between 50 km and 100 km, and the largest can have a radius of up to 2,000 km.

### MOST INTENSE CYCLONE EVER TO HIT INDIA WAS THE ORISSA

supercyclone, which crossed the Orissa coast near Paradip on October 29, 1999. It had an estimated sustained maximum surface wind speed of about 140 knots (260 km/h) at the time of landfall. The lowest estimated central pressure was 912 hPa.

### LIFE OF A CYCLONE

**OVER THE NORTH INDIAN OCEAN IS** 5-6 days. It has hurricane intensity for 2-4 days, as against the global average of 6 days. Two tropical cyclones that survived 14 days each in 1886 and 1964 were the longest lived tropical cyclones in Indian seas.

SOURCE: IMD



I know that the Nobel Peace Prize will help us in fact to promote the universality of the (Chemical Weapons) Convention in the next months. Hopefully we will be able to achieve it soon

—ÅKE SÖDERBLUM, CHIEF OF STAFF, NORWEGIAN PUBLIC RADIO (NRK)

### **WHAT IS THE OPCW?**

The Organization for the Prohibition of Chemical Weapons has been working since the 1990s as the body that implements the Chemical Weapons Convention, the first international treaty to outlaw an entire class of weapons.

### **WHAT DOES THE TREATY DO AND WHO IS A MEMBER?**

The convention prohibits the development, production, acquisition, stockpiling, retention, transfer or use of chemical weapons. It came into force in 1997 and has been ratified by 189 states.

**NON-SIGNATORIES** include North Korea, Angola, Egypt and South Sudan.

Israel and Myanmar have signed but not ratified the convention. Syria will be a member soon.

### **WHAT DOES THE OPCW DO?**

The OPCW has conducted more than 5,000 inspections in 86 countries. It says 100 per cent of the declared chemical weapons stockpiles have been inventoried and verified.

### **WHO RUNS THE OPCW?**

The OPCW is funded by its member states and had a budget of some \$1 million in 2011. It employs some 500 people in The Hague. The director-general is Turkish diplomat Ahmet Üzümcü.

# Bru tribals return, but doubts linger

**HOMECOMING** Back in Mizoram after 16 years under a repatriation scheme, many will be able to cast their vote on home soil for the first time

Rahul Karmakar

rahul.karmakar@hindustantimes.com

**AIZAWL:** When he voted for the first time in the 1998 assembly polls, Lalramthanga was one of the 5,000 Bru tribals who had exercised their franchise through postal ballots. These were put in drop boxes that election officials from Mizoram had carried to their relief camps in Tripura, across the river Langkai dividing the two states. As a voter, this assembly election will be Lalramthanga's fourth. For the small-time farmer, it will also be his first — on home soil.

Lalramthanga is a resident of Rengdil village in Mamit district of Mizoram. Last month, he was one of the ninety-eight families that left the refugee camps to return home. "I can now cast my vote in my place of birth," he said, beaming.

Mizoram has 11,301 Bru voters across nine assembly constituencies in the western districts of Kolasib, Manir and Lunglei. A majority of them are in the Hachhekk constituency, where Rengdil, 180km northwest of Aizawl, the capital, is situated. Almost half the Bru voters and their dependants, numbering 37,000, had fled to Tripura in 1997 after Mizo tribal miscreants unleashed an ethnic cleansing drive. The killing of a Mizo forest guard, allegedly by Bru militants, had triggered the animosity that had been on the boil since the Brus raised the demand for an autonomous council, which the majority Mizos viewed as separatism.

The repatriation process, often derailed, began in 2010. A ministry of home affairs package promised ₹85,000 as compensation, ₹5,500 for transportation and free rations for a year. Till September 30 this year, 1,035 Bru families have been resettled in 35 villages of Mizoram.

But many are still not convinced. "The security of our people is in doubt.



Bru tribal women at a village near the Mizoram-Tripura border after their return from relief camps in Tripura

RAHUL KARMAKAR/HT PHOTO

## TIMELINE OF A CONFLICT

Mid-1990s: Bru tribal leaders agitated for an Autonomous District Council

1997: Bru National Liberation Front allegedly killed a Mizo forest guard, triggering an ethnic cleansing drive by Mizo groups against Bru villages.

Approximately 6,000 Bru families (37,000 people) fled to neighbouring Tripura. Most of them live in refugee camps which lack safe drinking water, health and education facilities.

2010: Home Ministry starts a repatriation program for displaced families.

2013: 1,035 families have been resettled into Mizoram till date, with the latest batch of 98 families moving back in September.



Besides, the government is unclear about returning our land that was later sold to wealthy Mizos. The rehabilitation package too, needs to be increased to ₹150,000 and free rations extended by another year," said A Sawibung, president of the Mizoram Bru Displaced People's Forum (MBDPF), based in the Nalsingpara relief camp in Tripura.

The pro-repatriation Bru Coordination Committee, however, is upbeat about the homecoming. "Certain things such as the identification of bona fide Brus need to be simplified, but the government has agreed to consider the latest electoral rolls instead of the

controversial 1995 one, which left out more than 90% Bru inhabitants," said the committee's general secretary, Elvis Chorkhy.

According to Lalblakzama, joint secretary, home department, Mizoram, the government has allowed the refugees to resettle in the villages of their choice.

The repatriation push — a pre-poll exercise, as MBDPF calls it — has given the ruling Congress government an opportunity to show its 'humanitarian face'. "What matters most now is to let bygones be bygones and work together to bail our area out of backwardness," said Krishnajoy, 86, of Rengdil village.



## The Mudgal panel report, if implemented, could end the arbitrary banning of films

In February, information and broadcasting minister Manish Tewari tweeted: "Committee on Cinematographic framework (will) give latitude to review every aspect of certification process holistically & ensure integrity." The Justice Mukul Mudgal Committee has used that latitude to come up with a progressive model Cinematograph Bill to replace the Cinematograph Act 1952. The I&B ministry set up the Mudgal panel after the Tamil Nadu government banned *Vishwaroopam*. This was not a one-off case. While Prakash Jha's 2011 film *Aarakshan* was banned in Uttar Pradesh, Punjab and Andhra Pradesh, Ashutosh Gowariker's *Jodhaa Akbar* was banned in Madhya Pradesh, Rajasthan and Uttar Pradesh. Other films include *Parzania*, *Firaq* that won two national awards, *Madras Cafe*, *Bandit Queen*... the list is endless. Such bans are imposed so as not to 'hurt' the sentiments of a particular section of society. But such bans have not only hampered artistic freedom but has also emboldened fringe groups to have their 15 minutes of fame by raising frivolous excuses to stall the screening of a film. These films run into troubled waters even after getting the go ahead from the censor board, thus rendering such vetting processes meaningless.

The recommendations put forward by the Mudgal panel are noteworthy. Its suggestion that the selection to the advisory panels of the Central Board of Film Certification be more professional is spot on. The present practice of political appointments, often with people who have little knowledge of the intricacies of cinema, is detrimental to the process. Another suggestion is to increase the mandate of the Film Certification Appellate Tribunal to hear cases regarding an objection to any particular film, rather than a plaintiff approaching the court as it happens at present. The suggestion to have more categories for the classification of films and to bring age-specific divisions is a step in the right direction. The committee has also suggested that in cases where a state uses law and order as a reason to ban a film, ascendancy must be given to the powers of the Cinematograph Act. Law and order being a state subject, this suggestion is likely to run into rough weather.

The Mudgal committee has done its job well but it is still a long way before these suggestions are implemented. There are many stumbling blocks that might force this report to end up in the dusty pile of unimplemented reports submitted by various other committees in the past. Now, it is up to the government to see that the Mudgal report is implemented in both letter and spirit.

**outtake**

## DUMMIES' GUIDE TO THE



The US will hit its borrowing limit in the coming week. ET Magazine sifts through the verbiage to bring you what the problem really is and what it means to us.

THE US GOVERNMENT,  
LIKE MOST GOVERNMENTS,  
SPENDS MORE THAN IT EARNS

\$ 3.5 TRILLION

IT SPENDS ON  
Salaries for government workers  
Various subsidies  
Foreign aid  
Healthcare  
Running various institutions such as  
national parks, security apparatus, etc  
Space programmes, etc

\$ 2.4 TRILLION

IT EARNS FROM  
Taxes

\$ 3.5 tn - \$ 2.4 tn = \$ 1.1 trillion  
gap?

SO HOW CAN IT BRIDGE THIS

Raising taxes and cutting spendings are not popular. And the political party in government wants to come back to power. Printing more dollars stokes inflation – meaning goods become more expensive. Again not popular with voters

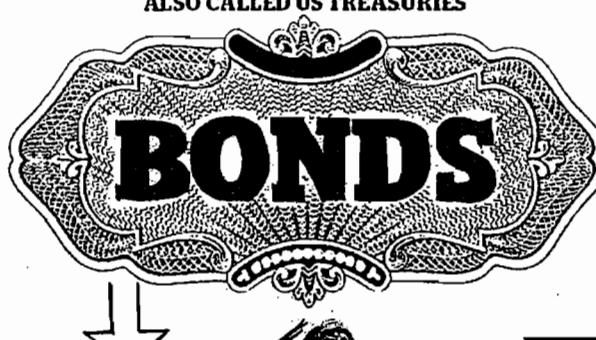
By raising taxes

By cutting spendings

By issuing bonds

By printing more money

SO THE BEST OPTION IS TO ISSUE BONDS,  
ALSO CALLED US TREASURIES



INDIVIDUALS

These bonds are sold to

BANKS

FOREIGN GOVERNMENTS

Thanks to US' global heft, these are favourites with investors. According to May 2013 US Treasury figures, China owns roughly

\$ 3.4 tn

of US bonds.

Federal Reserve coordinates the issuance of bonds. Ben Bernanke is the chief of Fed. Janet Yellen will replace him next February.

By issuing bonds, the US government is essentially borrowing. But the lawmakers have set a cap on the amount the government can borrow. This is known as the debt ceiling. The current cap is at

**\$ 16.69 tn**

Over the years the debt ceiling has been raised – over 70 times since 1962. But this time round the US congress has refused to budge

The reason is political: Barack Obama, the president, is a Democrat but the Republicans led by Paul Ryan have a majority in the House of Representatives.

At the centre of this slugfest is a healthcare bill termed as Obamacare. It basically wants to expand healthcare and improve quality. Republicans think that the scheme is too expensive and

GOVERNMENTS



The US government has enough money in its kitty to last till October 17. After that it could be staring at default of payment

If that happens credit ratings agencies will downgrade US' credit ratings – and that will surely hit the business confidence. no investments, no jobs and a looming shadow of recession

US' inability to repay its creditors will have a domino effect. Banks and corporates will collapse across the globe.

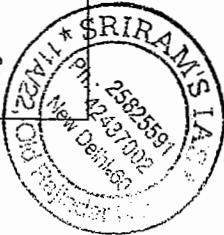
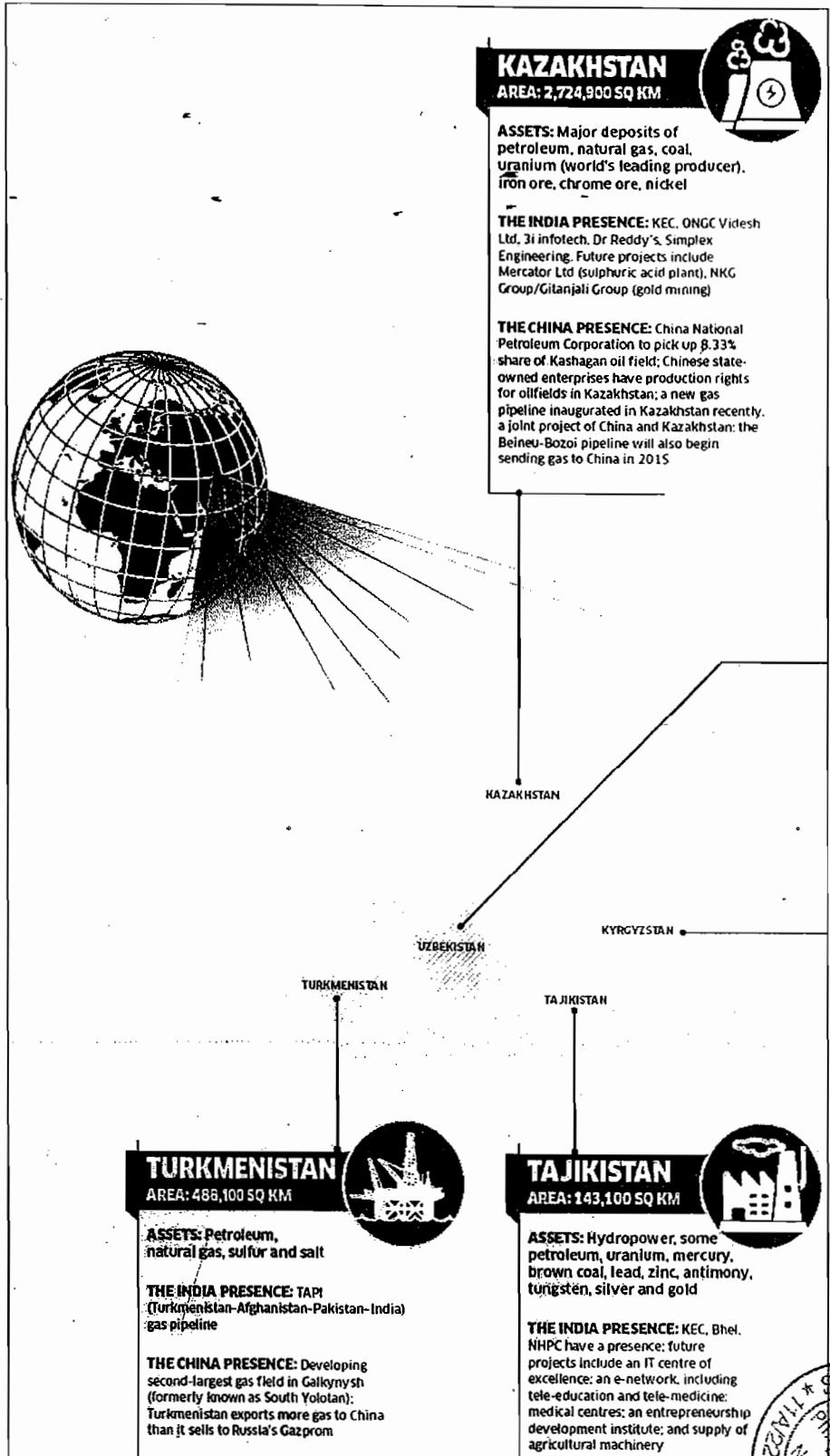
At the time of writing, Republicans have offered Obama a short-term debt limit increase to stave off default



# PEACE

During Dr.Singh's visit, India and the USA agreed to launch a new initiative, 'Promoting Energy Access through Clean Energy' (PEACE) to "rapidly deploy innovative renewable energy solutions to those who currently lack access to energy". Given the large untapped potential of renewable energy — especially of offgrid models in remote rural settings — in addressing India's energy deficit while reducing emissions, this is a significant step forward.





# African leaders tell ICC not to try heads of state

**ADDIS ABABA:** African leaders gathered for a special summit on Saturday to urge the International Criminal Court (ICC) not to prosecute sitting heads of state and defer the crimes against humanity trials of Kenya's leadership.

The meeting at the African Union headquarters comes amid mounting tensions with the ICC, which has been accused of acting like a neo-colonialist institution that has singled out Africans since being set up as the world's first permanent court to try genocide and war crimes.

Ethiopian foreign minister Tedros Adhanom Ghebreyesus told ministers and delegates

at the opening of the two-day meeting on Friday that the Hague-based court was guilty of "unfair treatment of Africa and Africans".

"The court has transformed itself into a political instrument. This unfair and unjust treatment is totally unacceptable," he said of the ICC, which is currently handling eight cases -- all of them against Africans.

The Ethiopian foreign minister said heads of state from the 54-member AU would urge the UN to suspend the ICC cases pending against Kenyan President Uhuru Kenyatta, his deputy William Ruto as well as the case against Sudanese President Omar al-Bashir. AFP

# Seeing through bubbles

Economics Nobel focuses attention on asset pricing, which gained importance after the 2008 crisis

THE 2013 Sveriges Riksbank prize in economic sciences in memory of Alfred Nobel — or the fake Nobel, as non-economists like to call it — was awarded yesterday to Eugene F. Fama and Lars Peter Hansen of the University of Chicago, and Robert J. Shiller of Yale University for their empirical analysis of asset prices. The committee's picks reflect the continued preoccupation with the global financial crisis of 2008, when the discipline was caught embarrassingly off-guard in its broad failure to anticipate or even warn of the housing and credit bubbles. Fama, Hansen and Shiller's work on asset pricing and financial market theory assumed heightened importance in the aftermath, especially as before 2007, macroeconomic models did not even explicitly include the financial sector.

Fama is widely regarded as the father of modern finance. That stock market prices are unpredictable in the near term — the efficient market

hypothesis — is a keystone of finance, and was one of his earliest contributions to economics. This is based on the belief that all available information is reflected in market prices, which only change to incorporate previously unknown information. Shiller — whose prescient 2000 book, *Irrational Exuberance*, predicted the US housing and stock market bubble — was able to establish a predictable pattern in asset returns in the long run. Hansen's econometric formulations were particularly conducive to analysing asset price data.

Though these economists have shaped our understanding of modern finance, spawning hundreds of papers and the substream of behavioural finance, their theories come from different places. As such, the award is an attempt to unify competing schools of thought on how markets sort out the prices of financial assets, an issue with great policy resonance.



# Closed-door policy

The new immigration bill in Britain turns back the clock by two-thirds of a century

HERE is a hard business case for immigration, and if you don't want to take it from meticulous empirical economists, take it from America's mainstream right." Immigrants come with new skills and new ideas. They fill a critical part in our labour market," said George W. Bush. "They work hard for a better life." George Osborne's fast-track Chinese visas reflect this, but Britain's right more often relegates financial concerns below the emotive dimension. The "immigration bill for hard-working people", which Theresa May published last week, is a ragbag of measures to make outlaws of individuals striving for a better life.

Immigration was until recently running at historic highs, and any politician needs to face up to public unease. The polling, however, does not point to unremitting hostility, but rather a mood of fluidity, even confusion... The insinuations in the home secretary's bill are

alarming: the spin centred on making immigrants pay for the NHS, a goal at once superfluous (immigrants can already be billed for non-emergency care) and beside the point (immigrants are healthier than most). The actual proposal here is for May to assume sweeping enabling powers to charge people wishing to come or to stay as much as she likes, for any reason. The legislation also seeks to tie the hands of judges weighing immigrants' right to a family life, a dubious restriction which could fall foul of Strasbourg, if it does not first create a clash in the British courts. Traditional conservatives should be horrified by a wheeze designed to short-circuit the constitutional wiring, but a crisis would further May's dream of turning back the clock on two-thirds of a century of civilisation by quitting the European convention.

From a leader in 'The Guardian', London



## Not so fast

Hunger strikes have come a long way since Potti Sriramulu agitated for an Andhra state in 1952

THE statehood of Andhra Pradesh has always been linked to fasts. Potti Sriramulu's fast unto death in 1952 forced the government to consider the creation of a separate Andhra state. In 2009, when TRS president K. Chandrashekhar Rao began a hunger strike in Hyderabad, a nervous Centre agreed to the Telangana demand. So when TDP chief Chandrababu Naidu and the YSR Congress's Jaganmohan Reddy decided to fast in protest against the bifurcation — passed by the Union cabinet this month — they were only following tradition. But the political fast has travelled a long way since 1952.

Sriramulu was using the idiom of protest at a time when its associations with the freedom movement were still strong. But since then, few ideas have been as egregiously misinterpreted as the Gandhian fast. To begin with, Gandhi rarely fasted to

extract concessions from government. Whether in atonement for the Chauri Chaura violence or in the interests of Hindu-Muslim unity, his public fasts were often meant to be a symbolic act of healing or cleansing the polity. Post-Independence, this deeply nuanced idiom has been turned into a form of political brinkmanship — witness its use by the Anna Hazare agitation for the Jan Lokpal Bill in 2011, which initially managed to bring the Centre to its knees. Politicians have also used it to showboat on popular causes — Narendra Modi's *sadbhavana* fast in 2011, J. Jayalalithaa's day-long fast on the Cauvery issue in 2007 or Mamata Banerjee's hunger strike on Singur in 2006.

Frantic coverage by 24-hour news channels has ushered in the age of the high-visibility fast. As the spectacle is magnified, however, the moral capital of the political fast is diminished.



# Puppeteers on a string

The in-situ slum rehabilitation project at Kathputli can become a national model. Delhi must get it right

SUBHADRA BANDA AND YASHAS VAIDYA



LATE in August, it was reported that the DDA, the Central agency and planning authority owning vast amounts of land in Delhi, had given the go-ahead for residents of Kathputli Colony to be shifted to transit camps. Last month, Chief Minister Sheila Dikshit inaugurated a second such DDA project in Kalkaji. Kathputli is a 30-year-old Jhuggi Jhopdi Cluster (JJC) in west Delhi. Under the DDA's plan, the settlement is to be redeveloped with flats for current residents at the same site, known as in-situ rehabilitation, in a public-private partnership (PPP) model. To defray costs and earn returns, the private developer will be allowed to build a limited number of high-rise apartments on the site for sale at market prices. During construction, the residents will shift to a transit camp and return to separate high-rises within the settlement. The project was initiated in 2008 but has been delayed, affecting all stakeholders — the DDA, the residents and the developer.

Despite these delays, Kathputli is seen as the pioneer in-situ rehabilitation project in Delhi — one that officials desire to replicate, if successful. Until 2007, residents of JJC were relocated, usually forcibly, to under-serviced resettlement sites such as Mangolpuri, where they were given a plot of land, beginning with 67 square metres early in the 1960s to just 12.5 sqm by 2007. Subsequently,

a decision was taken to stop allotting plots and begin with built-up flats in current resettlement colonies like Savia Ghewra and Bawana, located in the northwest periphery of the city. Most of these colonies remain under-serviced, unsuited to home-based livelihoods and far from places of employment. Many flats remain unoccupied.

As an alternative, in-situ rehabilitation is gaining traction. Apart from Kathputli and Kalkaji, the DDA has other projects in the pipeline. The Delhi Urban Shelter Improvement Board (DUSIB), the new agency under the state, is interested. Political actors too are coming on board. Recently, the state opposition party's president, Vijay Goel, promised a flat to every resident in Delhi's slums at their current site if his party comes to power. These aspirations also resonate with the policy ambitions in the Delhi Master Plan 2021 and Rajiv Awas Yojana (RAY), the flagship Central scheme for slum-free cities.

In-situ approaches could be an improvement over the older approach to redeveloping slums, but the experience of Kathputli to date is worrying. Reports indicate that some residents are now seeking a stay or relocation and a firm assurance that they will come back to the same site, pointing to loose ends in project implementation. This settlement is a complex site for in-situ rehabilitation. The 15-story high-rises will have to accommodate communities of artisans and puppeteers originally from Rajasthan and various other communities who have settled there. Given their livelihoods — magicians,

rope-walkers, puppeteers and acrobats — living spaces need to go beyond a uniform design. To add to this, the DDA has exacerbated such problems by avoiding community consultation. Ramakant Goswami, Delhi's labour minister, acknowledged last year that Kathputli's residents were not involved in the early planning stages.

To begin with, the DDA did not disclose the results of the survey that identified those in Kathputli who would receive a flat. Historically, surveying has been problematic and exclusionary. A response to an RTI petition revealed that surveying began in 2008 and had already ended by 2012. Moreover, it

**THE CURRENT experience has been cumbersome. A more participatory process may prove more successful. An early and transparent listing of beneficiaries, with a forum to challenge exclusion, would increase chances of consensus.**

showed that neither the final list of beneficiaries nor the parameters to decide who would get a flat had been prepared. The initial project report specifies resettlement for 2,800 houses. Summaries of later surveys indicated that anywhere from 2,800 to 3,100 households were considered potentially eligible at various

points. Finally, in early 2013, a list was released in response to an RTI petition, where the number is close to 2,800. As one resident said, this kind of suspense was unnecessary.

The DDA also does not have a clear process for specifying what the residents would receive in terms of quality and location of housing, and seeking their informed consent. This lack of community interaction goes against their own Master Plan 2021's requirement that community-based organisations be "closely involved in the resettlement process". It is not the only agency ignoring community consent. Under RAY, a draft

model property rights bill has been released, based on which states can design their legislation for slum rehabilitation. Until May 2011, the draft model bill required projects to obtain consent of a "majority of adult members" before schemes commence. However, the current November 2011 draft merely requires that residents be "involved". Of course, a consent requirement alone will not be enough and could lead to other coercive practices. However, according to residents and housing advocates, the experience in Mumbai, where such a clause exists, is that such a consent clause acts as a "democratic check on the policy".

Kathputli and now Kalkaji may provide a template for housing and future slum development not just for Delhi, but on a national scale. This current experience, marked by considerable delay and opacity, has been cumbersome for all parties. A more participatory process with checks and balances may prove more successful. It needs to be designed and executed in ways that balance inclusion, fairness and effectiveness. An early and transparent listing of beneficiaries, with a forum to challenge exclusion, would increase chances of building consensus. A consent requirement, as in Mumbai, would allow agencies to move ahead only if the community is on board. Creating an effective participatory process will take time and support infrastructure will be a complicated task. But a happy pilgrimage to Kathputli's site is not possible without it. Here is a chance for Delhi to get it right, give residents of JJC a say in their resettlement and to bring along the puppeteers of Kathputli like puppets.

Subhadra Banda is with the Centre for Policy Research, Delhi. Vaidya is a doctoral student at Brown University, US.

## In 'watershed' discovery, experts find how to break cancer shields

GINA KOLATA  
NEW YORK, OCTOBER 15

FOR MORE than a century, researchers were puzzled by the uncanny ability of cancer cells to evade the immune system. They knew cancer cells were grotesquely abnormal and should be killed by white blood cells in the laboratory, in Petri dishes, while white blood cells could go on the attack against cancer cells. Why, then, could cancers survive in the body?

The answer, when it finally came in recent years, arrived with a bonus: a way to thwart a cancer's strategy. Researchers discovered that cancers wrap themselves in an invisible protective shield.

And they learned that they could break into that shield with

the right drugs.

When the immune system is free to attack, cancers can shrink and stop growing or even disappear in healthy patients with the best responses. It may not matter which type of cancer a person has. What matters is letting the immune system do its job.

So far, the drugs have been tested and found to help patients with melanoma, kidney and lung cancer. In preliminary studies, they also appear to be effective in breast cancer, ovarian cancer and cancers of the colon, stomach, head and neck, but not the prostate.

It is still early, of course, and questions remain. Why do only some patients respond to the new immunotherapies? Can these re-

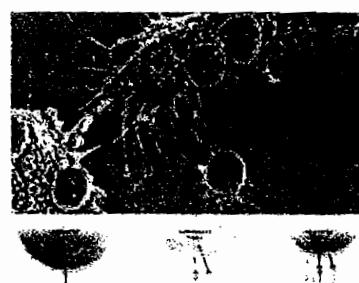
sponses be predicted? Once beaten back by the immune system, how long do cancers remain at bay?

Still, researchers think they are seeing the start of a new era in cancer medicine.

"Amazing," said Dr Drew Pardoll, the immunotherapy research director at Johns Hopkins School of Medicine. This period will be viewed as an inflection point, he said, a moment in medical history when everything changed.

"A game-changer," said Dr Reiner J Brentjens, a leukemia specialist at Memorial Sloan-Kettering Cancer Centre.

"A watershed moment," said his colleague, Dr Michel Sadelain. Both say they have no financial interests in the new drugs; Dr Par-



Several T-cells (purple) are shown attached to a cancer cell (brown) in the artificially coloured image.

doll says he holds patents involving some immunotherapy drugs, but not the ones mentioned in this article.)

Researchers and companies say they are only beginning to explore the new immunotherapies and developers are attacking cancers, like prostate, that seem to use different molecules to evade immune attacks. They are at the earliest stages of combining immunotherapies with other treatments in a bid to improve development resistance to subversive.

"I want to be very careful that we do not overhypothetise patient expectations so high that we can never meet them," said Dr Alice Rechis, a vice president at Merck for research and development. But the companies have an in-

centive to speed development of the drugs. They are expected to be expensive, and the demand huge. Delays of even a few months mean a huge loss of potential income.

Nils Lomberg, a senior vice president at Bristol-Myers Squibb, notes that immunotherapy carries a huge advantage to go over drugs that attack mutated genes. The latter approach all but invites the cancer to escape, in the same way bacteria develop resistance to antibiotics.

By contrast, immunotherapy drugs are simply encouraging the immune system to do what it is meant to do: it is going to adapt to evade the drugs. "We're hoping to set up a fair fight between the immune system and the cancer," Dr Lomberg said.

ET Analysis

Beijing calling Arunachal Pradesh Southern Tibet is the issue at the heart of the Sino-India dispute. The two have several dispute resolution mechanisms, including dialogue led by NSA

## Tibet at the Heart of Stapled Visas

DIPAKIAN ROY CHAUDHURY  
NEW DELHI

China's policy of resuming stapled visas to residents of Arunachal Pradesh indicates Beijing's larger strategy of legitimising control over Tibet by raising its claim over India's northeastern state.

While there has been a tinge gap between the last time residents of Arunachal Pradesh were issued stapled visas and the recent incident, when two women archeologists were issued the same, Beijing's strategy is viewed by MEA officials as an exercise that adversely impacts bilateral relationship.

In 2009, the Ministry of External Affairs had issued a travel advisory to citizens that Chinese paper visas, stapled to passport, would not be considered as valid

travel document. On numerous occasions New Delhi followed this up by asking China to discontinue the practice. But even the promise of then Chinese prime minister Wen Jiabao has been in vain.

Beijing calls Arunachal Pradesh as Southern Tibet. The state is at the heart of Sino-Indian boundary dispute for which the two countries have developed several mechanisms, including dialogue led by NSA for its resolution. China feels that its legitimate over Tibet will not be complete without control of Arunachal or at least the Tawang tract. The 16th Dalai Lama was born in Tawang in the 17th century and the current Dalai Lama travelled through Tawang while fleeing to India in 1959. There is no denying that the Dalai Lama issue is intricately linked to the Sino-Indian boundary dis-

pute, particularly in Arunachal Pradesh. An MEA official pointed out that Beijing has been intransigent regarding its claim over strategically located Arunachal Pradesh and New Delhi's response has been buyup its military infrastructure in Arunachal. Recently, it activated seven Advanced Landing Grounds described later for the 1962 War.

The Chinese behaviour is far from predictable and they have been shifting goalposts on the status of Arunachal. Beijing in 2005 ceded the northern Southern Tibet as both countries debated the settlement of their 1,671-kilometre border. The McMahon Line, which

Line of Actual Control closely approximates most of McMahon Line, regarded by Delhi as the legal national border, according to the Chinese. The Chinese claimed over Arunachal as part of India. Beijing had initially accepted the McMahon Line as part of the Simla Accord signed in 1914. Legendary Chinese Premier Zhou Enlai also accepted it in the 1950s. However, the Chinese changed their position in the 1980s as its economic might grew and India granted statehood to Arunachal, which was a Union Territory," said Dr Srikanta Kondapalli, IIT professor and China expert. According to Dr Kondapalli, India's best answer to China would be to develop Arunachal Pradesh's economy and showcase it to the world. But stapled visa is not the only way by which Beijing has been disrupting the sta-

tement of the Chinese visa as valid travel document.

On numerous occasions New Delhi followed this up by asking China to discontinue the practice.

But even the promise of then Chinese prime minister Wen Jiabao was not kept.

The Real Issue

Beijing calls Arunachal as Southern Tibet. It feels that its legitimacy over Tibet will not be complete without control of Arunachal or at least the Tawang tract.

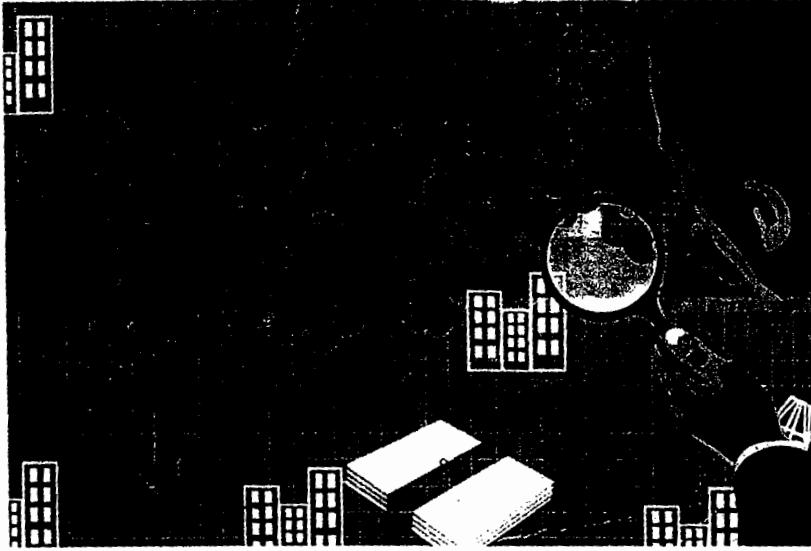
The McMahon Line, regarded by Delhi as the legal national border, accepts Arunachal Pradesh as part of India.

1914: Beijing accepts the McMahon Line as the border

1950: Legendary Chinese Prime Minister Zhou Enlai also accepts it

1959: Chinese change position with growing economic might

ILLUSTRATION BY BINAY SINHA



# Climate change: An unequivocal report

The latest IPCC report leaves no room for doubt. India should take the lead in renewing international negotiations, says Shyam Saran

**O**n September 27, 2013, the Working Group I of the Intergovernmental Panel on Climate Change (IPCC) released in Stockholm its "Approved Summary for Policy Makers", providing the latest assessment of the science underlying the phenomenon of climate change. This is the most significant document on climate change since the fourth IPCC report. The fourth report, which was released in 2007, generated the momentum for the ongoing multilateral negotiations on climate change under the United Nations Framework Convention on Climate Change (UNFCCC). While the full report of the fifth IPCC session is awaited, the present document is important because its agreed conclusions, scientifically determined, will influence the course of the negotiations on the Durban Platform — which, by the year 2015, "must develop a protocol, another legal instrument or an agreed outcome with legal force under the convention applicable to all parties".

The "Approved Summary" states categorically, without the usual qualifications scientists are so fond of, that the "warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, sea level has risen, and the concentrations of greenhouse gases have increased".

No ambiguity here.

The report is also categorical in ascribing this warming trend to anthropogenic, or man-made, factors — in particular, the burning of fossil fuels since the industri-

al revolution began 200 years ago, land use changes due to an increase in population, extension of agricultural acreage and habitat, thereby shrinking the natural forest sinks that absorb carbon dioxide. The world's oceans are becoming steadily saturated by the carbon that they absorb, warming in the process, though more slowly. Sea levels could rise by a metre above current levels by the end of this century. Were Greenland ice cover to melt entirely, sea levels could rise by as much as seven metres. These changes are impacting weather patterns throughout the world. Of particular interest to India is the observation: "While monsoon winds are likely to weaken, monsoon precipitation is likely to intensify due to the increase in atmospheric moisture. Monsoon onset dates are likely to become earlier or not to change much. Monsoon retreat dates are likely to be delayed, resulting in lengthening of the monsoon season in many regions."

Is this what is happening in Delhi right now with unusually late monsoon rains?

There is another observation of relevance to India: "It is virtually certain that there will be more frequent hot and fewer cold temperature extremes over most land areas on daily and seasonal timescales as global mean temperatures increase. It is very likely that heat waves will occur with a higher frequency and duration."

This confirms what we have been experiencing anecdotally in most recent years.

The most important part of the report concerns the density of carbon and non-carbon greenhouse gases accumulated in the earth's atmosphere. In order to

limit the global temperature increase to two degrees Celsius compared to pre-industrial levels, with a more than 66 per cent probability, cumulative greenhouse gas emissions in the atmosphere must stay within 800 gigatonnes of carbon equivalent (GtC). But by 2011, we had already used up approximately 530 GtC. Therefore, the balance available is only 270 GtC. On a business-as-usual basis, this balance will also be used up in the next 20 to 25 years.

It may be noted that even if, by some miracle, greenhouse gas emissions became zero, the climatic effects would continue for a considerable period, since these emissions stay in the atmosphere for long periods of time. As the summary says, "Depending upon the scenario, about 15 to 40 per cent of emitted CO<sub>2</sub> will remain in the atmosphere longer than 1,000 years."

For the first time we have an authoritative document with a much-needed focus on the stock aspect of emissions rather than the current flow. What the summary is demonstrating scientifically is that climate change is integrally linked to the accumulated stock of greenhouse gas emissions in the earth's atmosphere, to which current emissions are only an incremental addition. The stock is mainly the responsibility of advanced industrial countries, although developing countries such as India and China may be responsible for most incremental additions. Historical responsibility and equity demand that the former shoulder most of the burden of making the strategic shift required through transforming existing energy systems and support developing countries in taking similar action.

The summary has spelt out the climate emergency starkly and unambiguously for policy makers; but is there political will to collaborate in confronting what is indisputably an elemental threat to humanity? It has been clear for some time that unless there is a global and strategic shift from production and consumption processes based on fossil fuels, which are a hallmark of our industrial age, to those progressively based on renewable and clean sources of energy, there is little or no prospect of averting an ecological emergency of global proportions. Yet, in 2012, the Organisation for Economic Co-operation and Development reported that the world's top 200 listed oil, gas and mining companies had spent \$674 billion on finding and developing new sources of oil and gas. The same year even the modest investment in renewables had declined. In addition, the world spends nearly \$1.9 trillion annually on energy subsidies, according to the International Monetary Fund. It is difficult to see how such entrenched energy systems and the powerful vested interests behind them can be transformed speedily to avoid a climate-induced disaster.

India has declared that the earth's atmospheric space is a global commons to which all citizens of the world have equal entitlement. The carbon space, as long as it exists, must also be shared equitably. In fact, a global and collaborative response to the climate challenge can only be built — and sustained — on the basis of equity. India should use the latest analysis to reinforce its constant emphasis on the principle of equity, which is sought to be set aside by the developed countries in the current negotiations. This should be our brief for the forthcoming UNFCCC meeting in Poland later this year.

*The writer, a former foreign secretary, is currently chairman, National Security Advisory Board and Research and Information System for Developing Countries, and senior fellow, Centre for Policy Research (New Delhi)*



**T**HE global financial crisis has heightened fears about integration with global financial markets. For a country like India, which should inexorably open up further to global markets, an important task of policymaking is to identify the path of this integration. It lies neither in shutting out foreign capital, nor in recklessly opening up to dollar denominated debt, which has landed many a country in trouble.

A recent Sebi study on foreign investment in government bonds has recommended the removal of quantitative restrictions on foreign holdings of rupee denominated debt and moving towards a framework similar to the one for foreign portfolio investment in equity. In this study, my co-authors and I find that India's capital controls continue to be guided by concerns about debt and its maturity, rather than its currency denomination. For example, India has placed many restrictions on foreign investment in rupee denominated bonds, even though this is one of the safest areas to open up. This is because the currency risk is borne by the foreigner and there is a foreign appetite for rupee denominated debt. Currently, the restrictions include caps on the total amount of rupee denominated bonds that a foreigner is permitted to hold as well as limits that vary by investor class, maturity and issuer. These have been implemented through a complicated mechanism for allocation and reinvestment. The restrictions fail to meet the objectives of economic policy today and must be removed.

In 1991, India embarked on its integration with the world economy through trade and capital account liberalisation. A key idea behind the early decontrol measures was that debt inflows were dangerous and, therefore, strong restrictions need to be placed on them. Restrictions were imposed to shift the composition of capital entering India towards non-debt-creating inflows and to regulate external commercial borrowings (ECBs), especially short-term debt. As a consequence, while the framework for FDI and portfolio flows is relatively liberal, India has a number of restrictions on debt flows.

Over the past decade, the global



## India must lift restrictions on foreign investment in rupee denominated debt

ILA PATNAIK

thinking on debt flows has changed. The macroeconomic and financial instability in emerging markets following the crises of the late 1990s has led to increased efforts in these countries to develop local currency denominated bond markets as an alternative source of debt financing for the public and corporate sectors.

In the 2000s, emerging economies' domestic bond markets have grown substantially. The outstanding stock of domestic bonds now exceeds \$6 trillion, compared to only \$1 trillion in the mid-1990s. Along with this, foreign participation has also increased substantially over the last decade. In contrast, the Indian policy framework on debt flows, characterised by quantitative restrictions on foreign participation, has resulted in limited foreign invest-

**A key idea behind early decontrol measures was that debt inflows were dangerous and restrictions need to be placed on them. Over the past decade, the global thinking has changed. The 1990s emerging markets crises led to increased efforts to develop local currency denominated bond markets as an alternative source of debt financing for the public and corporate sectors.**

ment. There is a strong case for opening up the local currency government and corporate debt market to foreign investors.

The present arrangement governing foreign borrowing comprises two parts. First, dollar denominated debt: India raises capital through foreign currency denominated debt via government borrowing (both bilateral and multilateral), ECBs by firms (including foreign currency convertible bonds and foreign currency exchangeable bonds) and fully repatriable NRI deposits. Second, rupee denominated debt: Foreign investment in rupee denominated debt takes the form of foreign investors buying bonds in the Indian debt market, which is denominated in rupees.

This is subject to an array of quantitative restrictions. There are different limits for foreign investment in government and corporate bonds. This arrangement is further complicated by sub-limits across assets and investor classes.

The share of outstanding government bonds that are owned by foreign investors has risen through the years. As of March 2013, it stands at 1.6 per cent. In absolute numbers, foreign investors own Rs 700 billion or approximately \$11 billion of Indian government bonds. At present, the quantitative restriction on foreign investment in government bonds stands at \$30 billion. The small scale of foreign ownership implies a substantial upside potential. The internal debt of the government stands at Rs 48.7 trillion. Govern-

ment securities account for 90 per cent of this amount. Even if the ownership of foreign investors went up by ten times overnight, to \$110 billion, it would only amount to 16 per cent of the existing stock of bonds.

A comparison with other emerging economies shows that India greatly lags behind in the proportion of government bonds owned by foreigners. This raises questions on the structure of capital controls in the rupee denominated bond market.

The Working Group on Foreign Investment, chaired by U.K. Sinha, pointed out that the existing regulations create incentives for Indian firms to favour foreign currency borrowings over issuing debt denomi-

nated in rupees. It recommended easing the restrictions on rupee denominated debt as a safer way to manage globalisation. The Committee on Financial Sector Reforms, chaired by Raghuram Rajan, also recommended the steady opening up of rupee denominated government and corporate bond markets to foreign investors.

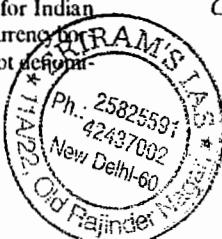
The Sebi study recommends that the existing framework of quantitative restrictions be dismantled. This will encourage greater engagement of foreigners in the government debt market. Since this is rupee denominated, the concerns associated with "original sin" and liability dollarisation do not arise.

If restrictions have to be imposed, the existing quantitative ones could be replaced by percentage limits on foreign ownership. This will enable greater foreign participation as the size of the government bond market increases. Foreign ownership should be capped at a certain percentage of the outstanding government debt, such as at 10 or 15 per cent. The government debt market should be made operationally similar to the equity market. The regulator should allow unrestricted investment till the prescribed limit is reached.

Under this framework, there should not be any distinction between asset classes within the prescribed umbrella limit. In addition, the framework should not create artificial distinctions between investor classes such as foreign institutional investors, qualified foreign investors, sovereign wealth funds, etc. The recent increase in the foreign investment limit in government securities to \$30 billion is only applicable to specified classes of foreign investors. These restrictions should be removed. In addition, foreigners should be allowed to participate in onshore currency futures markets so that they can hedge their currency exposure.

*The writer, RBI Chair Professor at the NIPFP, Delhi, is a consulting editor for 'The Indian Express' and non-resident scholar at the Carnegie Endowment for International Peace*

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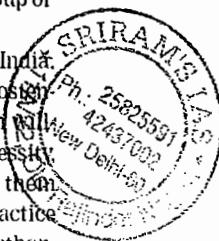


## India has let down its girl children by not supporting the resolution on child brides

**M**ost children have at some point of time played 'house', designating roles of husband and wife to dolls, making them cook invisible food in miniature utensils, often adding a baby doll to the family. Now replace these dolls with real children, and it is not a cute game anymore. It is the ugly face of child marriage. With 24 million child brides — representing 40% of the world's 60 million child brides — India leads the world in this gross violation of human rights. In such a scenario, India's refusal to co-sponsor the first-ever global resolution for elimination and prevention of forced child marriages at the United Nations General Assembly last week has raised serious questions about its political commitment to end this problem that has far-reaching negative effects on young girls — far more girls are forced into a child marriage than boys. Sadly, not a single South Asian country — specifically India, Sri Lanka, Bangladesh, Afghanistan or Pakistan — with significantly high rates of child marriage co-sponsored the resolution that is supported by a cross-regional group of over 107 countries.

Though marriage before the age of 18 is illegal in India, it is widely practised under the garb of tradition and ostensibly for the safety of girls. The fact that parents often willingly marry off their young girls due to economic necessity to fend off unwanted sexual advances and to prevent them from marrying outside the caste gives this heinous practice wide social acceptance in the country, especially Rajasthan, Bihar, Madhya Pradesh, and Uttar Pradesh. It is sad that it is little understood that marrying off young girls before they are physically and psychologically mature not only denies them access to education but also makes them vulnerable to domestic violence, sexual abuse, sexually transmitted diseases and enslavement. Child brides are unlikely to make informed reproductive choices and this means closely timed pregnancies and frequent abortions — putting the health of the adolescent mother and child at risk and often leading to high rates of maternal and infant mortality.

Despite the Prohibition of Child Marriage Act, 2006 being a secular law in that the religion of the contracting parties does not matter, Muslim organisations in Kerala have opposed the law banning child marriage on the ground that it is against the provisions of the Muslim personal law and khap panchayats are pushing for child marriage as a preventive for rape. However, laws aren't enough. Until the political class breaks its silence on the unreasonable demands of certain groups (read votebanks), they will continue with the harmful practices that will perpetuate gender inequality and put the girl child at grave risk. Though Syed Akbaruddin, spokesman for India's foreign ministry spokesperson, has clarified on a social networking website that India supports the objectives of the resolution but chose not to co-sponsor it, it would seem that India has letdown its girl children at an international forum. That is a telling sign of the government's lack of commitment.



# The long war

## A new vaccine will help, but will not defeat malaria

ON OCTOBER 8th researchers announced progress in developing a vaccine against malaria. GlaxoSmith Kline (GSK), a British pharmaceutical firm, said it would seek regulatory approval next year for this vaccine, called RTS,S. GSK and its charitable partner, the PATH Malaria Vaccine Initiative, also revealed new data showing the vaccine's effect in children. This is good news, but RTS,S will not vanquish malaria by itself.

There were, according to the World Health Organisation (WHO), about 200m cases of malaria around the world in 2010, with 660,000 deaths, 90% of which were in Africa, mostly of young children. The prospect of a vaccine is therefore exciting to patients and health experts alike. But developing one is difficult. Malarial parasites, though small and single-celled, are much more complex than the bacteria and viruses that are the usual targets of vaccines. To date there has been no successful vaccine against such a complex organism. Work on RTS,S has been going on for decades.

A case of malaria starts when a mosquito's bite delivers parasites into a person's bloodstream. These travel to the liver, where they hide, mature, multiply and eventually emerge back into the bloodstream to invade and destroy red cells. The vaccine con-

tains a protein found on the surface of the parasite, combined with an antigen for hepatitis B that prompts an immune response, plus an added immune-system booster. RTS,S seems to provoke antibodies and killer cells that attack the parasite before it leaves the liver.

A clinical trial at 11 sites in seven African countries shows RTS,S does indeed protect against malaria. But it does not work as well as researchers had hoped. The recent data show the effect 18 months after vaccination. In children (aged five to 17 months when vaccinated) it reduced the number of cases by 46%. In infants (aged six to 12 weeks) it reduced them by 27%. And its effect seems to wane. Earlier results showed efficacies after one year of 56% in children and 31% in infants.

These figures compare with the aspiration, set by a consortium of malaria experts in 2006, to have by 2015 a vaccine that was more than 50% protective. RTS,S has not reached that desideratum, but its effects are not negligible. The big questions, then, are whether RTS,S is effective enough to win approval from the European Medicines Agency, whether the WHO will recommend its use, and whether donors will pay for it.

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# With Myanmar in the centre

Its elevation to the ASEAN chair comes at a crucial moment in Southeast Asia

**MYANMAR** is the new chair of ASEAN, the 10-member grouping of Southeast Asian countries. For the next year, it will shepherd various issues connected to domestic engagement within Southeast Asia, as well as ASEAN's external engagements.

For a country shunned by the international community, particularly the West, for several years due to its autocratic military regime, the ASEAN chairmanship affirms Southeast Asia's faith in the economic and political transition of Myanmar. It also reflects ASEAN's willingness to project Myanmar as its face at a time when Southeast Asia is a critical variable in regional and global economic and geopolitical calculations.

Myanmar's elevation is also significant for India. India has been a major supporter of pro-democratic forces in Myanmar championed by Aung San Suu Kyi. The country is also an ideal example of the pragmatism becoming conspicuous in India's external engagement policies. Despite supporting the pro-democracy movement in Myanmar since the 1990s, India began engaging its military government over the last decade.

The apparently paradoxical shift underpinned India's urge to dig a firmer foothold in a country with ample unexploited energy resources. Access to untapped energy reserves is a primary factor driving India's contemporary external engagement policies. Similar motivations encouraged China to engage with Myanmar. China, of course, was not constrained by the same ideological baggage as India and was able to get a head start in deepening economic ties with Myanmar. India has tried matching up through aid and loan programmes, including a \$500 million credit line for infrastructure projects. With the Exim Bank of India opening a representative office in Yangon and several Indian companies enthusiastic about business prospects with the country, the outlook for bilateral trade and investment is promising.

India will look forward to its expanding ties with Myanmar, and to Myanmar's assuming the ASEAN chair, as important components of its deeper engagement with Southeast Asia. The region has been in the spotlight in recent months with back-to-back visits of the Chinese and Indian leaders. Chinese President Xi Jinping and Premier Li Keqiang's visits to Southeast Asia were indicators of

the importance the new Chinese leadership attaches to deeper strategic and economic engagement with Southeast Asian countries. Prime Minister Manmohan Singh's recent visit to Brunei for the ASEAN-India summit conveyed a similar signal.

Xi proposed establishing an Asian infrastructure investment bank to address the need for infrastructure in the region's developing countries. The proposal can

**INDIA WILL look forward to its expanding ties with Myanmar, and to Myanmar's assuming the ASEAN chair, as important components of its deeper engagement with Southeast Asia.**

significantly address infrastructure deficits in economically backward Southeast Asian countries like Myanmar, Laos and Cambodia. Singh, on the other hand, announced the conclusion of negotiations on the bilateral trade in services and investment agreement between India and ASEAN. The agreement is to be signed in

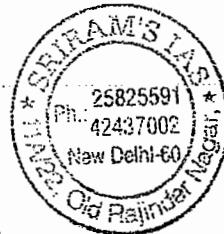
December and will substantially increase capital and labour flows between India and Southeast Asia.

Critical developments in the Asia-Pacific over the last few years have encouraged both China and India to deepen and diversify their engagements with ASEAN. The most important of these is the Trans-Pacific Partnership (TPP) — the mega regional trade deal connecting Asian and American economies from both sides of the Pacific. Led by the US, the TPP is aiming to lay down the rules for 21st century trade. It also has significant geopolitical implications as a symbol of the US "pivot" towards Asia. Both China and India, till now, are excluded from the TPP, as are Indonesia, the Philippines, Myanmar, Cambodia and Laos from ASEAN. All these countries, along with other ASEAN members, have embarked on a parallel regional trade initiative that includes Australia, Japan, South Korea and New Zealand. Christened the Regional Comprehensive Economic Partnership (RCEP), the initiative builds on earlier intra-Asian integration efforts, such as ASEAN+3 and ASEAN+6, with ASEAN as its hub. China and India's active participation in the RCEP negotiations mark their eagerness to stay

embedded in major trade and economic deals in Asia. And, in this regard, they are willing to accept the centrality of Southeast Asia in taking forward Asian integration.

Despite outstanding contentious issues, such as India's unhappiness over the alleged intrusion of Myanmar troops in Manipur and China's territorial problems with the Philippines and Vietnam in the South China Sea, both countries are committed to up the ante with Southeast Asia. Economics will undoubtedly be the key driver of this enhanced engagement. Within the economic matrix, Myanmar will vie for extra attention. For both India and China, Myanmar is not only the land of untapped riches, but also the land conduit to greater Southeast Asia. Myanmar's assuming the ASEAN chair comes at a time when its neighbouring Asian giants are not only keen on wooing it bilaterally, but equally bullish on deepening ties with its core neighbourhood. Myanmar could have hardly looked forward to greater attention and better days.

*The writer, formerly with the Union finance ministry, is head (partnership and programme) and senior research fellow at the ISAS, National University of Singapore*



# THE RAJAN EFFECT: RUPEE RISES AGAIN



RUPEE INDIAN CURRENCY  
UP 9% AGAINST US DOLLAR

Sachin Kumar

sachin.kumar@hinduistimes.com

MUMBAI: Reserve Bank of India (RBI) governor Raghuram Rajan says he is not a superman but he certainly has the Midas touch.

When he took over on Mint Street on September 4, a week after the rupee had touched an all-time low of 68.85 against the dollar, experts were predicting a grim future for the Indian currency. It would almost definitely touch 70 per dollar and fall even further, they were saying. The rupee was the worst performing currency in the world.

Then, the script changed. The rupee has recovered by almost 9% since then and is now among the best performing currencies in the world.

"Rajan infused positivity in the market, which was ill then filled with too much of negativity," said Sugandha Sachdeva, currency analyst, Religare Securities. "However, the rupee also got support from the delay in the US tapering calendar and steps taken by the finance ministry," she added.

"There were co-ordinated efforts from the new governor and the government that helped the rupee," said NS Venkatesh, head of treasury, IDBI Bank. "We expect the rupee to be stable in the coming days and it should trade in 59-61 range in the short term," he said.

» CONTINUED ON PAGE 15

## GETTING BACK ON TRACK

Several factors have combined to help the rupee appreciate



The rupee has risen 9% since September 4, when Rajan took over as RBI governor

### WHAT RAJAN DID

- Opened swap window for fresh dollar deposits mobilised from NRIs
- Raised overseas borrowing limits of banks
- Allowed exporters, importers to partly rebook cancelled forward exchange contracts
- Cut MSF rate by 75 bps



■ More for the buck

### HOW THEY FARE

Currencies ↑ rise against dollar

Brazilian real	9
Rupee	8.5
NZ dollar	6.4
Aus dollar	3.9
Malay ringgit	3.5
Russian rouble	3.4
Euro	2.6
British pound	2.6
Indonesian rupiah	1.9
Japanese yen	1.5

Figures indicate appreciation against US \$ since Sept 4

### WHAT RBI DID BEFORE RAJAN TOOK CHARGE

- Hiked MSF rate by 2 percentage points to 10.25%
- Opened special window for oil cos to meet their dollar needs
- Reduced limit for overseas investments by cos under automatic route from 400% of the net worth to 100%
- Reduced limit for remittances by individuals from \$200,00/year to \$75,000/year

### OTHER FACTORS THAT HELPED

- US Federal Reserve deferred the unwinding of its stimulus package
- US govt shutdown has raised hopes of further delay in tapering
- Gold and silver imports fell 80% to \$0.8 billion in Sept.

A far-too-centralised India has fallen in the middle-income trap far too early

# The Muddle-Income Trap



Bibek Debroy

The country's growth prospects in 2013-14 are bleak. The finance minister thinks the IMF's 3.75% forecast is pessimistic. In 1977, John Kenneth Galbraith wrote, "We all agree that pessimism is a mark of superior intellect."

If not IMF's 3.75%, we have HSBC's 4%. Indeed, we have a range of forecasts. Barring government projection (RBI at 5%), PMS Economic Advisory Council at 5.5%, others (ADB, Credit Suisse) and the World Bank are all at 5%. Whether it's a decimal point below 5% or a decimal point above 5% is irrelevant. We have a calendar 2013 data and 60 countries are growing faster than 5%.

Despite some slowing down, China has accomplished 7.8% in 2012 and will touch 7.5% in 2013. In 2012, we had a per capita income of \$1,501 (China is at \$6,071) and a PPP per capita income of \$2,913; China is at \$8,035. The World Bank has a classification of economies: low income, lower middle income, upper middle income and high income.

## Comfortably Lower-Middle

These use non-PPP per capita income, and current classifications are: low income for \$1,035 or less, lower middle income for \$1,036-1,065, upper middle income for \$10,86-12,815, and high income for \$12,916 and more. Thus, we have indeed

In a heterogeneous country, different states are at different levels of development and sources of growth will vary. Shouldn't states possess flexibility?

lower middle income category and are a fair distance away from upper middle income.

Per capita income is total income divided by total population. It is a measure of productivity of citizens. More accurately since everyone is not in working age group, it is a measure of productivity of those in working age groups. The World Economic Forum's Global Competitiveness Index (GCI) has a dozen pillars, clustered under three heads of factor-driven, efficiency-driven and innovation-driven.

## Max Factored

The idea is simple enough. Output growth can occur through greater use of inputs (capital, labour, land and natural resources). This can be called an extensive model of growth, one that is factor driven. Sooner or later, one runs into a factor crunch. Therefore, output growth can occur through increases in inputs, but must be based on greater efficiency with which inputs are used. This is the intensive model.

When that too runs out of steam, growth stimuli occur through innovation. Though this typology is not meant to be watertight, segmented into sub-segments in pursuit of development, countries through technology factors, efficiency and innovation, in other words.

Economists also talk of middle-income traps. That's a simple idea too. Initially, growth occurs through enhance use of factor inputs. By then, countries are often in middle-income ranges and transition to efficient productivity gains and innovation never occurs.

Countries are often caught in that trap. Brazil and South Africa are sometimes mentioned as instances. However, just so we know the facts,

Brazil's non-PPP per capita income is \$11,259 and South Africa's is \$7,325. To complete the picture, Russia's is \$14,302. As per capita income goes, we never were in the first category. We, however, have a remarkable instance of a country that hasn't quite attained middle-income status, but has fallen into the trap.

This is a bit like countries being divided into four categories once upon a time: developed, developing, LDC's and RDC's. RDC meant refusing to develop economy and, as a size criterion, India was the only economy in that bracket. To repeat, you fall into the trap only after exhausting opportunities for growth, based on exploiting factor inputs.

How many countries have voluntarily messed up markets for capital, labour, land and natural resources, so that growth based on the extensive model cannot be tapped?

## Worst of Both Worlds

Not too many that I can see. So, as with RDC, we should do a new exercise for India. Since it has to compete among middle-income states, let's fall into the trap. We should idealise no such thing as one trap.



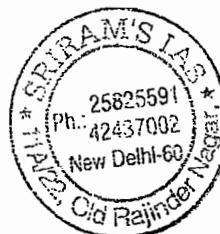
SALAM

Let's step back a bit. Until the world economic recovery and external environment is less dismal, we can't have 5%+ growth. But what will it take to jolt up growth to 5.5-7%? India has always been excessively centralised, despite the Seventh Schedule. Take a look at that Seventh Schedule: not what entries say here and there, but the intent.

To the best of my understanding, barring capital markets, other inputs were meant to be state subjects. It hasn't worked that way and policies framed in Delhi have messed up state flexibility and freedom. In a heterogeneous economy, different states are at different levels of development and are given 4% growth anyway. If I do a non-PPP dollar conversion, there will be GVA at a per capita income of more than \$3,000 and there will be Bihar at just about \$400.

Shouldn't states possess flexibility? There will be some in north, south and west that will move on to efficiency and others in north and east that will tap resources. Temples deviated in Delhi have prevented just that. That's the muddle.

The author is consulting editor, ET



# Neglected Builders of Modern India

Internal migrants are an asset. work for them

In 2011, India had 400 million internal migrants, a full third of its population, according to an estimate cited in a recent UN report, *Social Inclusion of Internal Migrants in India*. This represents mobility for the sake of livelihood, often seasonal. Reports say that 70-80% of migrants are women — marriage transfers them from the father's home to the husband's — likely to face harsh conditions and exploitation at work. Mobility has its advantages — the promise of finding opportunities in a city as opposed to stagnating in the rural economy — but there are associated risks. The most important is the loss of identity without appropriate paperwork, which could lead to exclusion of social, medical and other state-given benefits. To resolve this problem, the government must roll out its Aadhaar scheme, which gives a biometrically established identity to all residents, faster. Armed with an Aadhaar identity, migrants would be free to go anywhere in India in search of better jobs and incomes. Once physical subsidies are replaced by direct cash transfers, in combination with Aadhaar, migrants would be entitled to their full entitlement anywhere in the country.



Migrants are often given the toughest, most hazardous or socially-looked-down-on jobs: work on construction sites, clearing waste or working as lowly-paid domestic help or security guards. Yet, their contribution to the economy and growth is immense. Estimates of remittances sent back home range from ₹70,000 crore to ₹1,20,000 crore every year. A state like Bihar gets 10% of its state GDP from remittances sent by its large migrant labour force. Uttar Pradesh, India's biggest state and home to 200 million people and source of large-scale migration, could get as much as 4% of its GDP from its migrants.

As India continues down the path of diversification of economic structure and urbanisation, the number of migrants will go up. We need policies to create new towns and new paradigms of urban planning, to provide these builders of modern India something better than slums and ghettos to live in. But the first step towards institutional inclusion of migrants is Aadhaar. Expedite that.

## THE DEFAULT AVOIDANCE BILL

The down-to-the-wire deal, however, offers only a temporary fix and does not resolve the fundamental issues of spending and deficits that divide Republicans and Democrats. These are the provisions of the bill:

**BORROWING AUTHORITY EXTENDED:** US can borrow until February 7. The Treasury Department would maintain its ability to use "extraordinary measures" to temporarily avoid default if Congress does not again raise the debt ceiling by that date. House Republicans wanted to prohibit the use of such measures.

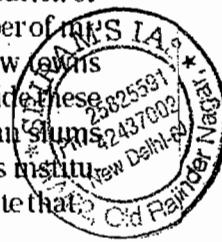
**EXTENDS FEDERAL SPENDING:** Spending at current levels is extended until January 15. The deal maintains the across-the-board spending cuts known as 'sequestration' that began earlier this year. Democrats likely will try to remove or revise those automatic cuts in subsequent talks.

**BIPARTISAN PANEL:** Creates a House-Senate bipartisan panel to try to come up with long-term deficit-reduction ideas that would have to be approved by the full Congress. Their work would have to be completed by December 13. The panel is likely to look at potential savings to entitlement programs, such as Social Security, Medicare and Medicaid, as well as tax reforms that could raise revenues.

**ON 'OBAMACARE':** Establishes measures to try to prevent federal subsidies from being paid under the 'Obamacare' health-care law to people whose incomes make them ineligible.

**RESTORES EMPLOYEE PAY:** Delivers back pay to federal workers who did not receive their wages because of the government shutdown.

REUTERS



# Long live the 'pivot'



DHRUVA JAISHANKAR

Ever since it was unveiled in October 2011 to much fanfare, the American policy described as the "pivot to Asia" has been beset by one problem after another. Two years on, it is comatose, and could be well and truly dead. US President Barack Obama's decision to cancel his visit to the Philippines, Malaysia, Indonesia and Brunei – the last two for major regional multilateral summits – may have been compelled by domestic political developments, specifically the government shutdown prompted by the legislative impasse between Democrats and Republicans in the US Congress. But his decision to cut off a short a trip to Asia for the third time in his tenure does present contributes to a worrying trend, and casts serious doubts about his administration's sense of strategic priorities.

The concept of a pivot to Asia came about as the result of several realisations on the part of senior US policy makers. The first factor was structural: an acknowledgement that Asia – home to over half of humanity, the primary engine of global growth, and a region with the potential for deepened military competition between emerging great powers – is increasingly vital to American interests. It was understood that US efforts and resources were being disproportionately allocated to a mostly self-sufficient and peaceful Europe and a fractured, if resource-rich, West Asia. The second, policy-related factor was the belated acknowledgement on the part of Mr Obama's senior advisors that China – towards which Washington had made sustained efforts at engagement during his first term as president – was unlikely to evolve into a willing and co-operative partner to

trade negotiations as part of the Trans-Pacific Partnership (TPP) – the primary commercial arm of the pivot – have not been met. Indeed, the TPP may be affected by the current legislative stand-off, as Mr Obama's plans for trade promotion authority – fast-track trade legislation that circumvents potential Congressional amendments – are likely to face stiff opposition from both Republicans and Democrats in an American political environment increasingly predisposed to protectionism. The Asia-Pacific Economic Cooperation (APEC) meeting in Bali was meant to lay a platform for the US and 11 other countries involved in the TPP to reach a deal by the end of the year, which makes Mr Obama's absence particularly significant.

India has reason to treat American ambivalence about the pivot with serious concern. Despite continuing criticism in many quarters about the drawbacks of American hegemony – sometimes metited – Indian policy makers implicitly acknowledge that the US' presence as a commercial and military force in the Asia-Pacific region provides a reassuring balance to a rising China. Indeed Indian public opinion, in so far as it can be discerned from surveys, displays a remarkable comfort with US global and regional leadership. And,

as India's recent economic and security woes illustrate, New Delhi is not yet in a position to go it alone in shaping a regional architecture to its own benefit. With a host of economic agreements with the Association of Southeast Asian Nations, Japan and South Korea, and with membership in all ASEAN-led multilateral groupings, India is now an integral part of the Asia-Pacific region, so much so that the term Indo-Pacific has now been widely adopted in strategic circles. The US' retrenchment in the region, if realised, would mark a serious setback for Indian interests.

*The writer is a Transatlantic fellow with the German Marshall Fund of the United States in Washington, DC*

## The US' retrenchment in the Asia-Pacific region, if realised, would mark a serious setback for Indian interests

the United States on many regional or global issues. But the pivot, championed by former secretary of state Hillary Clinton and some of her advisors, came at an inappropriate time. Ms Clinton was on her way out of government, and her successor, John Kerry, appears not to share her sense of strategic priorities. Indeed, he spent the early months of his tenure diving into the thorny challenges of West Asia, such as the rabbit hole that is Israel-Palestine peace talks. Furthermore, the US became mired domestically in budgetary battles, resulting in fiscal cutting measures, particularly for its defence department. An estimated \$1.2 trillion in defence budget cuts is now to be expected over the next decade, which has resulted in some of the more ambitious aspects of military rebalancing to Asia being placed on hold.

And, finally, with the Arab Spring wreaking havoc on the long-standing political order of West Asia – particularly in Egypt and Syria – that region has once again become the focus of American crisis management efforts. There may have been a certain inevitability to some of these developments. West Asia's veneer of political stability was simply unsustainable, while the warning signs of American fiscal profligacy were there for all to see. But they were all the more reason for Mr Obama – and not Mr Kerry – to travel to Bali and Brunei last fortnight and reinforce the sense of the US being a permanent fixture of Asia's institutional architecture. For not only have the military dimensions of the pivot gone largely unrealised, ambitious deadlines for

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# FOR REITS IN INDIA

Five years after it withdrew a proposal to allow real estate mutual funds, capital markets regulator Securities and Exchange Board of India recently issued draft regulations for setting up real estate investment trusts (Reits) in the country. We take a look at the new norms and how they could encourage formation of reits in the country

## What are Reits?

Reits are like real estate mutual funds, where investors can pool money to buy a real estate asset. These can be listed on stock exchanges, and enjoy tax benefits as these distribute a majority of the profits as dividends to shareholders

## How do these help?

Reits provide alternative financing options to developers and investors, as these can be offered to investors and listed on exchanges

## WHY HAVE THESE NOT TAKEN OFF IN INDIA?

### Taxation

In India, Reits are not declared tax-free, unlike the global practice. Since these need to pay tax on rent, stamp duty during transfer of assets and during distribution of dividends, these costs reduce their valuations, experts say.

### Valuations

In India, mechanisms or guidelines to declare daily NAVs (net asset values) of assets are not there

### Top five reits in the world and their market cap

1. Simon Properties	\$47.7 bn
2. Public Storage	\$28.8 bn
3. UNIBAIL-Rodamco	\$24.6 bn
4. Westfield Group	\$22.3 bn
5. General Growth Prop	\$19.5 bn

Source: Bloomberg, APREA

### What the new draft Sebi norms provide

- Minimum subscription size of ₹2 lakh; value of single reit unit to be traded should be ₹1 lakh  
**Impact:** It is expected to attract only high networth individuals (HNIs) initially
- Minimum initial offer size of ₹250 crore; 25 per cent minimum public float for reits  
**Impact:** This provision is expected to help in diverse shareholding, good liquidity and price discovery
- Minimum asset size of ₹1,000 crore under reits  
**Impact:** This is expected to attract only serious and large players to set up reits
- Set up Reits in a trust form under Indian Trust Act, 1882; include sponsor, manager & principal valuer  
**Impact:** This is expected to institutionalise real estate

### Whom will it help?

- DLF (28 million sq feet of leased assets)
- Phoenix Mills (8 million sq ft of leased assets)
- Prestige Estates (Not available)
- Embassy Group (Not available)
- K Raheja Corp (Not available)

*"It will make real estate sector more transparent and market-oriented, besides opening new equity route for developers"*

RAJEEV TALWAR, executive director, DLF



*"Now that Sebi has delivered on its part, it is up to the government to focus on the tax regime and get it done to really kick-start the market"*

S Srinivasan, chief executive, Kotak Realty Fund



*"It will ensure improved transparency, higher corporate governance and will help free capital, making it available for reinvestment"*

NEEL RAHEJA, group president, K Raheja Corp



# *Shoring up the city*

Studies confirm slums are hubs of productivity.

The challenge is to improve services for them

MANY in the urban middle classes view slums as a problem to be managed. They are perceived as marring the city's facade, encroaching on valuable land, being concentrations of poverty and squalor — even as their inhabitants provide most of the informal services that sustain a metropolis. An empirical study suggests that slums are remarkably productive, contributing roughly 7.5 per cent to the GDP. They are investment multipliers. A small increase in income leads to a larger participation in the economy. A joint study by Indicus Analytics and the Society for Participatory Research in Asia (PRIA) has fleshed out the nature of this economic contribution, revealing that the majority of them are self-employed, rather than casual or wage labourers.

There is a gap between employment opportunities and housing availability in big cities. In 2005, it was found that 4,413 police constables and 81 police inspectors lived in Mumbai slums, forced to both speak for the law and subvert it. Living in a slum involves tradeoffs between cost of housing, tenure security, safety and access to work. And a policy app-

roach towards slums should consider not what they are, but what they do — and what they lack. They are kept on the legal margins and managed by a political harness, they lack regular access to water, sanitation and electricity, banking services etc. Improving these — that is, taking the slum out of the slum — is a more sensible and humane approach than arbitrarily relocating slum-dwellers at the city's edges.

There have been many proposals on how to improve services and make better use of slum land, often combining commercial redevelopment of the land and providing accommodation for the residents in high-rise flats. The Rajiv Awas Yojana was an innovative plan to give in situ property rights, marketable and enforceable, to slum dwellers (as opposed to land rights), letting developers use the eased-upportion of the land. These property titles could be leveraged as collateral, potentially releasing a wave of micro-innovation. These are fine plans, but given that slums are mixed-use environments of residential, manufacturing and commercial space, vertical building must accommodate livelihood issues as well.



# Don't blame it on China

**I**NDECIDING to sell two additional nuclear reactors to Pakistan, in violation of the current international guidelines on atomic commerce, China, if only inadvertently, has helped reveal the unenviable nuclear policy mess that the UPA government finds itself in.

Consider the irony: India worked hard for nearly a decade to get an exemption from the guidelines of the Nuclear Suppliers Group (NSG) in order to expand its civil nuclear programme. With strong support from its partners — the United States, Russia and France — India got it done in 2008. Ending India's atomic isolation a decade after it conducted nuclear tests and invited international condemnation was an extraordinary diplomatic achievement.

China, responding to the pressures from Pakistan to match India's historic civil nuclear initiative, demanded that the NSG extend a similar nuclear exemption to Pakistan. When the NSG refused, China tried to block the approval of the US-India nuclear deal. It failed again.

Six years later, India has not been able to sign a single commercial contract for the import of nuclear reactors. Pakistan, in contrast, is getting ready to construct two reactors to be supplied and financed by China. Unlike India, Pakistan has not separated its civilian and military programmes or given any non-proliferation commitments.

Whether you like it or not, you will have to marvel at China's nuclear chutzpah. Beijing's reactor sale to Pakistan reveals three important dimensions of China's thinking. One, Beijing is determined to reassure Islamabad that their bilateral relationship remains "deeper than the Indian Ocean, higher than the Himalayas, and sweeter than honey". This is not mere rhetoric. China has demonstrated, time and again, that its ties with Pakistan have a logic of their own, unencumbered by any global norms.

Second, in disregarding the international norms, Beijing is confi-



India is caught in a nuclear policy mess of its own making

C. RAJA MOHAN



dent that the US and Western powers will impose no costs on China. The current rules of the 46-nation NSG prohibit any nuclear commerce with Pakistan, peaceful or otherwise.

China has been party to these rules since it joined the NSG in 2004. Back then, it was agreed that the previous Chinese commitment to build a couple of reactors at Chashma was "grandfathered" from the new constraints on Chinese nuclear cooperation with Pakistan.

After 2004, China decided to build two new reactors at Chashma in Punjab (units 3 and 4). When the NSG grumbled, Beijing

provement in Sino-Indian relations over the last quarter of a century, there will be no change in China's long-standing policy of balancing India with strategic support, including in the field of nuclear weaponry and missiles, to Pakistan.

India has apparently lodged a formal protest against China's decision on the supply of additional nuclear reactors to Pakistan. Delhi's protests are unlikely to make any difference to Beijing. India, in fact, must prepare for worse. It is probably a matter of time before China announces the supply of a nuclear-powered submarine to Pakistan.

Ever since India's successful

**It was India's maiden nuclear test in 1974 that triggered China's nuclear embrace of Pakistan. Instead of pressing ahead with a nuclear weapons programme, India declared that its test was a 'peaceful nuclear explosion' and kept mouthing slogans about nuclear disarmament. India's Pokhran tests of May 1998 were a belated attempt at catching up with Pakistan. After the successful pursuit of the civil nuclear initiative with the US, India shot itself in the foot again by passing a bizarre nuclear liability act.**

claimed the two new reactors at Chashma were part of the old understanding with Pakistan. Although Beijing's argument was tenuous, the NSG grudgingly accepted — this and no more.

China is now at it again. Beijing plans to sell two more reactors to be built at Karachi. Won't the NSG object? To be sure, there is some concern in the NSG about China's utter contempt for the guidelines on nuclear exports. But who would want to tell the Chinese cat? The US perhaps could, but it is too distracted to pick another quarrel with China.

Third, Beijing is also informing Delhi that despite considerable im-

a nuclear grievance against China. For, Beijing's decision to arm Pakistan with nuclear weapons has given Rawalpindi the impunity to pursue cross-border terrorism against India. But Delhi has no reason at all to blame Beijing for its own failures on the nuclear policy front.

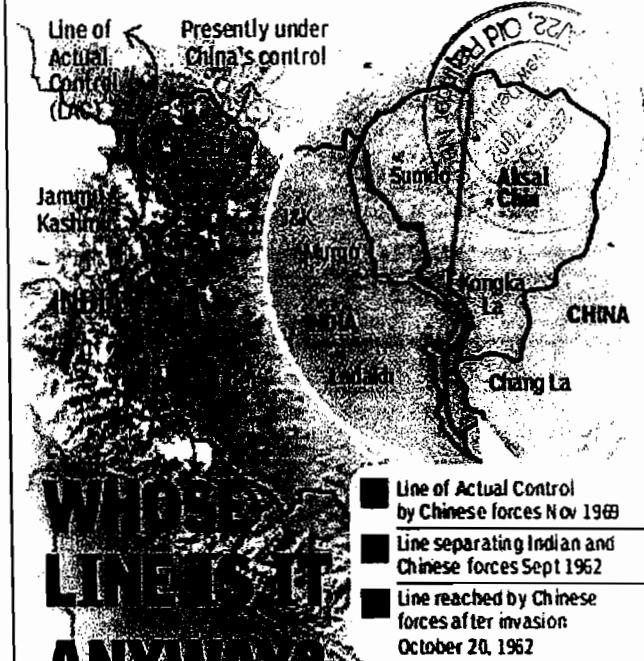
It was India's maiden nuclear test in 1974 that triggered China's nuclear embrace of Pakistan. Instead of pressing ahead with a nuclear weapons programme, India declared that its test was a "peaceful nuclear explosion" and kept mouthing slogans about nuclear disarmament. As India dithered, Pakistan marched ahead to build a nuclear arsenal. On the missile front, too, Pakistan raced ahead of India, with China's support. India's Pokhran tests of May 1998 were a belated attempt at catching up with Pakistan.

After the successful pursuit of the civil nuclear initiative with the US, India shot itself in the foot again by passing a bizarre nuclear liability act, which now comes in the way of building a large civil nuclear power programme. Although our debate has been framed in terms of American objections to the act, our other international partners, including Russia and France, are deeply uncomfortable with its provisions. The same applies to the Indian private and public sector corporations that are unwilling to bear the burdens imposed by the act.

Unless Delhi brings greater clarity to the interpretation of the nuclear liability act and the regulations for its implementation, India's hopes of building an advanced nuclear power industry at home and exporting nuclear reactors and services around the world will come to naught. It could, of course, sit back and watch China export nuclear reactors across India's neighbourhood, and occasionally dispatch a note of protest to Beijing.

The writer is a distinguished fellow at the Observer Research Foundation, Delhi and a contributing editor for 'The Indian Express'. express@expressindia.com

India has many reasons to nurse



## LINES ANYWAY

### RIVER DEAL

- Both countries will strengthen cooperation on the trans-border rivers
- China to provide Brahmaputra flood data from May to Oct instead of June to October
- Beijing assured its dams are run of the river projects not designed to hold water

### OTHER AGREEMENTS

- Agreement to establish permanent university at Rajgir, Bihar. China a participating country in this project
- Deal to strengthen cultural ties
- On road transport and highways
- Agreement to establish sister city ties between Delhi and Beijing, Bangalore and Chengdu, Kolkata and Kunming

## BORDER PACT

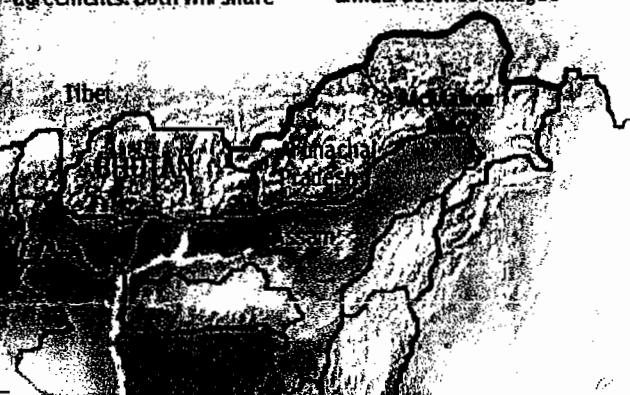
- Defence pact aims to improve communication between two armies
- Premier Li Keqiang says it'll help maintain border "peace, tranquility and stability"
- Both sides not to use military capability to attack each other
- Agree not to tall each other's patrols in LAC. Meeting sites for border personnel along LAC
- Talks of better coordination between the two militaries
- Cooperation on basis of laws of both nations, bilateral agreements. Both will share

Info on military exercises, aircraft, demolition operations

- Jointly combat smuggling of arms, wildlife items, contraband
- Assist each other in locating personnel, livestock, means of transport, aerial vehicles that may have crossed or in the process of crossing LAC

### WHAT WILL BE DONE

- Flag meetings along LAC
- Meetings between Army commanders and other officers
- Meetings of India-China annual defence dialogue

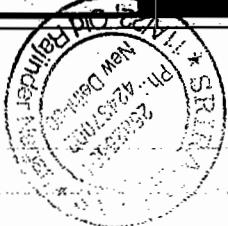


### INDIA-CHINA GO SLOW...

- India wants time to study China's plan for an economic corridor connecting China with India, Myanmar and Bangladesh

- China restrained on taking any major steps to resolve Brahmaputra water dispute

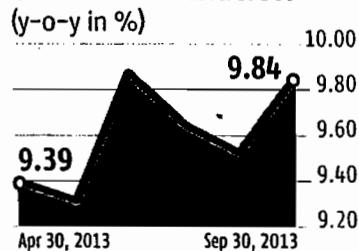
**SRI RAM'S IAS**



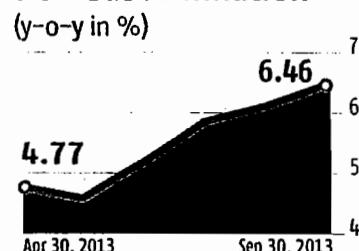
# RBI builds ground for rate increase, cites high inflation

## HEADING NORTH

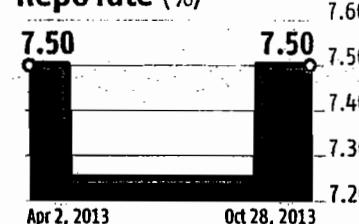
### CPI-based inflation (y-o-y in %)



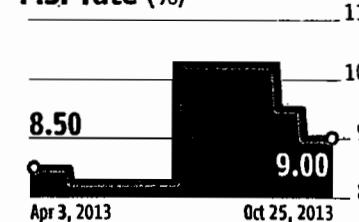
### WPI-based inflation (y-o-y in %)



### Repo rate (%)



### MSF rate (%)



Sources: Bloomberg & RBI;  
Compiled by BS Research Bureau

## FINANCE

- RBI expects trade deficit to moderate in Q2
- Business sentiment weak, consumer confidence down, says RRI

6 ▶

BS REPORTER

Mumbai, 28 October



The Reserve Bank of India (RBI) seems to have prepared the ground for a repo rate increase — the second straight one in two months — in the second-quarter review of its monetary policy on Tuesday, by saying the inflation rate continues to be above its comfort level.

Growth in the second half of this financial year would be modest, RBI said in its Macroeconomic & Monetary Development Report released on Monday.

“Wholesale Price Index (WPI)-based inflation is ruling above the Reserve Bank’s comfort level and may remain range-bound around the current level during the second half of 2013-14. Moreover, the persistence of high CPI (Consumer Price Index)-based inflation remains a concern,” the central bank said.

After declining to a 42-month low of 4.6 per cent in May this year, the rate of headline inflation increased to 6.5 per cent (provisional) in September, driven mainly by a rebound in food and fuel prices. Driven by high food inflation, the rate of retail inflation has remained in double digits. “Risks to inflation are largely in balance from here, though second-round effects from the already high food and fuel inflation in CPI could continue,” it said.

Turn to Page 20

# India Keen to Parade Growing Friendship with Japan on Jan 26

Shinzo Abe wants larger Indian presence in East Asia to check China's influence.



DIPANJAN ROY CHAUDHURY  
NEW DELHI

Japan's Prime Minister Shinzo Abe is expected to be the chief guest at next year's Republic Day parade, the first leader from that country to be accorded the honour in the last four decades.

India's relations with Japan have been transformed during the past decade across strategic and economic spheres. Japan is the only other country besides Russia with which India holds annual summits. Last year marked the 60th anniversary of the establishment of diplomatic ties between the two countries. Abe's visit will elevate the strategic partnership to a new level.

"We have expressed our strong interest to the Japanese side to invite PM Abe for the Republic Day celebrations. Tokyo has responded positively. After they send an official acceptance, we will issue a formal invitation," a MEA official told ET. It is understood that the talks for civil nuclear cooperation agreement will get impetus following Abe's visit.

Abe was scheduled to visit India in January 2014 for the next edition of the annual summit and India took the opportunity to accord him the honour, underlining Japan's significance in Delhi's strategic calculus when relations with Beijing are on a roller-coaster ride.

Official sources point out that Abe attaches special importance to ties with India and has addressed Indian Parliament when he last visited India as the PM in 2007. During his visit to India as an opposition leader, Abe met PM Manmohan Singh and delivered a key lecture at the Indian Council of World Affairs where he called for wider Indian presence in East Asia. Abe has been projecting Japan as a power willing to shed its pacifist image amid tensions with Beijing on Senkaku Islands and seeks friendship with India to balance China's growing ambitions.

Keen to expand its footprints along China's periphery, India has been stepping up its engagements in East and Southeast Asian countries including Japan. This is evident from the fact that chief guests at the Republic Day celebrations in 2010, 2011 and 2012 were Presidents of South Korea and Indonesia and Prime Minister of Thailand, respectively. Last year, Bhutanese King Jigme Khesar Namgyel Wangchuck was the chief guest on the occasion. Chief guests for Republic Day are decided based on India's political and economic relations with that country.

Sources pointed out that the two countries would implement some of the decisions that were taken at the PM-level meeting in Tokyo last May before Abe's trip begins. Main among them are the visit of Emperor of Japan to India from Nov 30 and joint naval exercises off the coast of India by the year-end.

**SRI RAMS IAS**

# Neighbourly concern

**India and China are deeply invested in the future and its upcoming elections**



**Nextdoor  
NEPAL**

YUBARAJ  
GHIMIRE

NEPAL was not mentioned in our talks. This was partly due to lack of time... But it was really due to my not mentioning deliberately." Jawaharlal Nehru wrote to Nepal's then Prime Minister Matrika Prasad Koirala on June 29, 1954, shortly after his meeting with Chou En Lai in New Delhi.

Nehru's "deliberately" not mentioning Nepal with Chinawas meant to convey the message that Nepal was largely an Indian sphere of influence, and China had little stake in the kingdom. Nehru's letter to Koirala followed a draft of an aide-mémoire he had sent with a clause that read "that in any matter under consideration of the government of India which may relate to Nepal, the government of India will consult the government of Nepal." And despite many ups and downs in bilateral relations, India continued to decisively influence Nepal's internal affairs for many years.

THE ELECT commission show vote have dwindle million from million in CA election

the India-China meet, Indian and Chinese ambassadors in Kathmandu meet at least once a month to find a common position on Nepal. But India, as a decisive influence or an actor in Nepal's political change and resultant problems since 2006, also gets a larger portion of the blame. Elections are no doubt an essential process in a democracy, but the non-participation of the Communist Party of Nepal-Maoist (CPN-M) and doubts about the new CA's ability to deliver the constitution raise questions about its relevance.

The fact that the four major pro-republican parties—the Unified Communist Party of Nepal-Maoist (CPN-M), Communist Party of Nepal-Unified Marxist Leninist (CPN-UML), Nepali Congress and the Madhesi Groups—and the Rastriya Prajatantra Party-Nepal (RPP-N), which has pledged to restore constitutional monarchy and the country's Hindu status, are actively engaged in the poll process shows that the election represents the entire political spectrum. But given the CPN-M's feeling left out

ayers in a domestic process, there is the possibility of right- and left-wing extremist groups emerging in a post-poll scenario in the name of "nationalism", as the polls will likely create a hung House and offer a more fragmented mandate.

The CPN-M called for a boycott, and a nationwide 10-day strike. Given the party's history of its members raising weapons during the insurgency spearheaded

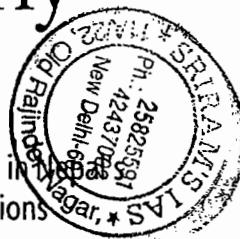
ed by its parent party, the UCPN-M, there is enough reason for people to be afraid. At least half a dozen poll meetings of UCPN-M chief Prachanda seem to have been obstructed by the breakaway group, with the UCPN-M asking its cadres to retaliate in any manner the situation might demand.

The CPN-M and traditional forces still favouring the erstwhile monarchy and a Hindu Nepal want the major parties to come to an understanding on the national agenda before the polls. The UCPN-M, Nepali Congress and the CPN-UML simply said in their manifestos that they will be willing to settle

**THE ELECTION**  
commission's data  
show voter numbers  
have dwindled to 12.1  
million from 17.5  
million in the previous  
CA election.

with rigid and contradictory stands on federalism, governance and on whether Nepal will have an executive president or a PM. RPP-N chief Kamal Thapa is perhaps trying to take advantage of the situation as well as cashing in on Hindu sentiments. He began an 11-day tour on October 20 from Gorkha to Kathmandu. A week earlier, he had a meeting with Narendra Modi to solicit "moral support" for a Hindu Nepal and his pro-monarchy cause.

That the nomination of candidates went smoothly was a big relief for the election commission. But its challenges begin now, with the electioneering and somewhat violent canvassing. The EC's data show voter numbers have dwindled to 12.1 million from 17.5 million in the previous CA election. That indicates either public indifference or a manipulation of the figures last time. It will perhaps take more than just the formality of an election to clear Nepal of its mess. Meaningful space for all sides is a necessary pre-condition to move ahead.



# **SRIRAM STARS**

**O**VER the last three months, policymakers and market players have cheered the sharp decline in India's trade deficit. The annualised rate of the current account deficit (CAD) is running at around \$25 billion based on the last three months' of trade data — about a third of what one had feared at the start of this year. This run rate will likely rise as gold imports pick up on seasonal demand, but for the year as a whole, the CAD should be even lower than the government's estimate of \$70 billion.

The taming of the CAD has elicited cheers all around for the government's draconian restrictions on gold import and hikes in import duties. And why not? The rise of the CAD from an average of \$11 billion over 2005-07 (around 1 per cent of the GDP) to \$88 billion (nearly 5 per cent of the GDP) last year was seen as the mirror for all that was wrong with the Indian economy: dysfunctional politics and policymaking, loss of investor confidence, falling growth and rising inflation. So much so that credit ratings agencies, while downgrading India's outlook, repeatedly cited the rising CAD as their biggest fear, even though the runaway fiscal deficit was the root cause.

While the export growth slowdown is a big reason why the CAD blew up, most will point to the astonishing rise in gold imports as the key driver. Gold imports rose from an average of \$15 billion (1.5 per cent of the GDP) through 2005-07 to \$55 billion (3 per cent of the GDP) last year, peaking at \$67 billion (3.6 per cent of the GDP) in 2011-12. Some of the \$40 billion increase in gold imports is clearly due to the growth in gems and jewellery exports, but not very much. India's national income data provides a stark reminder of how much gold was used for pure investment purposes. Household investment in gold rose from an average of 1 percent of the GDP over 2005-07 to nearly 2.5 percent of the GDP. Using this and the pace of growth of jewellery exports, it is not unreasonable to surmise that roughly \$30 billion of the rise in gold imports, that is, about 1.5 per cent of the GDP, was for investment.

Why did Indian households turn



## Misdiagnosis and policy errors created alarm about the current account deficit

JAHANGIR ASSEF

to gold as a store of value in such a big way? The reasons are not hard to imagine. The collapse of equity prices in the aftermath of the 2008 global crisis shook the faith in a market which, in the previous decade, had only moved up. Equities revived in late 2009 but households' faith did not return. In fact, the subsequent growth slowdown and policy dysfunction further damaged it. Real estate was an option but concerns surrounding the soundness of housing companies clouded the sector. Yields on bank deposits — the traditional safe haven for households — turned sharply negative in real terms, thanks to raging inflation and a central bank that moved glacially to raise interest rates. With rising macroeconomic and policy uncertainties, a volatile equity market, a debt-ridden real estate sector, and

authorities last quarter.

Most things do not change much just because gold imports were analytically miscategorised in the current account. For example, it did not and does not matter for rupee dynamics. But some things do change. By treating gold as a consumption good, the government sought to stop its import by raising duties and eventually imposing quantity restrictions. But it wasn't being used for consumption. It wasn't typical capital outflow either. Households could have easily bought Google stocks instead of gold. Remember that till a few months ago an individual could take out up to \$200,000 each year without approval. For a family of five that would be \$1 million a year. But they didn't. Instead, households turned to the safety of gold to protect their balance sheets.

**With rising macroeconomic and policy uncertainties, a volatile equity market, a debt-ridden real estate sector, and falling real return on bank deposits, households did what was most prudent: seek the safety of gold. It is quite surprising that we continue to treat this as a current account problem instead of what it really is: a portfolio reallocation problem.**

Falling real return on bank deposits, households did what was most prudent: seek the safety of gold. All this is familiar ground and a widely accepted narrative. So it is quite surprising that we continue to treat this as a current account problem instead of what it really is: a portfolio reallocation problem. In other words, the rise in gold imports for investment purposes should be excluded from the headline CAD for any meaningful analysis. Doing that would lower the rise of the CAD. But it would also mean that, effectively, Indian households took out, so to speak, savings of around 1.5 per cent of the GDP from domestic assets. This is not a good thing either, but it is a different diagnosis that requires a different policy response than what we saw from the

authorities last quarter.

But even excluding gold, the CAD rose 2.5 percentage points of the GDP, which is still disconcerting. Take a look at oil imports. Excluding crude oil imported for re-exports, India's petroleum imports rose from an average of 4 per cent of the GDP over 2005-7 to nearly 6 per cent of the GDP last year. One would expect oil demand to outstrip income growth, given that Indian consumers are moving up the value-added ladder (for example, from two-wheelers to cars). But even the government would concede that a sizeable part of the increase took place because continued subsidies to domestic retail users prevented any meaningful demand contraction in response to the rise in world prices. Add to that the court-ordered ban on iron ore exports, the rise in coal imports because of delays in granting new domestic mining concessions as well as the continuing large subsidies for urea, and one can easily see another \$35 billion (2 per cent of the GDP) being added to the CAD.

Put differently, as global uncertainty rose and growth slowed, households and firms did what they were supposed to do: protect their balance sheets and constrain spending. This should have narrowed the CAD. But misdiagnosis and poor policy choices ended up blowing it up.

Correcting these policy errors is the right way to address the current account (non) problem. Heartening shifts are taking place in India's policymaking framework. Accepting lower near-term growth in the policy framework, focusing on curbing inflation, allowing greater pass-through of international prices to the domestic economy, actively searching for new sources of capital inflow and liberalising the banking system are the right things to do. Their collective impact will take time to materialise. But their results will be much better than artificially boosting growth through a high fiscal deficit and low interest rates. We did that in 2010 and 2011. See where it got us in 2012 and 2013.

*The writer is head, emerging markets Asia economic research, JP Morgan Chase.*

*Views are personal  
express@expressindia.com*

**SRIKANTH SIAS**

# Pleasures and perils of inequality

The case for poverty reduction is accepted by both the Left and Right, whereas the case for reducing inequality is not as clear-cut



Dr. Rajinder  
Singh Deol

## MARGINALIA

VIVEK DEHJIA

**A**mid the recent din in debates between the proponents of "growth first" and "social spending first" as the basis for sensible economic policy, one is struck by the fact that both camps see poverty reduction (and

the principal goal of a good economic policy).

Indeed, broadly across the political spectrum in India and elsewhere, it is agreed that government policy is a necessary tool of poverty reduction — whether this is best accomplished through the "pull-up" effect of the market system or direct intervention to help the poor by the state is, rather, the main bone of contention. But the necessity of reducing, if not eliminating altogether, poverty, is universally acknowledged as a central goal.

Yet, when one considers income (or wealth) inequality, the debate takes on a sharper character. For the political Left, inequality is problematic, and the government is obliged to create some

package of redistributive taxes and spending programmes to ameliorate it.

For the Right, however, there is nothing intrinsically immoral about inequalities in income and wealth, even large ones, and no compelling reason for the government to step in and reduce them, so long as there is fundamental equality of opportunity within society. People should be allowed the just rewards of the fruits of their endeavours, whether these were acquired through skill and hard work or luck and circumstance, the argument runs.

Some on the Right go further and praise inequality per se as a source of economic good. A more unequal society, so the argument goes, creates incentives for those

at the lower end of the distribution to work harder, be thrifty, entrepreneurial, and so forth, to try to catch up to the rich. In a perfectly egalitarian society, as the old Soviet Union was in theory (but not in practice), there would be no incentive for anyone to do anything for success, one would quickly be cut down to size by the socialist state.

For the Right, however, there is nothing intrinsically immoral about inequalities in income and wealth, even large ones, and no compelling reason for the government to step in and reduce them, so long as there is fundamental equality of opportunity within society.

People should be allowed the just rewards of the fruits of their endeavours, whether these were acquired through skill and hard work or luck and circumstance, the argument runs.

Following Rawls and the social contract tradition from which he descends, imagine that everyone in the "original position" is behind a "veil of ignorance" and cannot

know what position in society he or she will occupy. All that is known is the distribution of outcomes, but not the specific outcome that any one individual will enjoy once the veil of uncertainty is lifted. What objective would one wish to pursue

in this hypothetical world?

As Rawls himself argued, in such a world, if individuals are risk-averse, they will pick as a criterion the max-

imisation principle or

the famous "maximin" doctrine coming out of John Rawls' *A Theory of Justice* (1971) that posits as a principle, if not in theory, the incentive effects of inequality are difficult

to find in data. Extreme inequality, for instance, is a risk-averse criterion, can breed resentment and animosity — even if those who are rich got so through legitimate means — and this may be a recipe for social disaster.

Many observers point to perva-

and the smouldering resentment by those who legitimately feel excluded from basic economic and social opportunities burst into a social conflagration.

Finally, one may make a philosophical argument against inequality that draws on the Anglo-American classical liberal tradition,

which gives rise to the Benthamite

"utility maximisation" principle or

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DAWN STARS

# Saving privacy as we knew it

Long overdue protection law still on the back-burner; meanwhile, depts put more of one's personal details online

SURABHI AGARWAL & SOMESH JHA  
New Delhi, 28 October

It was in 2010 when the central government decided to institute a legal framework on privacy. This was in the wake of increasing data collection by both government and corporate agencies. Concerns had mounted in the wake of projects such as the National Population Register, Aadhaar and the National Intelligence Grid.

Over three years and hundreds of consultations later, several drafts of the proposed Bill were written and rejected, and at least two committees have given recommendations. However, the law has not seen the light of day. Meanwhile, citizen data digitisation is moving at a pace like never before in the country.

*Business Standard* had reported on October 28 about how an investigation revealed that several states and central departments might be, unwittingly, following a bare-it-all approach in posting citizen data online in order to push the government's agenda of greater transparency and accountability. While the Centre's National Rural Employment Guarantee Scheme puts out full bank account numbers of its beneficiaries, government website of Uttar Pradesh has put out full details of ration card holders, including annual income along with address and information about members of the family. By putting such sensitive information online, the government could be jeopardising the privacy of its 1.2 billion citizens, who stand exposed to a variety of risks, including those of 360-degree profiling and financial frauds.

According to government officials, the department of personnel and training has finished compiling the final draft of the privacy legislation, now awaiting approval from the prime minister; the department is under him.

"In the absence of a privacy Bill, the only data protection, pseudo, is through Section 43A of the Information Technology (IT) Act. Unfortunately, that is not a data protection law; it is only a data security provision," said Sunil Abraham, executive director of the Centre for Internet and Society.

Pavan Duggal, a Supreme Court lawyer and cyber security expert, said India needs more security while collecting data and "currently a lot of these websites don't have these security layers". Take for instance, the website of the chief electoral officer of New Delhi. Type a person's first or last name and select the con-

stituency—the website throws up the details of all people with this name, along with all the details such as address and voter identity number. According to officials of the Election Commission, the searchability feature helps in easy access of voter details by people themselves or by interested political parties. "There has been no evidence to prove its use otherwise," an official of the EC told *Business Standard*.

However, experts said otherwise. Abraham said the electronic version of the electoral roll has a unique identifier, the voter ID number. "And, if there are other databases with the same identifier, a comprehensive profile of a citizen can be created." He added, at the moment, we are saved from 360-degree profiling to some extent, since there is no common identifier.

Once a privacy law comes into being, the government or a private agency will have to adequately inform citizens before collecting data, stating the reasons and only collecting as much information as is necessary for the purpose. It will also have to clearly define the time period for which the data will be stored and the security measures taken to protect it from misuse. Law also lays down the penalties in case of a breach.

Though in a less detailed manner, the current IT Act also addresses some of these issues. It defines anything which reveals financial information, biometric, health and medical records, etc, as sensitive financial information which cannot be put in the public domain.

However, experts said the government is lax in even enforcing the existing laws. To be fair, some states and departments have started being prudent about the data they put online. For instance, the state government of Chhattisgarh, a trend setter in effectively implementing the Public Distribution System, doesn't reveal much in terms of citizen information that can identify a person or can be termed as a breach of privacy.

Similarly, Odisha and some northeastern states have put in a layer of security which creates some deterrents while using common keywords to search the electoral roll and create a profile of residents in a particular locality.

However, for now, most departments stuck in the trade-off between privacy and transparency find solace in pointing fingers at contemporaries who might have also put "more sensitive and dangerous" citizen details online. The blame game doesn't end

## INFORMATION DELUGE

*Business Standard* takes a look at how agencies, trying hard to balance transparency with privacy, might be revealing too much

### VOTER'S IDENTITY CARD

#### LEGAL BACKING

Under Representation of People's Act, 1950, electoral rolls are public

#### EASILY ACCESSIBLE INFORMATION

NAME, AGE, GENDER, ADDRESS, RELATION'S NAME, RELATION, VOTER ID CARD NO.

#### PITFALLS/POSITIVES

↔ DELHI/HARYANA  
Easily searchable to produce address, voter ID details, etc

↔ UTTARAKHAND  
Photo along with other details that are barred under law

↔ ODISHA  
Security layer in place to avoid easy searching

### COOKING GAS

#### SCHEME

Subsidy on LPG to be sent directly to the bank accounts of consumers

#### EASILY ACCESSIBLE INFORMATION

NAME, ADDRESS, BANK NAME (BUT NOT NUMBER)

#### PITFALLS

Even though the portal doesn't reveal much consumer information, the bank name and address can be misused

### RATION CARD

#### LEGAL BACKING

In 2010, Supreme Court ordered PDS to be computerised

#### EASILY ACCESSIBLE INFORMATION

FAMILY MEMBER DETAILS, SOCIO-ECONOMIC CATEGORY, INCOME, OCCUPATION, ADDRESS, RATION CARD NUMBER

#### PITFALLS/POSITIVES

↔ UTTAR PRADESH  
Reveals annual income; Could be a breach of privacy. Family details could also be misused

↔ CHHATTISGARH  
Is prudent: Only reveals name of the head of the family, father/husband, name, caste, ration card number

↔ DELHI  
Reveals card category, details of people linked to a particular public distribution outlet

### JOB GUARANTEE SCHEME

#### LEGAL BACKING

MGNREGA Act  
Schedule I 16 allows records to be made public

#### EASILY ACCESSIBLE INFORMATION

BANK NAME, ACCOUNT NUMBER, JOB CARD NO, ADDRESS, FAMILY AND WORK DETAILS

#### PITFALLS

↔ HARYANA  
Bank name, account number are classified as sensitive information and can't be revealed. It also gives Aadhaar number (though last four digits muted)

↔ PUNJAB  
Same details as Haryana, plus photo but minus Aadhaar number

### PRIVACY PRINCIPLES

Recommendations of the A P Shah Committee\*

#### ACCOUNTABILITY

- A data controller to give notice before collecting personal information, state its purposes, whether it would be disclosed to third parties and the security measures taken

#### CHOICE AND CONSENT

- Individuals to get choice as to what information can be shared, empowering them to approve and authorise

#### PURPOSE LIMITATION

- Data collected should be

adequate and relevant to the purposes for which these are processed

ensure personal information is retained only as long as it is necessary

reasonable security safeguards against any reasonably foreseeable risks, including unauthorised access

\* These have been incorporated while drafting the privacy Bill under process of getting approved.

Note: Easily accessible information means information that can be accessed without any security layer.

# RUPEE: THE VOLATILE MOVEMENT



## THE BIG FALL

Between May 15 and August 30, the rupee plunged by 25.5% against the dollar.

**MAY 15:** Rupee at 54.81 against the dollar.

**MAY 23:** US Federal Reserve

Chairman Ben S Bernanke told the US Congress that the Fed may cut the pace of bond purchases at the next few meetings if policy makers see indications of sustained economic growth.

**60 ON JUNE 26:** The rupee plummeted past the 60 to the dollar mark for the first time, end-

ing at 60.73 as the Reserve Bank of India stopped supporting the domestic currency once it slid past 60.

**JUNE 30:** Foreign investors pulled out a record \$7.53 billion — ₹44,162 crore with the dollar at ₹60 — from the Indian debt and equity markets in June, more than double the previous high of \$5.33 billion in October 2008.

**65 ON AUGUST 22:** The rupee hit another record low of 65.56 against the dollar.

**68.80 ON AUGUST 28:** The rupee plunged 3.7% to close at an all-time low of 68.80 against the dollar on outflows. Intra-day low was 68.85. A fall of 25.5% since May 15.



## THE BIG RECOVERY

The rupee has gained nearly 10% since September 4 when Raghuram Rajan took charge as RBI Governor.

**67 ON SEPTEMBER 4:** On the day Rajan took charge, the rupee was at 67.63 against dollar.

**65 ON SEPTEMBER 6:** Rupee recovers to 65.24 following the RBI measures to boost inflows.

**63 ON SEPTEMBER 11:** Gains past 63 level as forex market regains confidence

**62 ON SEPTEMBER 26:** Rupee at 62.07 as the RBI eased swap norms for banks borrowing funds

**OCTOBER 18:** The rupee traded at a high of 60.94 intra-day but closed at 61.27 following reports that RBI is closing the dollar swap window offered to oil companies.

## THE BIG STEPS TO BOOST

**SEPTEMBER 4:** RBI chief Raghuram Rajan announces a series of steps: Exporters allowed to

cancel forward exchange contracts.

**SEPTEMBER 6:** RBI chief Raghuram Rajan announces a series of steps: Exporters allowed to

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## SUBBARAO'S STEPS TO SALVAGE

**JULY 15:** The RBI jacks up the Marginal Standing Facility (MSF) rate by 300 basis points above the policy repo rate under the Liquidity Adjustment Facility (LAF) to 14.25%. Funds under LAF limited to 1.0% of deposits of the banking system — ₹75,000 crore. Announces open market sales of Government securities.

**AUGUST 14:** The RBI cuts the annual cap on remittances from \$200,000 to \$75,000 and bans overseas real estate purchases.

**AUGUST 29:** Special window for dollar purchases by oil companies

to the extent of 50% of the value of cancelled contracts as against 25% now; special concessional window for swapping FCNR deposits that will be mobilized following the recent relaxations permitted by the RBI; window for banks to swap the fresh FCNR (B) dollar funds, mobilized for a minimum tenor of three years and over and the overseas borrowing limit of 50% of the Tier I capital raised to 100%.

**SEPTEMBER 20:** MSF rate reduced by 75 basis points. The minimum daily maintenance of the CRR brought down from 99% of the requirement to 95%.



## THE TEAM IN SYRIA

ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW). THE TEAM CURRENTLY DISMANTLING SYRIA'S ARSENAL HAS BEEN AWARDED THE NOBEL PEACE PRIZE THIS YEAR

An inter-governmental body based in The Hague, Netherlands, it oversees that all signatories to the Chemical Weapons Convention comply with the rules. The chemical weapons can be destroyed in situ using mobile units, or moved to another location for large-scale processing

## THE BIG CLEAN-UP

DISPOSING A CHEMICAL WEAPONS STOCKPILE IS A DAUNTING TASK BECAUSE MANY VARIETIES ARE HARD TO TRACE AND CAN BE HIDEN IN PLAIN SIGHT. ALSO, THE PROCESS MAY TAKE DECADES TO COMPLETE, WITH THE COST RUNNING INTO BILLIONS OF DOLLARS. THE RECENT CLEAN-UP IN SYRIA — TO DATE THE LARGEST EVER — HAS THROWN OPEN A DISCUSSION ON THE MOST PRUDENT WAY TO GO ABOUT IT

### WHERE HAVE WEAPONS BEEN DESTROYED BEFORE?

IRAQ AND MORE RECENTLY LIBYA HAVE BOTH HAD CHEMICAL WEAPONS STOCKPILES DESTROYED.

IN IRAQ, UN weapons inspectors located chemical weapons facilities and sealed them up. Once sealed they were effectively put beyond use.

THE LIBYAN stockpile was much smaller and a disposal plant was built to deal with it — although the stockpile of mustard gas was later uncovered after the overthrow of the Gaddafi regime.

### WHAT ARE CHEMICAL WEAPONS

Toxic chemicals delivered by an explosion, such as a bomb, artillery shell, or missile.

Conjure and kill people.

Reactions include choking, nerve damage, blood poisoning and blistering.

The first chemical weapons used in World War I, were gases released from canisters.

They are now gases now; they're liquid aerosol, with droplets carried through air.

### PRE OR POST WAR?

Usually carried out after war is over but, during the 1991 Iraq war, rockets with chemicals were blown up, heat expected to destroy chemicals in them.

Downside: Chemicals that are not destroyed by the heat are released

### METHODS OF DISPOSAL/DESTRUCTION

1917 to 1960s: Commonly accepted disposal methods were open-pit burning, land burial and ocean dumping.

1970s onwards: More sophisticated and environmentally sound disposal methods — high-temperature incineration and chemical neutralisation.

### INCINERATION

Uses a tremendous amount of heat to turn toxic chemical into mostly ash, water vapour, carbon dioxide.

Incineration Machine

### NEUTRALISATION

Breaks the chemical agent down using water and a caustic compound, such as sodium hydroxide. Large quantity of liquid waste generated must be processed further.

Neutralisation Machine

### WHAT HAPPENS TO METAL SHELLS?

Have to be thermally decontaminated, as enough heat can't be provided to vaporise the metal. Once decommissioned, metal can be sold as scrap.

### DISPOSAL DIFFERENCES

#### WEAPONS EASILY TACKLED WITH

Precursor chemicals (components used to make a weapon). Some may have industrial applications, can be sold.

Sarin (used in Syria recently) can evaporate, so spreads through the air. Mustard gas spills into soil, which has to be dug up and decontaminated.

### TREATIES REGARDING CHEMICAL WEAPONS

The Chemical Weapons Convention was adopted by the UN General Assembly in 1997. It bans the creation of the weapons and mandates their destruction.

The five countries who have not signed the treaty are

North Korea, Egypt, Syria, Angola, South Sudan.



ACCORDING TO OPCW, SEVERAL COUNTRIES HAVE DECLARED CHEMICAL WEAPONS AMOUNTING TO NEARLY 70,000 MEDIUM-SIZE STORES OF TOXIC AGENTS IN 8.6 MILLION MUNITIONS AND CONTAINERS. THE BIGGEST ARSENALS THAT MUST BE DESTROYED ARE IN RUSSIA AND THE UNITED STATES.

COMPRESSED BY SHREYA SENGUPTA; GRAPHIC: PROPEL BOSE

# Indian companies likely to shift to IFRS from April 2015

SHRUTI SRIVASTAVA  
NEW DELHI | OCTOBER 19

AFTER the enactment of the Companies Act, 2013, the ministry of corporate affairs has now shifted its focus on rolling out international reporting standards for Indian companies which were to be implemented beginning April 1, 2011.

According to the draft plan, the ministry wants to implement the international financial reporting standards (IFRS) beginning with companies that have a net worth of over Rs 1,000 crore from April 1, 2015, an official told *The Indian Express*.

In the second phase, both listed and unlisted companies with a net worth of over Rs 500 crore but less than Rs 1,000 crore will have to converge with the international accounting standards from the financial year beginning April 1, 2016.

IFRS had been put on the back burner by the government given issues raised by corporates, and unresolved taxation issues. Industry bodies had sought postponement

## IFRS had been put on the back burner by the Centre given issues raised by corporates and unresolved taxation issues

arguing the industry needed more time to prepare.

The IFRS-converged accounting standards deal with mark-to-market projections and valuation of financial assets among other things.

The implementation is expected to cause some upheaval in companies' finances in the initial stage as the standards call for projecting assets' real value. Various sectors, including banking and real estate would be hit, experts have argued.

"The Institute of Chartered Accountants of India (ICAI) has been asked to conduct a sector-wise study, elaborating on the impact the implementation will have on the sectors," the official said.

As such, all Indian com-

panies listed overseas or doing business on foreign land currently prepare financial statements as per the international standards.

However, banking companies would be exempt from complying with the IFRS. In the third and fourth phase, beginning April 1, 2017, smaller companies would need to prepare their accounts as per the international standards.

"Having put in so much of efforts into it, I think we should go ahead with it. The main sectors which are likely to be impacted include oil and gas, finance, telecom and infrastructure companies. However, on other industries, I don't see much impact," Amarjit Chopra, former ICAI president, said.

Over 100 countries have accepted IFRS while India has converged its accounting standards with the international reporting standards. Currently the US, Japan and India are the three major economies that have not adopted IFRS while Canada, Brazil and Russia switched to IFRS last year.

**AUSTRALIA:** Compulsory voting in Australia was adopted in the state of Queensland in 1915 and adopted nationwide in 1924. Voting is compulsory for every citizen above the age of 18 (except those of unsound mind or those convicted of serious crimes). Elections are mostly held on Saturdays to allow working citizens to vote. A penalty is imposed on citizens who fail to show up for polling on election day without a valid reason. However, citizens who are unable to poll on election day can vote before the polls. A 'pre-poll vote' can be cast at a pre-poll voting centre or divisional office.

**BELGIUM:** Belgium has one of the oldest systems of compulsory voting which came into effect in 1892 for men and in 1949 for women. Citizens aged 18 and above are required to cast their votes. Failing to do so can invite a moderate fine. If a citizen fails to vote in at least four elections, they risk losing their right to vote for 10 years. Also, it is difficult for non-voters to get a job in the public sector.

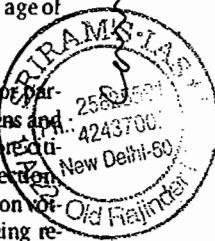
**ARGENTINA:** Argentina makes it mandatory for citizens aged between 18 and 70 to vote. Those who are ill on voting day are excused if they get a medical certificate from a doctor. Those over 500 km away from their voting station are also exempt if they provide a certificate from their closest police station.

**BOLIVIA:** In 1952, Bolivia began giving its voters a card to prove their participation at an election. If voters fail to show this proof-of-voting card in the three months following an election, they can be prevented from drawing their salary from a bank. Married citizens are enfranchised at the age of 18, while those who are single must wait till 21.

**SINGAPORE:** Voting in presidential elections or parliamentary elections is compulsory for all eligible citizens and is part of the responsibilities of being an adult Singapore citizen. During the presidential or parliamentary election, he/she must be present at the assigned polling station on voting day. Failure to vote leads to non-voters name being removed from the certified register of electors.

**BRAZIL:** In Brazil, it is compulsory for citizens aged between 18 and 70 to cast their vote, while it is not compulsory for unregistered citizens aged 16 or 17. Non-voters have a provision of filling out a justification form at election centres and post offices and have to pay a fine. Also, non-voters may be barred from applying for passports or to sit for professional exams.

Compiled by Aslesha



# Maldives re-vote in doubt, says EC chief

PRESSTRUST OF INDIA  
MALE, OCTOBER 18

THE controversy-ridden presidential revoe in the Maldives Saturday could be scrapped at the last minute as two of the three candidates are yet to endorse the voting register, the Elections Commission warned Friday.

Progressive Party of Maldives (PPM) candidate Abdulla Yameen and Junhooree Party's Gasim Ibrahim have demanded finger-print verification of the finalised voter roll, with police refusing to support the poll without the candidates' signatures.

After submitting letters with their demand to the Elections Commission at midnight, both the party's leaders have been unreachable, Minivan News reported.

Amidst the impasse, Maldivian

Democratic Party leader Mohammed Nasheed, the country's first freely elected president, appealed to his challengers not to "hide" from the polls, saying, "Maldivians are hungry for a vote."

The Elections Commission said a revoe can be held as scheduled only if presidential candidates sign the voters roll by 7.30 am on voting day.

"Without their signatures, the Maldives Police Service is not willing to support us. They will not give protection to conduct the election and if we hold polls, it will be invalidated by the Supreme Court," said Elections Commission chairman Fuwad Thowfeek.

"We are trying our best to have the election as per the verdict of the Supreme Court," said poll panel Vice Chairman Ahmed Fayaz. "But with all the hard work



Nasheed at the Election Commission in Male Friday.

of the last 11 days, now the process has almost been halted."

The Elections Commission has been trying to obtain signatures and fingerprints of candidates or their representatives since 4 am Friday, as Secretary General Asim Abdul Raheem informed.

The Commission has called, texted and sent officials to individual's houses and to the homes of Junhooree Party representatives Umar Naseer and Hassan Shah and PPM leader Ahmed Ihami, but has received no answer.

"We will not sign a bundle of papers held out to us by the Elections Commission without having seen for ourselves what exactly is in them," PPM deputy leader and MP Abdulla Abdul Raheem said, putting a question mark over the polls.

## INDIA WANTS TO SEE TRANSPARENT POLLS FOR STABLE GOVT

NEW DELHI: On the eve of fresh presidential polls in Maldives, India Friday said it wants to see transparent, free and fair elections that will bring a stable government in the country. Foreign Secretary Sujatha Singh, who had visited Maldives Thursday and met leaders of various political parties, said the people have high expectations in democracy, revealed by the high turnout of 88 percent in the first round of polling last month. PTI



# 'Transparency, accountability here to stay; you can no longer take decisions with brazenness'

FOR those curious about former CAG Vinod Rai's post-retirement plans, the news is that he has international speakers lined up. He has enrolled with the London Speakers Bureau, has just delivered a lecture at the Harvard Kennedy School (of which he is an alumnus) and is shortly scheduled to speak at the World Economic Forum. Other mega lectures and engagements have been fixed at conferences of the International and Asian Organisation of Supreme Audit Institutions.

"I am a civil servant and not an auditor by profession, so I am mostly speaking on subjects like good governance and accountability. I am taking maybe two or three speaking assignments a month and this keeps me engaged," he says. Besides this he plays a daily game of tennis at the Gymkhana Club and is getting used to life as a private citizen. Excerpts from an interview with Ritu Sarin.

With the CAG reports on 2G spectrum and coal, and the actions of the CBI, including the latest FIR in the Hindalco case, the industry and the bureaucracy are running scared. Did you anticipate such a reaction?

There is no smoke without fire, otherwise why do you think we live

CAG and CBI) would jump into such issues? These subjects fall in the category of irregularities and misappropriation. And the CAG doesn't look at the economy with an audit microscope, it looks at actions and implementation. The CBI looks at criminality.

What about the impact on investor sentiment?

The investor is not ignorant of what is happening on the ground. It is not as if he is not aware of what is happening or how opaque things are. Crony capitalism is not something created by the CAG. People are able to see what is happening and they don't have to wait for the CAG or the CBI to know that such issues exist. These things are already in the public domain and it was known, for instance, about the spectrum case before the CAG got into it. There are many, let us say, whispers in the corridor too.

But UPA ministers continue to blame you as CAG for the state of the economy. First it was Kapil Sibal and now Manish Tewari. What is your reaction to such criticism even after you have demitted office?

I chose not to react then and I



REEM KHAN

will not react now. All this makes no difference to me.

But the estimated losses—assessed by the CAG as high as Rs 1.7 lakh crore in the 2G spectrum case and around Rs 1.8 lakh crore in the coal allotment case—are unprecedented.

The size of the economy has in-

creased, so the size of government contracts has also gone up. Hence, the citizen has become empowered enough to ask questions that might be inconvenient. People in government, everyone, even the corporations, have to answer these questions. The RTI has made a big difference. Transparency and accountability have come to stay, and

you can no longer take decisions in an opaque manner, with appalling brazenness. Now it's citizens at the centre, and the government knows that all decisions can come under intense public scrutiny.

## On the RECORD

There is a contradiction here. You justified the poor inflows from the sale of 2G spectrum when the government finally conducted auctions by saying that this was because the economy was in a slump. Isn't that so?

Market determinants are not static. If you fix an auction process, the price will not be the same as it was three years ago. Similarly, for the price of spectrum, there was a huge differential between 2008-09 and 2012, when the spectrum sales were done first on first-come-first-serve and then via auctions. Markets are subject to change and valuation. I am also repeating what I have said several times earlier—the CAG has never questioned or criticised government policy.

Coming to the coal allotment scam, why did the CAG change its formula of calculating losses from no loss to windfall gains?

Windfall gain is a term, Coal Secretary P.C. Parikh himself used when he talked about loss to the government.

The CAG repurposes Parikh's argument as the cornerstone of its assessment of windfall gains. How do you feel now that he himself has been named by the CBI as an accused in the Hindalco allotment case?

I do not want to comment on the actions of the CBI, but I think that the prime minister's office has now issued a detailed clarification. Parikh is not in any trouble. It has been clarified that all the decision-takers together arrived at the formula when the company got a 15 per cent stake. All the issues have been addressed by the PMO. And the CAG also had all the information and correspondence on the Hindalco case, but did not figure in our final report for this very reason. We did not put it in because we found all the justifications.

After an eventful five-year term

as CAG, are you satisfied with the extent of wider accounting coverage achieved? When you took over you said only 60 per cent of the government was under audit.

We were able to bring in 26 PPPs, panchayati raj institutions and NGOs getting government funding under audit. Roughly, I think, 90 per cent of the government is now covered by the CAG but much of this has been done through executive orders, not an amendment in our act.

Is there any other systemic change you wanted to bring about, but failed? The low levels of turning of CAG reports by Parliament's public accounts committee (PAC), for instance?

The CAG does roughly 16000 reports every year, but only about 3000 are discussed at length by the PAC. It is the CAG who advises which should be scrutinised. Some sub-committees were set up for wider scrutiny, but I don't know how effectively they are working now. Yes, it is a failure of the system and to some extent, parliamentary review and reporting is failing. We should take action.



# For Fair Allocation of Natural Resources

## Remove discretion from the process

In every crisis, there is opportunity. The one in the present state of scam-struck paralysis is an opportunity to streamline allocation of natural resources among multiple claimants in a way that shuns arbitrariness, patronage and discretion. It is the scope for the government to play favourites in the method it has followed to allocate captive coal mines that lies at the root of the scam investigations, resultant unpleasantness and abdication of decision-making by the bureaucracy. The lasting solution is to bring objective criteria and transparent processes to the task and remove arbitrariness.

The overall objective of making natural resources available to private players is to maximise the collective good arising from their utilisation. Immediate maximisation of revenue for the government cannot, should not, be the criterion for allocation. Expanding the base of use of the natural resource in question, enhancing competition while protecting business viability and optimising consumer welfare will, in the long run, maximise revenue for the government as well. The revenue that accrues in this fashion would exceed, by far, short-term gains to be had from attempts to maximise revenue from the allocation process.



In the case of a resource like telecom spectrum, which technology increasingly allows to be shared by multiple users rather than being divided up into exclusive, dedicated chunks, the effort should be promote sharing. The policy regime must allow deployment of technologies ranging from dynamic spectrum access networks (Dyspan) to spread spectrum. In the case of resources like minerals, which, and products using which, have globally traded prices, the allocation must be through auctions. The auction design – choice of the bid parameter, how much of the resource available is being auctioned, forward visibility on future availability and auctions, the type of auction to be followed, the floor price chosen – must avoid both the winner's curse and loss to the exchequer, as well as ensure business viability and consumer affordability.

# Don't discount their worth

Provide internal migrants with amenities so that they are not viewed as a burden

In many ways, they are the **outtake** nowhere people. Now a Unesco report *Social Inclusion of Internal Migrants in India* puts the number of internal migrants at around a third of the population. This number is far higher than the number of migrants who leave India to work abroad. Yet, since most internal migrants move back and forth according to where they can find work, they get left out of social welfare schemes. The plight of women and child migrants is pitiable as they are vulnerable to all sorts of abuse and are often shortchanged in their wages.

Despite the amount that they contribute to the GDP, they are viewed with suspicion by people who feel that they are spoiling the cities with their presence and contributing to different types of malaise. The Shiv Sena and Navnirman Sena with their attacks on migrants are extreme manifestations of this paranoia about outsiders coming in to take over jobs and contribute to urban blight and crime. Even in Delhi, the chief minister has been less than kind in her observations about migrants. Yet, no one seems to highlight the fact that they do jobs which many find no one else willing to take on and that they provide services which keep these places running smoothly.

Now that various social welfare schemes have kicked in, farmers in places like Punjab are finding it hard to find labour from places like Bihar and Uttar Pradesh. It is clear that most cities and towns cannot function without the services provided by migrant labour. So the humane thing to do would be to provide them shelter and other basic amenities like healthcare so that they are not viewed as a burden on society. It is a measure of our double standards that we have no qualms about using their services while railing about their being responsible for the ills of urban living. What the government should also do is to create more employment opportunities in rural areas. Giving out wages for a fixed number of days of work alone is not enough, there should be productive employment the whole year round. For this there has to be greater investment in rural areas and better road and rail connectivity. Improving skill sets in rural areas should also be priority. What the government should be aiming at is reverse migration. People will go where there are jobs and it is quite the norm that they would prefer to stay as close to home as possible. It is only when reports like the one by Unesco come out that this issue is even talked about. For the most part, internal migrants are a part of our lives that we prefer not to acknowledge.

# STRANGERS AT HOME

Although 3 out of 10 Indians are migrants, they have remained on the fringes of the government's policy framework with almost nil social and legal protection

**MAIN  
MIGRATION  
CORRIDORS**  
Major Net  
Migration Flow  
in India (duration  
0-9 years), 2001



MAP (BHAGAT & MOHANTY, 2009)

## % of Internal Migrants in Select Million Plus Cities

Surat	58
Ludhiana	57
Faridabad	55
Nashik	50
Pune	45
Delhi	43
Mumbai	43
Kolkata	28
Lucknow	28
Patna	27
Kanpur	19
Varanasi	17
Allahabad	14
Agra	12

Population in thousand  
 ■ LESS THAN 100  
 ■ 100 TO 200  
 ■ 200 TO 300  
 ■ MORE THAN 300

## Total Internal Migrants

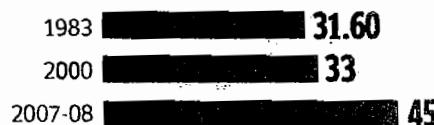


**326 million**  
NSSO, 2007-08  
estimate

**400 million**  
Expected 2011  
Census estimate\*

**Key Destination States**  
Delhi, Gujarat, Haryana,  
Karnataka, Maharashtra  
and Punjab

## Internal Migrants as % of Urban Population



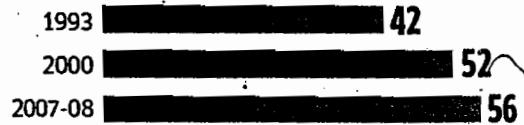
Women constitute an overwhelming majority of migrants, between 70% & 80%. Their migration is increasing



Male migration rate has remained constant at 26-27%. But male migration for jobs increased



## Migration for Jobs (%)



# Business Standard

Volume XVIII Number 51

MUMBAI | WEDNESDAY, 23 OCTOBER 2013

## Judicious economics

Time to consider the economic impact of recent judgments

The Supreme Court is amongst India's most respected and trusted institutions. Its rulings are rarely questioned on legal merits and the only way to get around the ones that cause discomfort to the government is to amend the law. The country can take great comfort from the stature and credibility of this institution when it comes to enforcing the rule of law. However, as desirable as it is that laws should be strictly enforced, there is a flip side to this. Significant decisions by the Supreme Court often have significant economic consequences. At the other time has this been more obvious than the present.

Over the past two years, a number of judgments have, notwithstanding their rectitude, had enormous macroeconomic impacts. The banning of iron ore mining in Karnataka and Goa significantly reduced exports of ore, which declined by over \$4 billion over a two-year period. The coal imbroglio led to the Supreme Court cancelling all the licences that were issued to private entities, making the country dependent on imports for the foreseeable future. India, with its enormous thermal coal reserves, is now importing over \$8 billion worth of coal — mainly to run power plants, which, ironically, were set up close to domestic coal beds. Likewise, the 2G telecom scandal, which resulted in the cancellation of several licences, disrupted the plans of several major foreign telecom companies, which had seen India as an attractive market for expansion. Potential foreign investors will now be extremely wary of entering the country with the risk that supposedly legitimate agreements and contracts are suddenly declared illegal. All these instances have contributed to an enormous increase in the economy's external vulnerability, with the first two making a huge dent in the current account deficit and the third likely to make India a less attractive destination for foreign direct investment.

A number of fundamental questions arise here. First, whatever the legal merits of each instance of judicial action, should the Supreme Court not routinely consider the potential economic consequences of its decisions? It is clearly not required to do so now, but it would be reasonable to argue that the rule of law and economic well-being are important determinants of social welfare. If indeed the Supreme Court had considered the economic consequences, would its rulings have been somewhat different — perhaps allowing for a tightly monitored but phased compliance with environmental regulations in the case of iron ore, and an assessment of the genuineness of parties in the licence allocation processes? From a larger perspective, though, there is a particularly troubling question. Did the Indian economy achieve its best ever growth performance during 2003-08 on the basis of widespread violations of various laws and regulations? As compliance is more strictly enforced, is slower growth an inevitability? Only time will answer this question. Meanwhile, while there can be no compromise on regulatory compliance and the rule of law, a balance between this objective and its economic consequences needs to be worked out so that it can be achieved without too high a price being paid. It would be good practice for the Supreme Court to commission a rigorous economic impact analysis on key issues coming up before it while making a final ruling.

## BRICS LOW ON BIZ TRUST

Companies in Brazil, Russia, India, China and South Africa still lag in anti-corruption and transparency practices, says a Transparency International report.

**20%** The proportion of global economic output coming from BRICS

**15%** Proportion of global trade accounted for by BRICS

### INDIA TOPS AMONG BRICS PEERS

**5.4** Average score of Indian companies in the transparency index on a scale of 0-10



■ The index is based on unweighted average of results in three categories: reporting on anti-corruption programmes; organisational transparency and country-by-country reporting

■ South Africa is second overall, with an index of 5.1, though it leads India on two factors (see table below)

### Shades of transparency

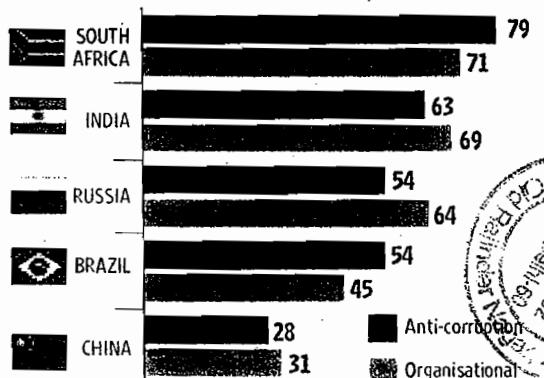


ILLUSTRATION BY BINAY SINHA



# The guar gum example

The growth in guar gum exports may hold important lessons for Indian agriculture

## MUDGY WATERS

SUBIR GOKARN

During my childhood, I was regularly required to eat a vegetable, which was unequalled in its combination of fibrousness and bitterness. Nobody in the family actually liked it, but, for some reason, it found its way on to the table. I have generally managed to avoid it after exiting the parental establishment and really never gave it a second thought, let alone imagined that I'd one day write a column on it. But guar, or the cluster bean, exemplifies reinvention. So what if it tastes foul; it has other, far more lucrative, uses.

Guar gum, which is a power extracted from crushed guar seed, is now India's largest agricultural export. In the first quarter of 2013-14, \$73 million were exported, indicating an annual volume of almost \$3 billion. In the previous two years, 2012-13 and 2011-12, its exports were worth \$3.3 billion and \$2.9 billion, respectively. 2011-12 was clearly the beginning of a boom; prior to that, exports did grow quite steadily, from \$73 million in 2003-04 to \$520 million in 2010-11, before multiplying by almost six times. It is also India's largest commodity export to the United States (about \$2.5 billion in 2011-12), significantly ahead of its closest competitor, gems and jewellery.

The primary reason for this surge in exports is its role in the extraction of shale oil and gas, by what is known as the hydraulic fracturing or "fracking" process.

This process involves injecting a fracturing fluid, almost always water, at high pressure, to create channels in rock formations, which allow the oil or gas to move into larger pools, from which they can be extracted. The fluid carries with it a suspension of something called a proppant, essentially sand, which is forced into the rock to provide support and stability to the channels. This is achieved most efficiently if the sand is uniformly suspended in the fluid. To ensure uniformity, a soluble gel is added to the fluid to increase its viscosity. The most efficient soluble gel currently available, in terms of the least volume to achieve a given level of viscosity, is guar gum.

How much of the export boom was driven by quantities and how much by prices? Interestingly, both factors played a significant role, but not uniformly in different years. Between 2010-11 and 2011-12, when the boom started, the quantity exported rose by about 65 per cent, from about 317,000 tonnes to about 525,000 tonnes. The value per tonne went up from \$1,640 to \$5,594. In the next year, the quantity actually dropped quite sharply, to 261,000 tonnes. But the value per tonne more than doubled to \$12,528, resulting in an 11 per cent increase in export realisation. In the first quarter of 2013-14, the value per tonne has reverted, coming in at \$6,630.

From the global supply perspective, India is currently a dominant global producer of guar, accounting for about 80 per cent of world production. In India, the largest production centres are Rajasthan and Gujarat, which is where the big export surge is presumably originating.

This concentration pattern provides a possible explanation for the price surge in 2012-13. Anticipation of a drought, which could have significantly reduced production in India (as happened in 2009-10), may have led to advance buying, pushing prices up. But some other important questions arise as well. One might expect that the sharp surge in quantity exported, even though it may have levelled off subsequently, would have resulted in a significant increase in acreage and/or production as a result of productivity increases. Unfortunately, the latest data available on these indicators from the ministry of agriculture are up to 2010-11, which do not cover the boom period. These data do not show a significant upward trend in either acreage or production, and, consequently, productivity, over the period between 2003-04 and 2010-11. We'll have to wait till the next data release to establish more recent trends. However, it is rather difficult to see how the quantity surge between 2010-11 and 2011-12 could have been achieved without a substantial increase in both acreage and production. A news report in this paper last week indicates that both acreage and production are expected to rise significantly during the current year.

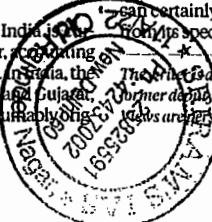
So, on the reasonable assumption that guar seed production has indeed been launched on to a new trajectory as a result of its export potential, can we draw some lessons for both the crop itself and for the Indian agricultural sector in general?

First, as regards guar cultivation, the sharp increase in prices is something that domestic producers need to be watchful about. India may be the largest producer by far, but there is already cultivation in, for example, Australia and the US. Relatively high prices will make cultivation in these geographies more profitable and, in quick time, they will become strong competitors to India. Given that the bulk of shale exploration and extraction is going on in the US, it will be very easy for users there to shift to domestic sources. This is not basmati rice, with the implied premium on cultivation in traditional areas. More so, high prices will also induce experimentation with other natural and, more importantly, synthetic soluble gels, with cost advantages over guar gum. The only way to retain competitiveness and the global monopoly is through productivity increases. What is being done to induce these?

From the broader sectoral perspective, it would be very revealing to learn how exactly this massive increase in exports was achieved in such short order. Even if it was largely a diversion from domestic sales, which, as I said before, was unlikely, some interventions in processing, storage and transportation obviously played a role. Are there opportunities to apply these more broadly? If indeed production was increased rapidly, what changes in land use patterns and cultivation practices did this entail? Has land been taken away from other crops, for example, reducing their supply and driving up their prices? Or, have farmers quickly assimilated new practices to enhance productivity? If so, how was this transition implemented? Did government bodies play a significant role?

On the face of it, guar stands out as an exception in the depressing story of Indian agriculture's supply bottlenecks. We may still not want to eat the stuff, but we can certainly look for lessons for the rest of the sector from its spectacular rise.

The author is director of research, Brookings India, and former deputy governor of the Reserve Bank of India. Views are personal



## Shining a light

India Inc more transparent than emerging market peers

For some time now, the loudest voices shaping public opinion in India have indicated that the country has a particular problem with corruption at the interface of the state and the private sector, and that a lack of reform has allowed India Inc to conceal many acts of wrongdoing. While this may or may not be true, some perspective to these claims was provided by a report by the well-regarded corruption watchdog Transparency International that was released last week evaluating 100 emerging market multinationals, especially from the BRICS countries — Brazil, Russia, China and South Africa besides India. The report's executive summary said: "No company achieved a perfect score but companies from India are clearly ahead of the pack." It appears that in terms of disclosure and reporting, the building blocks of accountability, India is a stand-out performer in the emerging world. China was the worst performer overall, by far — unsurprising, given its byzantine network of state and private ownership, and its completely opaque and controlled financial sector. Nine out of the 11 worst-rated companies were Chinese.

The report was met with some disbelief in certain circles; after all, it clearly contradicts the prevalent view about the burgeoning nature of corruption in India. However, it is important to see that the two things are not necessarily contradictory. Just as the right to information led to greater knowledge of misbehaviour by the state, a clearer reporting regime allows better investigation of what companies are up to. If viewed rationally, the report should, thus, somewhat defuse the panic around "unique levels" of corruption in India, revealing that the country and its private sector have relatively robust processes in place, allowing for the eventual revelation of corrupt practices. The report evaluated transparency on several fronts — for example, in terms of clarity in related holdings by companies. The more opaque holding structures are, the easier it is to hide the proceeds of corruption. Other ingredients in the index were the presence of anti-corruption programmes within the company in question and the transparency of its reporting on activities in other countries — necessary to correctly assess its tax burden.

It is clear that there is a positive correlation between reform, globalised operations, and transparency of a company. Still, it is a matter of concern that the absolute level of disclosures is still poor — three-fourths are ranked below five, and 60 per cent do not disclose political contributions. Fixing that is an important step forward in minimising the impact of corruption and the incidence of crony capitalism. While Indian companies and regulations ~~clearly lagging~~ have done well in comparison with their global peers, much remains to be done. Declarations of political contributions, and explicit reporting of country-by-country results — not just some information about the finances of subsidiary elsewhere — would be a major step forward for India Inc. As Indian companies spread their wings and begin to compete with developed country giants, they should set their standards for transparency even higher.

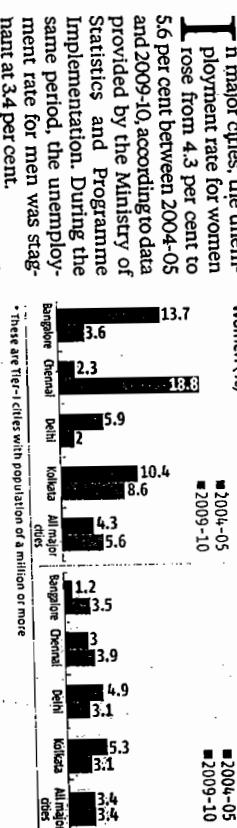


# Unemployment rate for Women up in major cities

Experts say better education, aspiration, migration behind the trend

SOMESH JHA  
New Delhi, 22 October

**JOBLESSNESS RATIO IN METRO CITIES\***



ment rate for men was stag-

hant at 3.4 per cent.

Major cities are those with populations of at least a million, according to Census 2001. "Thus (the rise in the unemployment rate for women) is a result of family migration to cities," said Amitabh Kundu of the Centre for the Study of Regional Development, Jawaharlal Nehru University, Agra, recorded saw the highest migration — only men moved to cities. But now, even women accompany them. As a result, the demand for jobs among women was rising in cities, he added.

The sharpest rise in unemployment among women was seen in Chennai, where the rate rose 17 percentage points — from 2.3 percent in 2004-05 to 18.8 per cent in 2009-10. This was followed by Ludhiana (14 percentage points), Ludhiana, along with S R Hashim, former member of the Planning Commission. He added as a family progressed, aspirations for higher living standards led to women not getting the jobs they desired.

In terms of employment

for women, Bangalore recorded the most progress; the fall in the unemployment rate was 10 percentage points — from 13.7 per cent in 2004-05 to 3.6 per cent in 2009-10, showed data released by the National Sample Survey Organisation on Tuesday.

Tanweer Fazal, a sociologist from Jamia Millia Islamia, said, "The traditional values of middle class families are changing, and more women offer themselves to work." For men, the unemployment rate plunged the most in Biopal (5.5 percentage points), followed by Howrah (3.5 percentage points).

Kundu said the major employment source for women in cities was the domestic-help segment. As both members of the family are engaged in jobs, they are not able to manage domestic chores and, therefore, they employerships, which raises job expectations for women in the market," he said.

# *The moving picture*

Indians are moving across state borders, and from village to city, and that's not a problem

A UNESCO report on internal migration in India draws attention to a phenomenon whose contribution to national prosperity is poorly appreciated, and which, absurdly enough, is seen as a political and administrative problem in India's foremost cities. The report, titled "Social Inclusion of Internal Migrants in India", estimates that migrant workers generate 10 per cent of the GDP. That's a considerable contribution, more than half of the figure attributed to agriculture. Another figure is even more interesting, with elections just months away—one in every three Indian voters is a migrant living faraway from his or her usual place of residence. However, none of the major political parties have even identified migrants as a significant voter block, let alone focused on their interests. Politics remains unimaginatively local, focused on issues of community and place, not those of displacement.

Internationally, the contribution of migrants to hybrid vigour is visible. How Middle Eastern is Dubai, for instance? How American is Silicon Valley? But within our borders, migrants are often unwelcome. With their violent attacks on north Indians, the war-

riors of Mumbai's senas have contributed to the slow decline of a great city that was powered by the dreams of migrants. In Delhi, the otherwise liberal Sheila Dikshit has spoken more than once about the strain migrants from the east put on the capital's civic infrastructure, while neglecting to mention their considerable role in building it in the first place. This study reveals that urban migration is flagging in some metros, while smaller cities and countermagnet towns may be hospitable to migrants. Less than half of Delhi and Mumbai's population is made up of migrants, while Faridabad has 12 per cent more migrants than them. After well-known destinations like Surat and Ludhiana, the UNESCO report ranks Faridabad as the third-biggest magnet.

India is moving en masse across state borders and from villages to the cities. Administratively and politically, popular migrant destinations have to learn to regard this as a source of strength, powering their growth, and not a problem. As the Indian economy turns away from agriculture to city-based services and industries, it will need the skills, creativity and energy of the growing migrant population.

**SRI RAMS IAS**

# India must work to make the grade soon

We need to move the goalposts from getting children into schools to ensuring that they learn too

## beyondthenumbers

Ashish Dhawan

In 2000, India signed the United Nations' Millennium Development Goals (MDGs) that set out broad development targets to be achieved by 2015. The MDGs for education were universal primary education and the elimination of gender disparity in primary and secondary schooling.

On a country level, these goals were effective for India, as they pushed us to achieve universal elementary enrollment which stands at 97% today. Yet, we know from various quality assessments that our education system fails to deliver quality education and does not prepare our children to be productive and responsible citizens.

Now that the global dialogue is moving to the creation of a post-2015 vision, we must ensure that in education we emphasise the quality of learning from early childhood through secondary education. Three specific areas that should be addressed in the post-2015 vision include:

- Early childhood education: A growing body of evidence establishes that early childhood education is critical to an individual's educational outcomes as 80% of brain development takes place by the time a child is 5.

The state governments need to invest in creating a pre-primary curriculum, providing

ing access to schools at the pre-primary level (age 4 to 6) and introducing this age group of learners to early literacy and numeracy. We have an opportunity to track the efficacy of such a system as the Delhi government has introduced a pre-primary grade in its schools.

- Secondary education: Given the huge surge in student enrollment in the last few years, it is critical to ensure access to high quality secondary schooling. A central challenge, particularly in rural areas, is finding the right balance between building infrastructure in close proximity to villages and ensuring sufficient enrollment within these schools.

In China, 35% of rural children are enrolled in State residential schools. India's enrollment figures will likely go up through a similar network of large residential schools in rural areas. We already have working models of such schools with the Jawahar Navodaya Vidyalayas (JNV), a network of rural residential schools catering to gifted children. The Rashtriya Madhyamik Shiksha Abhiyan should build on the example of JNVs to extend quality education to rural children. We should also develop a curriculum focussed on vocational and skill development at the secondary level. In Finland and Switzerland, students choose to continue their secondary education in either an academic track or a vocational track.

- Standardised assessment: In most countries, including India, we lack sufficient data and capacity to systematically measure and track learning outcomes that lead to ineffective policy-making based on inputs rather than outcomes. While sample surveys like Annual Status of Education Report (ASER) and National Achievement Survey (NAS) collect information on learning outcomes, they do not tell us whether every child in our schools is actually learning.

We need to aim for every child in Classes 3, 5 and 8 to take a statewide assessment test in mathematics and language. The ministry of human resource development has allocated funds for state learning surveys. States need to focus on building technical capability to implement these surveys. As these assessments get institutionalised and regular data about education outcomes emerge, we can build the political and community will to address our shortcomings.

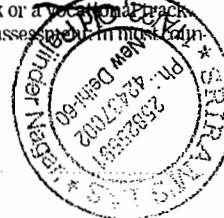
India should work closely with Unesco's Learning Metrics Task Force to adapt relevant recommendations around internationally comparable learning standards, metrics and implementation practices.

While India has made great strides in achieving Education for All, we need to move the goalposts now from just getting children into school to ensuring that they are learning in school.

Ashish Dhawan is founder and CEO, Central Square Foundation

The views expressed by the author are personal

SRI RAMS IAS

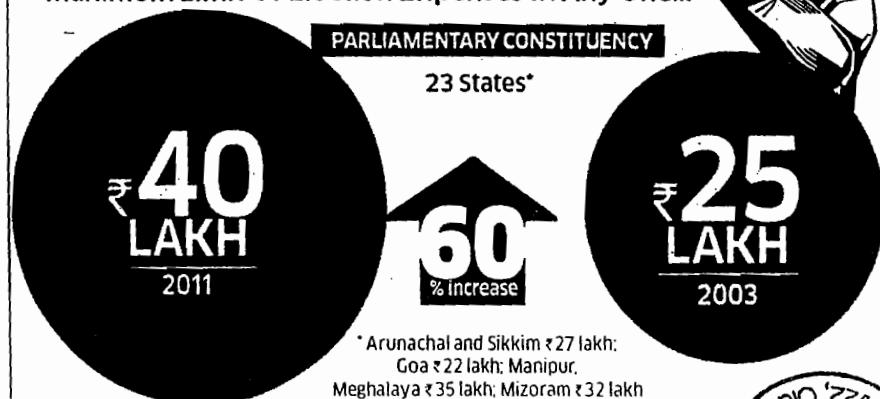


# Capping Poll Vault

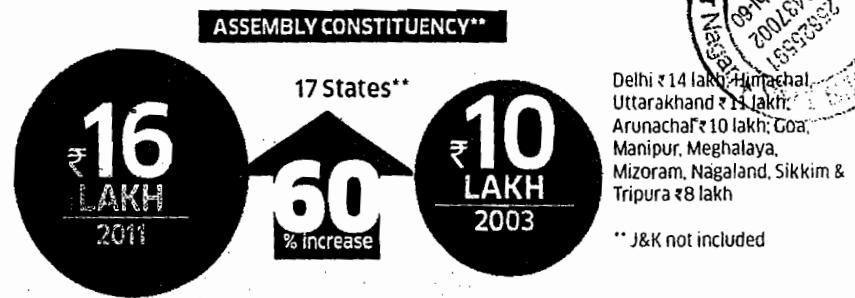
A candidate is estimated to have spent a minimum of ₹1 crore in the last Lok Sabha elections, whereas the official limit is just two-fifths of this.

## 1) MAXIMUM AMOUNT CANDIDATES CAN SPEND...

Maximum Limit Of Election Expenses In Any One...



Maximum Limit Of Election Expenses In Any One...



## 2) MAXIMUM AMOUNT CANDIDATES CAN SPEND...

Outgo From The State Exchequer...  
LS election expenditure

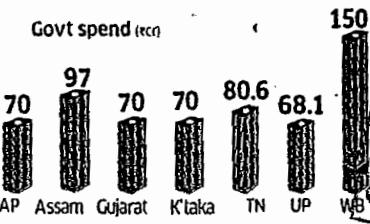
YEAR	EXPENDITURE INCURRED, ₹CR
1952	10.45
1957	5.90
1962	7.32
1967	10.80
1971	11.61
1977	23.04
1980	54.77
1984	81.51
1989	154.22
1991	359.10
1996	597.34
1998	666.22
1999	947.68
2004	1016**
2009	1114.38***

\*\* Figure includes expenditure incurred on state/UT legislative assembly elections that were held along with 2004 LS polls

\*\*\* Provisional Source : Ministry of Law, Justice and Company Affairs Legislative Department). New Delhi

SOURCE: EC, Mospi

## 3) 7 STATES WITH HALF THE LS SEATS ACCOUNTED FOR 54% OF GOVT POLL SPENDING



## 4) GOVT SPENDS MOST ON CONDUCT OF POLLS

Spend breakup, 2004

Electoral officers	₹96.33 crore
Preparation/printing of electoral rolls	₹128.01 crore
Conduct of elections	₹791.74 crore
Total	₹1016 crore

## GENDER GAP

# India 101st among 136 nations

World Economic Forum survey says country shines relatively on political empowerment but health & education still a drag

SOMESH JHA

New Delhi, 25 October

**I**ndia has a long way to go on gender parity, says the latest report on the issue from the World Economic Forum (WEF).

Although up four places in ranking from last year, the country is at 101st position on the 'gender gap index' among the 136 countries surveyed. In 2012, we ranked 105th.

However, the country was way ahead, at ninth position in 2013, on women's empowerment in politics. This seems based on the reservation for women in panchayat elections or names such as Sonia Gandhi, Sushma Swaraj and Mayawati in national politics. And, of the five legislative assemblies going to the polls in November-December, two (Delhi, Rajasthan) would witness a female contender among the two major parties for chief ministership.

"In 2013, we observe India as continuing to struggle to demonstrate solid progress towards gender parity," WEF said in its Global Gender Gap Report for 2013.

This is the lowest ranking among the BRICS — Brazil, Russia, India, China, South Africa — nations. South Africa is 17th, followed by Brazil (62nd) and China (69th).

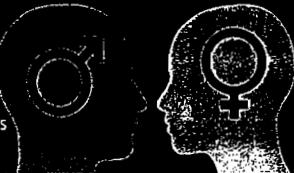
Even among its neighbours, India was higher among those surveyed than only Pakistan, which has 135th rank in 2013. China (69th), Sri Lanka (55th) and Bangladesh (75th) were ahead.

"These are disturbing trends and show there is a need for a change in the mindset of the people," said Amitabh Kundu of the Centre for the Study of Regional Development at Jawaharlal Nehru University here.

The report ranked the countries on their ability to close the gender gap in four areas — economic participation and opportunity, political empowerment, health and survival, educa-

## GENDER BENDER?

India still stands far behind other developing and neighbouring countries in terms of gender equality. Here's the report card



### Top five countries

Rank	'12	'13	Country	'12	'13
1	1	1	Sweden	0.900	0.900
2	2	2	Finland	0.898	0.898
3	3	3	Norway	0.896	0.896
4	4	4	Australia	0.893	0.893
5	5	5	Philippines	0.876	0.876

### Gender gap index for emerging countries & neighbours in 2013

	Rank	Score
South Africa	17	0.8
Sri Lanka	55	0.7
Russia	61	0.7
Brazil	62	0.7
China	69	0.7
Bangladesh	75	0.7
India	101	0.7
Pakistan	135	0.5

Data on scale of 0 to 1; 0 = inequality, 1 = equality

### Various Parameters and where India stands...

	2012	2013	Rank	Score
ALTHOUGH THE OVERALL GENDER GAP-RANK IMPROVED BY FOUR NOTCHES...				
Gender Gap Index (Overall)	105	0.644	102	0.655
ECONOMIC PARTICIPATION OF WOMEN DEGRADED IN 2013...				
Economic Participation	123	0.459	124	0.446
ALSO THE HEALTH AND SURVIVAL WHERE INDIA STANDS AT LAST BUT ONE POSITION AMONG ALL OTHER COUNTRIES...				
Health and Survival	134	0.931	135	0.930
HOWEVER, THE EDUCATION ATTAINMENT IMPROVED SLIGHTLY AS THE RANK IMPROVED BY 1 POINTS				
Education Attainment	121	0.852	120	0.857
THE SILVER LINING IS POLITICAL EMPOWERMENT OF WOMEN WHERE INDIA IS FAR AHEAD OF OTHER DEVELOPING COUNTRIES...				
Political Empowerment	17	0.334	9	0.385

Source: World Economic Forum

## INDIA TOPS THE CHART IN FEMALE HEAD OF STATE INDICATOR

- According to the World Economic Forum (WEF) report, India topped the list in terms of female head of state index, with a female to male ratio of 0.72. However, the report noted no country has reached parity in this indicator.
- India ranks first on that indicator. Whereas 65 per cent of the countries that have data on that indicator have never had a female head of state over the past 50 years, said the report.
- The organisation further said there was evidence that women in local government roles in India make decisions with better outcomes for communities than men.
- They also appear to be more competent representatives than men, obtaining more resources for their constituencies, despite having significantly lower education and relevant labour market experience, the report said

tional attainment.

India and 85 other nations saw an improvement in their gender gap from the earlier report.

However, on economic participation, India was 124th rank, a position down from the previous year. This parameter includes salaries, participation and highly skilled employment of the two genders.

The silver lining was political empowerment, mainly representation in decision-making structures. Here, the country

was ninth in 2013, up from 17th in 2012. The report says "this is largely down to the number of years it has had a female head of state", a little odd when it has had only one (Pratibha Patil) for five years.

"This shows that gender empowerment is restricted to a particular segment of society," said Kundu.

The area where India stands worst among all indicators is health and survival. The country is at rank 134, of the 135 countries.

According to the Census data released recently, in 2011, the child (up to six years) sex ratio in India stood at 919 girls per 1,000 boys, the lowest since Independence. This could be one reason behind such a low rank.

In terms of educational attainment, which means access to basic and higher levels of education, the gender disparity was clearly visible as India was positioned 120th. However, this is a rank up from the previous year.

# Lack of teeth blunts EC bite on poll freebies

**IN A BIND-** The EC has failed to find a suitable mechanism to regulate party manifestos without restricting freedom of speech

Chetan Chauhan

■ chetan@hinduistimes.com

**NEW DELHI:** Notwithstanding adverse Supreme Court comments, political parties would be able to offer whatever freebies they want through their election manifestos.

The Election Commission has failed to find a suitable mechanism to regulate freebies offered by parties through their manifestos. "It would be difficult to regulate manifestos without curbing freedom of speech of the political parties guaranteed in the Constitution," a senior EC official said.

The commission is also of the view that imposing curbs, which the parties refuse to implement would not be an exercise worth undertaking. A suggestion to get the manifestos vetted by the commission has been rejected as it would lead to infringement of the

► IT WOULD BE DIFFICULT TO REGULATE MANIFESTOS WITHOUT CURBING FREEDOM OF SPEECH OF THE POLITICAL PARTIES

A SENIOR EC OFFICIAL

parties' freedom to declare public policy. Moreover, the commission believes that the voters should be the best judge on the promises made by parties.

The commission had held consultations with the political parties on bringing the manifestos under its model code of conduct. Not even a single political party had agreed to the SC's suggestion of putting curbs on announcement of freebies. The court had directed the commission to come out with guidelines to bring the

party manifestos under the model code's ambit.

"It would be improper for the commission to start interfering in manifestos," a senior Congress leader said, adding that many freebies have led to empowerment of those who cannot afford high-cost services. The UPA government is planning to give free mobiles and tablets to the 300 million poor people across India before the next general elections. Samajwadi Party and Shiromani Akali Dal had distributed free laptops to college-going students after winning the last assembly elections.

Caught in a predicament, the EC would be coming out with generic guidelines advising parties not to make announcements that are in violation of the model code of conduct and disturbs the electoral level playing field. The commission has already spent over two months to frame these guidelines.

SPECIAL STAFF

*'If cyberspace is a global commons, there can be no absolute rights or obligations in the commons'*

Excerpts from NSA Shivshankar Menon's address at the Conference on Cyber Security and Cyber Governance in New Delhi, October 14



INDIA today has the largest number of internet users after the US and China. There are over 700 million mobile phones and about 670,000 km of optical fibre laid across the country. Many of our major socio-economic programmes are delivered on IP-based networks. And government and private sector networks are intimately interconnected. Overall levels of interconnectivity may be low in per capita terms relative to advanced economies, but the sheer numbers of people involved and the criticality of existing networks make their protection imperative. The consequences of manipulation, disruption or dislocation of networks can be potentially disastrous in terms of social order, economic loss and national security.

The challenge in India, as elsewhere, lies in finding practices and policies that enable us to protect networks and cyberspace while ensuring the free flow and access to information essential to a democratic society. The government of India is strongly committed to preserving the democratic nature of cyberspace, which is indeed one of its most attractive and enduring features and the privacy of individuals, while securing cyberspace for trusted e-commerce, security of data and protection of critical information infrastructure.

The National Cyber Security Policy and Framework approved by the government earlier this year adopts an integrated approach with a series of policy, legal, technical and administrative steps to construct a multi-layered approach and a clear delineation of functional

responsibilities among stakeholders. Coordination and the sharing of information in real time will, of course, be the key to success. It also strengthens our assurance and certification framework to address supply-chain vulnerabilities, harden networks.

One of the cornerstones of the government's efforts is the protection of critical information infrastructure (CII). The Information Technology Act, 2000, defines critical information infrastructure as "the computer resource the incapacitation or destruction of which shall have debilitating impact on national security, economy, public health or safety." As India's CIIs get increasingly interconnected, inter-dependent, complex and distributed, CERT-IN tells us that they have faced a phenomenal increase in the number of cyber incidents and attacks. In the meantime, the Crisis Management Plan has identified nine priority sectors for us to protect. These are defence, energy,

law enforcement agencies,

India has recently obtained "authorising nation" status under the CCRA regime for IT products. Testing labs in the country will now gain global recognition. This is an opportunity for industry to invest in product-testing and certification facilities in India. DeitY's Standardisation Testing and Quality Certification can now be a certification body and accredit private testing labs to operate the certification scheme for IT products. There has been a gratifying interest in industry to set up telecom testing labs. It is our hope that with the progressive increase of manufacturing in India, CC test labs would also become viable. In the meantime, we will be accepting the reputed international certification while our own testing and certification facilities are being established.

Given the global and multi-national nature of ICT operations, it is not viable for each country to prescribe its own security standards in isolation. This would ultimately raise the cost of service and affect inter-operability. Hence the imperative need for international cooperation on standards and evaluation methodologies. At the same time, each country has the sovereign right and duty to prescribe certification and assurance procedures and to satisfy itself as to the adequacy of the standards and that they are being respected.

India has sought to play a pro-active role in the UN Group of Governmental Experts (UNGGE) in evolving international norms of responsible state behaviour for submission to the UNGA. Our basic approach is to support

democratic and representative internet governance, while preserving the strengths that come from the open nature of the domain, keeping interference to the minimum to keep it socially responsible and legal. The institutions that are invested with the authority to manage or regulate the internet should be broad-based and institutionalised, so as to be able to take on board the concerns and views of all stakeholders.

The internet is effectively a global commons, it cannot be managed only as private property. Its governance and architecture should reflect this fact. We must also find ways of making the internet impervious to possible manipulation or misuse by particular state or non-state actors. How we secure private freedoms while preventing misuse of the internet, how we strike a balance between the open democratic nature of the internet and its management by a few, and still fulfil the demands of cybersecurity, is one of the great challenges of our times.

There is a tendency to posit a false dichotomy or antagonism between free speech and privacy on the one hand and security in cyberspace on the other. If cyberspace is a global commons, there can be no absolute rights or obligations in the commons. The issue really is how much and the nature of regulation that we can agree among all the stakeholders. In India, all that the government and its agencies do in cyberspace, whether it is monitoring or data protection or regulation, is governed by law, by the Indian Telegraph Act and the Information Technology Act. These laws do not distinguish between Indians and foreigners for these purposes.



FOR THE RECORD



R.B. BHAGAT

**M**IGRATION is a livelihood strategy and a means to cope with distress arising from drought, flood and lack of employment opportunities locally. There is one section of the population which migrates to get better education, skills and employment. People may also migrate for political and social reasons, such as ethnic conflicts, riots and the pressures of various forms of subjugation. It is not just a route to employment and education but also a means to more freedom. Migrants are not a homogeneous group. There are huge variations in age, gender, educational level, occupational status, skills, earnings as well as linguistic and cultural background. As a result, they experience different levels of vulnerability and inclusion. Migrants with poor skills and education, driven by distress, are hugely vulnerable and suffer from deprivations and exploitation in the places they migrate to.

The recent UNESCO report titled "Social Inclusion of Internal Migrants in India" highlights that internal migrants are a neglected segment of India's population. There is a need to mainstream internal migration into our development process. About a third of India's population is categorised as internal migrant by the census. Roughly half of them participate in the workforce. Migrant workers are a visible component in big and small cities as well as in rural areas with growing agricultural and allied sectors. Migrants are prominently employed in the construction and

textile sectors, in the domestic workforce, at brick kilns and salt pans. They are also employed in commercial and plantation agriculture, and in the urban informal sector, working as vendors, hawkers, rickshaw pullers and daily wage workers. They contribute to the rising GDP of India and send remittances to their families back home, to benefit on food, education and healthcare. Remittances by internal migrants amount to about Rs 60,000-70,000 crore. But financial inclusion has not spread much among migrants yet — only 30 per cent of the remittances are sent through formal channels. States like Bihar, Uttar Pradesh, Ra-

ejasthan, Odisha and Uttarakhand are the major recipients of internal remittances. Returning migrants bring a variety of skills, innovation and knowledge to their areas of origin. These are the social remittances. In the long run, migration could play a positive role. With the right type of policy, it could benefit both the areas of origin and the areas that receive migrants. The UNESCO publication points out that migration cannot be stopped. It is a historical process that shapes human civilisation, culture and development. Article 19 of the Indian Constitution grants citizens the fundamental right to move.

There are about 15 million seasonal and temporary migrants, according to the National Sample Survey (NSS). They are notable to

exercise their political and economic rights because rights and entitlements are placebound. Lacking formal residential and identity proofs, many short-duration migrants are barred from exercising their voting rights. They are also excluded from the PDS and other government programmes. The UNESCO report highlights the urgent need to ensure that internal migrants are issued a universally recognised and portable proof of identity, which can be used to claim socio-economic entitlements anywhere in the country. Our political and economic rights and entitlements must also be made portable.

Gender is an important dimen-

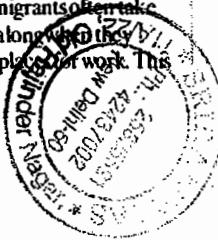
affects regular and continued schooling. These children could be kept in the source region, in seasonal hostels. Another option is to set up work-site schools in the places they migrate to.

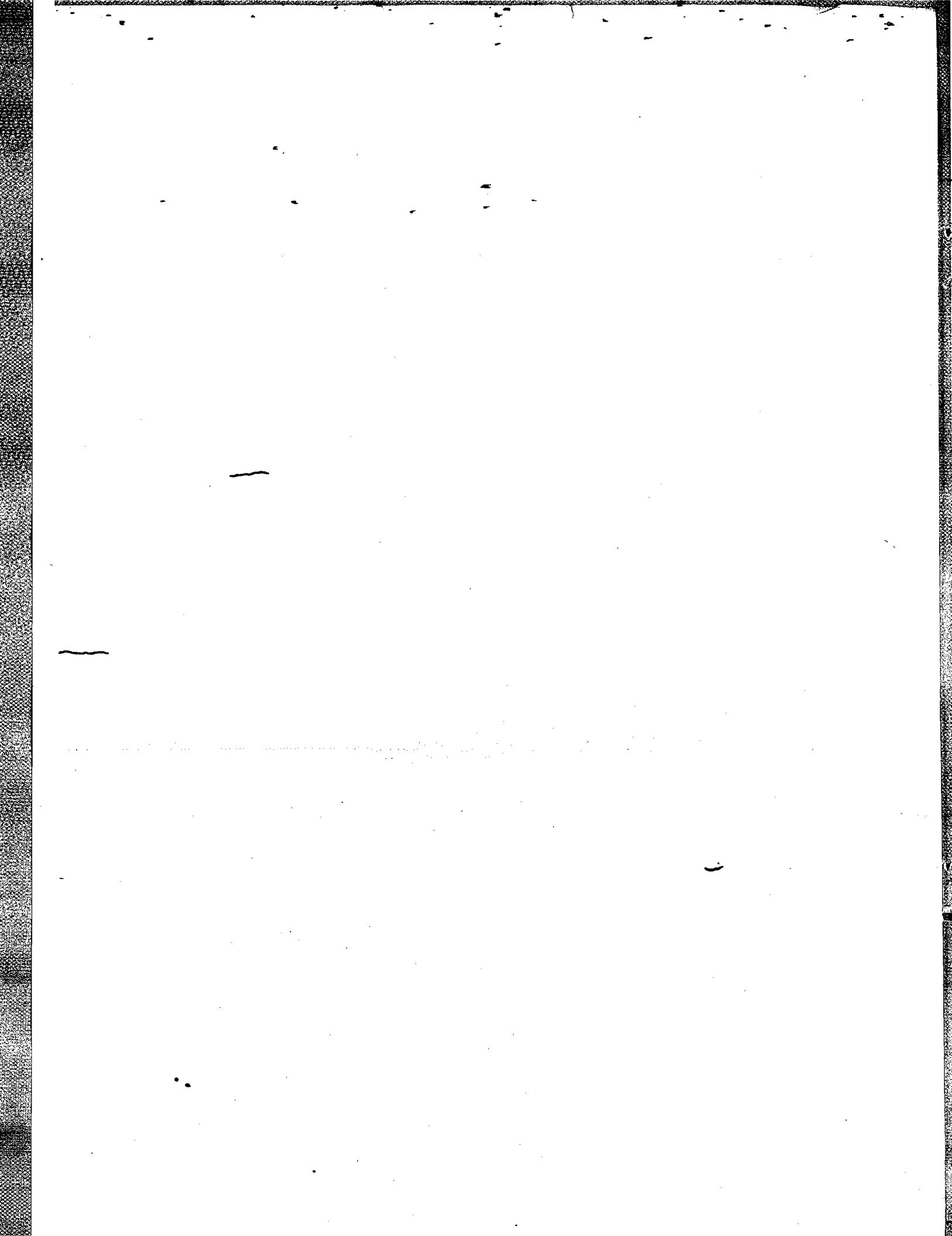
As the Indian economy grows, urbanisation is inevitable. Shelter is an important issue for the migrant and homeless population in urban areas, especially in the big cities. Migration issues should be factored into city development plans geared to realise the goals of the Jawaharlal Nehru National Urban Renewal Mission and the Rajiv Awas Yojana. Night shelters as well as working women's and men's hostels could be incorporated in city development plans.

There are a host of laws on labour issues but these are inadequate to deal with the conditions migrant have to face. The Interstate Migrant Workmen Regulation Act, 1979, which deals with contractor-led movement of interstate migrant labour, is not enforced either. Moreover, while a segment of migrant workers moves along with contractors, many also move independently, through the network of family, friends and kin. More importantly, migration should not be seen merely as a law enforcement and governance issue. It must be integrated with development concerns.

*The writer is professor and head, Department of Migration and Urban Studies, International Institute for Population Sciences, Mumbai  
express@expressindia.com*

**SRIRAM'S IAS**





Nov-2013NOTICE  
BOF**Ease of Doing Business**

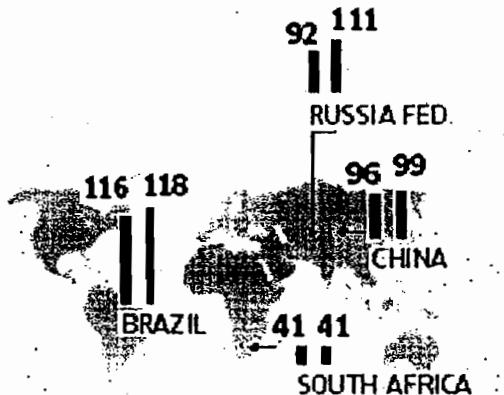
2014 2013

Singapore	1	1
Hong Kong SAR, China	2	2
New Zealand	3	3
United States	4	4
Denmark	5	5
Malaysia	6	8
Korea, Rep.	7	6
Georgia	8	9
Norway	9	9

UK	10	11
<b>INDIA</b>	<b>134</b>	<b>131</b>

**BRIICS**

— 2014 — 2013

**NEIGHBOURS**

2014 2013

Sri Lanka	85	83
Népal	105	103
Pakistan	110	106
Bangladesh	130	132
Bhutan	141	146

**Starting A Business Got Even Tougher In India**

2014 2013

Starting a Business	85	179
Construction Permits	105	162
Getting Electricity	110	111
Registering Property	130	92

2014 2013

Protecting Investors	34	32
Paying Taxes	158	159
Trading	132	129
Enforcing Contracts	186	186

\* Last year's rankings are adjusted; they are based on 10 topics and reflect data corrections

Financial inclusion plan to be formed by Nachiket Mor Committee

# Rajan unveils 'five pillars' to strengthen banking system

ENS ECONOMIC BUREAU  
MUMBAI, OCTOBER 29

**R**EERVE Bank of India Governor Raghuram Rajan on Tuesday unveiled his five-point plan to overhaul the RBI's developmental measures over the next few quarters.

The first of the "five pillars" of the plan is clarifying and strengthening the monetary policy framework.

"Action on the monetary policy framework will follow the submission of the Urjit Patel Committee report. A number of measures to strengthen bank structures and financial markets have already been announced, and more will follow as they are worked out. The strategy to expand financial inclusion will be formed by the Nachiket Mor Committee report, though significant efforts to explore the use of technology are already underway," Rajan said.

The second pillar is



Raghuram Rajan, RBI Governor (centre) flanked by Deputy Governors, Urjit R Patel and KC Chakrabarty (on his right) and Anand Sinha and HR Khan (on his left) at the RBI headquarters in Mumbai on Tuesday.

GANESH SHIRSEKAR

strengthening banking structure through new entry, branch expansion, encouraging new varieties of banks, and moving foreign banks into better regulated organisational forms.

The third pillar is broadening and deepening of financial markets and increasing their liquidity and resilience so that they can help absorb

the risks entailed in financing India's growth.

Expanding access to finance to SMEs, the unorganised sector, the poor and remote areas will be another pillar. The fifth pillar is to improve the system's ability to deal with corporate and financial institution distress by strengthening real and financial restructuring.

## Citizenship query piques Rajan

MUMBAI: Raghuram Rajan was taken aback when asked whether issues regarding his nationality were settled.

At the post-policy media interaction, a piqued Rajan said: "I will answer this question once and only once."

"I am an Indian citizen. I always held an Indian passport. I have never applied for the citizenship of another country."

Senior BJP leader Murli Manohar Joshi had given a notice of calling attention in Parliament asking how a foreigner could be appointed as the central banker.

Admitting that he holds a US Green Card, Rajan said: "The Green Card does not require you to take pledge of allegiance anywhere... it simply is a work permit which you need to have to work in another country." PTI

HERE has been much discussion recently on "administrative paralysis" and "fear among civil servants". The performance of the administration should be viewed in the context of several factors. First, there is always a general decline in both performance and decision-making when an election, whose outcome is not entirely clear, approaches. Second, the economy is not healthy—not just in India, but globally. Third, the quest for an acceptable fiscal deficit has led to sharp cuts in plan outlay. Last year, the cut in plan expenditure was estimated at more than Rs 90,000 crore, while non-plan expenditure increased by 6 per cent. Such sharp cuts in the Central plan outlay necessarily result in delayed and inadequate payments, which lead to the perception that the administration is paralysed. This year, the plan outlay is likely to be reduced even further to make room for the increase in non-plan expenditure and to keep the fiscal deficit on target. Fourth, as the elections draw closer, pressure groups allege administrative inaction in an attempt to manoeuvre the government into taking decisions that benefit them.

Having said that, regulatory and investigative overreach can also seriously damage the rubric of governance. If civil servants begin to believe that, even years after retiring, they can be criminally prosecuted for a mistake made in good faith or for a bona fide decision taken on the basis of the data that was available then, there will be serious repercussions on the morale of serving officers and their willingness to commit themselves. To a great extent, good governance depends on committed civil servants, and their ability to take risks when necessary. Indeed, all ministers and senior officers look for subordinates with a "fire in their belly". If this fire is extinguished by the regulators and investigating agencies then a decline in the quality of administration is inevitable.

This is not to say that acts of corruption must go unpunished.



## An atmosphere of suspicion demoralises civil servants. We need deeper reform

K.M. CHANDRASEKHAR

They must be dealt with quickly and seriously. The present system of disciplinary proceedings is time consuming, and often leads nowhere. The system requires a radical change so that penal action quickly follows a venal act. At the same time, action against all and sundry, without adequate evidence, would create serious instability. It's not enough if the case is dropped later on or fails to pass muster with the judiciary. The damage to an officer's reputation is done the day his house is raided or his name appears in an unfavourable context in the media. An honest offi-

such as Lal Bahadur Shastri, have resigned, even though the lapse that occurred could in no way have been attributed to them. Today, unfortunately, the trust that characterised relations between different levels of the administrative hierarchy is being eroded.

While it is important to deal with corruption effectively, we must not throw the baby out with the bath water! Every time the issue of corruption surfaces, people's immediate reaction is to recommend the creation of a new body which will supposedly root out the rot. Thus, we have created the Central Vigilance Commis-

**Every time the issue of corruption surfaces in public discussion, the immediate reaction is to recommend the creation of a new body which will supposedly root out the rot. Thus, we have created the Central Vigilance Commission, state vigilance commissions, lokayuktas, the Central Bureau of Investigation. If a single institution could eliminate corruption, many countries in the world would be totally free of it.**

cer would be deeply traumatised even if, at the end of the day, he comes out spotless. I strongly believe that the vast majority of civil servants are honest.

The problem will be exacerbated if officers acting in good faith feel let down by their superiors. Instances in which decision-making authorities, including ministers, have attempted to fix the blame on their juniors for their own mistakes, deliberate or unintentional, are painful and unfortunate. Officers will work far better if they can trust their ministers and their superiors in the administrative hierarchy. There have been occasions in the past when senior ministers,

state vigilance commissions, lokayuktas, the Central Bureau of Investigation etc. If a single institution could eliminate corruption, many countries in the world would be totally free of it. The truth is that corruption is globally pervasive.

The real answer to corruption as well as other administrative inadequacies lies in the systemic reform of administration. The mechanisms, procedures, laws, rules and regulations which underpin the administrative system have remained virtually untouched over the years. The British, from whom we inherited a large part of this system, have

changed with the times. So have many other countries.

Very often, unfavourable comparisons between the efficiency of the private and government sectors are drawn. We lose sight of the fact that the private sector has a clear goal—to maximise profit—against which performance becomes easy to measure. The government sector has a number of disparate goals, often unclear and subject to sudden changes, depending on the government of the day. We tend to think we can solve the problems of administration by importing professional manpower from the private sector. The problem is not with the personnel but with the systems. We need to change the systems and fast. In a country with a population the size of ours, facing problems of growth, inequality and poverty, the decentralisation of administration should be the name of the game. In spite of recognising the advantages of decentralisation, we are in the midst of a struggle between centripetal and centrifugal worldviews.

Bringing about a change in administration is a full-time activity. There are many ministries and organisations involved in the task of economic reform. Administrative reform is treated as a peripheral activity, tagged on to the duties of already overburdened functionaries like the cabinet secretary or the chief secretary in a state. I have been cabinet secretary for four years and the amount of time I could spare for key issues relating to administrative reform was minimal. We need a strong, independent authority with the necessary power to enforce changes in systems. Only then can we take the governance of this country to the next level. Economic reform will never be complete without administrative reform.

*The writer is a former cabinet secretary  
express@expressindia.com*

# The disputed legacy of Vallabhbhai Patel

**How justified is the BJP in claiming Sardar Patel as their own? And the Congress in contesting the claim?**

The Sangh's attempts to 'adopt' Patel are old. M S Golwalkar had tried to play Patel's anti-left instincts, urging him in letters to let the RSS help in battling the communist hold over the youth. The BJP, founded in 1980, sees a past with a connect to the freedom struggle.

Deendayal Upadhyay and Syama Prasad Mookerjee never really attained iconic status, and the projection of L K Advani as the new Lao Purush was part of the BJP's continuing attempt to appropriate Patel.

The Congress has always been a coalition, with a huge pantheon and long history. The BJP-RSS-Jana Sangh has tried to imagine an India minus the Nehru family. Setting up Patel and an imagined India had he been PM, is helpful, though not necessarily factual. In February 1949 Patel had said, "Hindu Raj is a mad idea, it will kill the soul of India."

**How did the trajectories of Patel and Nehru differ? Where did each come from?**

Their origins and personalities were very different, even though both were lawyers and extremely close to Gandhi. Nehru was an erudite Kashmiri Brahmin with very upper class credentials; Patel came from a Gujarati farming community of lesser means. Nehru was the more flamboyant and outward-looking.

**How did each see Partition?**

Patel, a staunch Hindu, helped both Hindus and Muslims, and saved many lives, a fact that even the Muslim League leader from UP, Chaudhry Khaliquzzaman, acknowledged before he left for Pakistan. Patel immediately accepted Partition as an inevitability, and helped Nehru come to terms

with it. Patel also thought that the onus was on Muslims to defeat suspicions about the actions of some of their co-religionists in the pre-Partition days. Nehru was a progressive Hindu who firmly believed that India must afford the same rights to all its citizens and, if anything, the minority must be treated with greater care.

don, raised Nehru's hackles — until Gandhi intervened and requested Patel to sink his differences with Nehru. Patel demurred, and his early death in 1950 left the field clear for Nehru to steer the Congress and India to the left.

There were crucial things Patel agreed with Nehru on, such as the place of Urdu in AIR programmes; the Nehru-Liaquat pact of 1950, over which Syama Prasad Mookerjee resigned; and on the granting of the right to propagate one's religion being a part of religious freedoms.

**How did each see Gandhi's assassination and the RSS's role?**

Gandhi's assassination and the involvement of Hindu militant groups in it brought Patel and Nehru the closest they ever came. Patel banned the RSS and jailed Golwalkar. After his release that August, Golwalkar made a series of pleas to Patel, hoping to win him over. Patel finally answered in a letter dated September 11, 1948, telling him what he thought of the RSS "attacking Musalmans", and that all RSS speeches were "full of communal poison... as a result of the poison, the country had to suffer the sacrifice of the invaluable life of Gandhiji." Nehru's antipathy to the RSS was well known, and Patel backed it fully.

**How did Patel see Kashmir?**

Patel's big project was stitching more than 600 princely states into India, using a variety of tools and techniques. He viewed Kashmir as a "severe headache", and the case was steered by Nehru, due to the latter's ancestry and personal affection for Sheikh Abdullah. Patel was with Nehru in all his decisions, but Hindu nationalists feel Kashmir should have been managed in the more muscular style of Hyderabad or Junagadh.



VALLABHBHAI PATEL WITH JAWAHARLAL NEHRU

**What role did each play after Independence?**

Patel was tasked with bringing the princely states around. Patel's biographer Rajmohan Gandhi wrote, "In the six months between freedom and Gandhi's death, the Mahatma, Nehru and Patel constituted a crucial triumvirate that agreed that independent India would not be a Hindu Rashtra but one that offered equal rights to all. After Gandhi's departure and until Patel's death in December 1950, Patel and Nehru differed on several matters but not on some fundamentals. With the help of others including Ambedkar, Maulana Azad, Rajendra Prasad and Rajaji, they entrenched secularism and equality in the Constitution."

**Where did they differ?**

Nehru's sympathies lay to the left; Patel was seen to nurse a soft spot for business, and perceived to be anti-labour. Nehru believed in India's place in the world; the moral force of the non-aligned principle gave India a voice on the international podium. Patel was a practising Hindu who, perhaps by his open support for the orthodox Hindu stream in the Congress, Rajendra Prasad and Purshotam Das Tansen

# CBI and the coal blind spot

A closer look into P C Parakh's case shows the serious consequences officials face when they resist the political establishment's motives

he came from the coal mafia strong-hold of Jharkhand. And that the mafia was no longer outside the government but in it, but that there was no official will to tackle the menace.

More complaint letters came from, among others, former Congress MP from Dhanbad and currently a minister in the Jharkhand government, Chandra Shekhar Dubey, who accused Parakh of going to Switzerland to "update his account".

Parakh responded to the cabin secretory certifying over visiting that country as coal secretary, also pointing out that Dubey's anger stemmed from the coal ministry's resistance to his attempts to illegally occupy homes of the public sector undertaking Bharat Coking Coal Ltd in Dhanbad.

The Parakh papers also contain correspondence of the heads of coal utilities facing similar harassment, perhaps the most damning of which is an unsigned note purportedly written by the former CMD of Coal India, Shashi Kumar, who traces the legacy of extortionate demands

straddling multiple governments. Kumar, who was given temporary charge of the coal ministry in 2003 and became its full-time chairman two years later, records how an agent representing coal minister "KM" asked him for a 20-lakh down payment, and a monthly "princely sum" to stay on as CMD. "KM", he says, was replaced by minister "SS" who, he says, "was hell-bent on receiving regular payments". Then there was the minister of state who came during this period when "SS" was in and out of office, who Kumar describes as a man without scruples, his hunger for money unlimited, and who claimed to be collecting money solely on behalf of the party".

The only reason, says Kumar, that he could steer through without making the pay-offs and giving into the demands of his ministers was largely because of Parakh's backing. Parakh, in turn, has acknowledged that he was being backed by the cabinet secretary and the Prime Minister's Office (PMO) against

complaints by unscrupulous MPs. Defenders of the United Progr-

amity, "There was no politica will!" Parakh told us.

Parakh's March 2005 note to the cabinet secretary says, "After the PM's decision to continue the present system of allotments, five screening committee meetings were held in the last 4 months (of 2005).

And in such time more companies were allotted blocks than in the previous 10 years". The PMO has defended for this, too: that India needed the coal because it was fac-

ing an energy crunch. This is excel-

lent logic: if the PMO can explain how they allotted coal blocks to companies making chrysanthemum to scrap dealers in Old Delhi, it

will logically require CBI to knock

on the door of 7, Race Course Road

But after the agency's Hinduis

shafu, the chances of that appear

even more unlikely.

The answers to those anomalies

will be

show Truth vs Hypocry

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# India slips 3 spots to 134 in ease of doing business

Better placed on protecting investors, firms getting credit despite overall slide

## PRESS TRUST OF INDIA

Washington, 29 October

India has slipped three notches to the 134th spot in the 'Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises' report, topped by Singapore, according to the International Finance Corporation and the World Bank.

In the ranking of 189 economies, India has dropped from 131 the previous year, while Singapore continues to remain at the top. Singapore is followed by Hong Kong and New Zealand at the second and third positions, respectively.

Others in the top 10 are the US (four), Denmark (five), Malaysia (six), Korea (seven), Georgia (eighth), Norway (nine) and the UK (10).

India has been ranked lower at 179 in terms of ease of starting a business in the 2014 list when its government is making efforts to improve the business climate. Last year, based on this criterion,

REPORT CARD		Markets on the ease of doing business	
History and World Bank		2013 2014	
TOP 5	Geography	2013	2014
Singapore	1	1	1
Hong Kong	2	2	2
New Zealand	3	3	3
US	4	4	4
Denmark	5	5	5

## BRICS

BRICS	2013	2014
South Africa	41	41
Russian Federation	111	92
China	96	99
Brazil	118	116
India	131	134

ting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. "The ranking and the underlying indicators do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean the government has created a regulatory environment conducive to operating a business," the report said.

## Protecting Investors

The country is a much better place in terms of protecting investor interest and companies getting credit for their activities. When it comes to protecting investors, the country is at 34th position. It is 28th in 'getting credit'. However, the country is at 182nd position when it comes to dealing with construction permits.

India was at 177.

The ranking is based on parameters, including starting a business, dealing with construction permits, get-

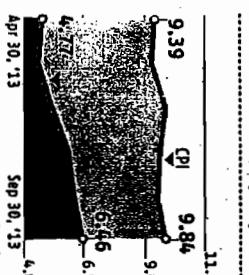
# MANAGING EXPECTATIONS

The hike in the repo rate and an equal reduction in the marginal standing facility rate by the Reserve Bank of India was on expected lines. Markets heaved a sigh of relief as the governor avoided a sharper rate hike. Additional liquidity support to the banks also soothed investors' nerves.

## HERE IS THE RATIONALE BEHIND RAGHURAM RAJAN'S POLICY ACTION

### INDIA INFLATION

(Y-o-Y in %)



**ACTION**

Repo rate hiked by 25 bps to 7.75%

**IMPACT**

To tackle rising inflation

### CALL RATE (in %)

### RUPEE SPOT

**ACTION**

MSF rate cut by 25 bps to 8.75%

**IMPACT**

To bring down short-term rates

CAD

**ACTION**

Restoring interest rate corridor of 100 bps

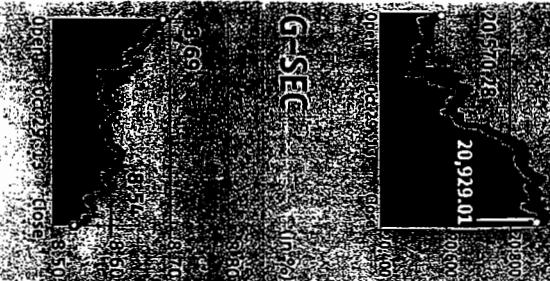
**IMPACT**

Currency stability and expectation of lower

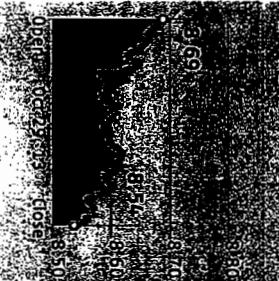
Source: Bloomberg, RBI, CCI.

### MARKET REACTION

#### SENSEX



#### G-SEC



### GROWTH IN Y-O-Y (in %)

■ Credit   ■ Deposit



**ACTION**

More liquidity provided via term repo to 0.5% of NDTL from 0.25%

**IMPACT**

To help bridge credit-deposit gap; boost flow of credit

Compiled by BS Research, Illustration by Alay Mohanty

# CO<sub>2</sub>, methane level at a record high: WMO

EXPRESS NEWS SERVICE  
NEW DELHI, NOVEMBER 6

THE World Meteorological Organization's (WMO) annual Greenhouse Gas Bulletin released Wednesday in Geneva said greenhouse gases reached a record high in 2012 with carbon dioxide and methane touching a new high.

The CO<sub>2</sub> increase accounted for 80% of the increase and was just hovering below the 400 parts per million (ppm) mark it is expected to touch in 2015 or 2016, the bulletin said.

"The observations from WMO's extensive Global Atmosphere Watch network highlight yet again how heat-trapping gases from human activities have upset the natural balance of our atmosphere and are a major contribution to climate change," said WMO Secretary-General Michel Jarraud. "The Intergovernmental Panel on Climate Change (IPCC), in its recent 5th Assessment Report, stressed that atmospheric concentrations of carbon dioxide... increased to levels unprecedented in at least the last 800,000 years... As a re-

sult, our climate is changing, our weather is more extreme, ice sheets and glaciers are melting and sea levels are rising," said Jarraud.

The bulletin of WMO the UN weather wing that reports on atmospheric concentrations - what remains in the atmosphere after complex interactions between the atmosphere, biosphere and the oceans - says there was a 32 percent increase in radiative forcing, the warming effect on our climate, because of CO<sub>2</sub> and other heat-trapping gases such as methane and nitrous oxide, between

1990 and 2012.

Nitrous oxide (N<sub>2</sub>O) concentration in 2012 was about 325.1 parts per billion, 0.9 parts per billion more than in 2011 and 120% of the pre-industrial level. Nitrous oxide (N<sub>2</sub>O) concentration in 2012 was about 325.1 parts per billion, 0.9 parts per billion more than in 2011 and 120% of the pre-industrial level.

According to the annual bulletin of the UN weather agency, CO<sub>2</sub> emission increased by 2.2 ppm from 2011 to 2012, which is above the average 2.02 ppm per year.

# ISRO AND ITS DEFENCE ROLE



POST 1974 INTERNATIONAL SANCTIONS HELPED ISRO

Pramit Pal Chaudhuri

pchaudhuri@hindustan-times.com

**NEW DELHI:** India's space programme has both strategy and stardust in its eyes. The Indian Space Research Organisation (ISRO). It is often forgotten, helped develop India's strategic missiles and provided satellite and telecom support to the military.

In the 1960s and 1970s, when India worked to develop a space rocket for launching satellites, there was widespread recognition that this capability could also be used to develop a ballistic missile.

The SLV (satellite launch vehicle), subsequently developed by ISRO, is described by Bharat Karnad in his history of India's nuclear deterrent as "the building block for all long-range missiles" created by India. The SLV became the first stage of the Agni missile, the cornerstone of India's long-range nuclear deterrent.

India's limited resources in those days meant that it developed many dual-use technologies - those that had both military and civilian uses - in civil-

## SIMPLE START TO GRAND ACHIEVEMENT

Launch vehicles and satellites, ISRO's projects have helped the defence establishment

### LAUNCH VEHICLES

Used to transport and put satellites or spacecraft into space. From the prototype SLV, India has moved to the futuristic GSLV Mark III, currently under development

**THE BEGINNING:**  
SLV-3 (Satellite Launch Vehicle) developed in 1980. Later it was used for the Agni-I missile, which had a range of 700 to 1,200 km

**MILESTONE:**  
PSLV (Polar Satellite Launch Vehicle): First operational rocket of ISRO capable of launching 1,600-kg satellites. Used for Chandrayaan moon mission and Mangalyaan Mars mission



### SATELLITES

India has launched 72 so far, including geo-stationary, earth observation, space mission and navigation satellites

**THE BEGINNING:**  
Aryabhata, an experimental satellite was launched in 1975

**DEFENCE PURPOSE:**  
GSAT-7, sixth of the seven INSAT-4 series communication satellites to be used by the navy

**THE LAST:** Mars Orbiter Mission spacecraft

■ Nuclear capable Agni-I strategic ballistic missile  
HTPHOTO

ian bodies and then transferred them to a military agency or vice versa. Former ISRO chief Satish Dhawan was quoted in Raj Chengappa's book Weapons of Peace as saying: "Like nuclear energy, we could cross the divide whenever we wanted." The Defence Research and Development Organisation (DRDO), in effect, was ISRO's sister organisation.

The imposition of interna-

tional sanctions on India only strengthened this symbiotic link: both ISRO and the DRDO faced the same bans and had to pool resources.

Over time, as financial constraints became less of a problem, both agencies sought to develop independent capabilities and by the 1990s they only shared a propellant factory. This was cleared at the prime ministerial level, says

K Santhanam, former DRDO number two. "They shared this facility for about five to seven years," he says. "Otherwise, their relationship was reduced to peer reviews of each other's work."

ISRO, in particular, wanted a "pristine image", says Santhanam. ISRO officials say that breaking off their military ties became important as the agency became commercial-

ised and sought greater international cooperation. This proved useful when the Indo-US nuclear deal paved the way for the ending of international sanctions. As a prerequisite, the deal required the firewalling of the civilian rocket and military missile programmes - a standard global practice.

ISRO continues to provide lesser services to the military though it prefers not to speak about it publicly. The Rs 180-crore GSAT-7 was built by ISRO with defence applications in mind. Says defence expert brigadier-general Gurmeet Kanwal (rtd), "This satellite had a platform exclusively for naval communications." Even here, however, the Indian military are seeking their own independent capability. He says the army is building up a satellite ground station near Bhopal that will allow ISRO to cease to provide such services to the military.

The separation of the civilian and military space programmes still has vestigial traces. The DRDO remains a subcontractor for ISRO programmes to this day and, presumably, absorbs the resulting technical knowledge. But nowadays, say Kanwal and others, ISRO officials prefer to downplay their role in building India's nuclear delivery system as it positions itself as a globally competitive space agency.

# The more the merrier

RBI opens up to wholly owned subsidiaries of foreign banks

**T**he Reserve Bank of India (RBI) has announced a significant set of measures to open up the domestic market to foreign banks. While the differentiation between the branch and the wholly owned subsidiary modes of operation was always on the cards, the RBI has now clarified the exact nature of the benefits that banks operating through the latter route would be entitled to. It has been a long-standing position of the central bank that the wholly owned subsidiary mode is preferable, since it induces the foreign bank to maintain a domestic balance sheet and, importantly, a governance framework. In the absence of clear incentives for subsidiaries, foreign banks logically prefer the branch mode; but now, those who see India as a long-term growth opportunity have the basis for deciding between the two modes.

The two main operational advantages that a wholly owned subsidiary will now have are the increased freedom to open new branches, subject to the same requirements as domestic banks, and the ability to acquire domestic private banks. There are a number of wholly owned subsidiaries with reasonably sized branch networks, though these tend to be regionally concentrated. For an ambitious foreign bank, two or more regional acquisitions, along with a branch expansion strategy, will allow it to leapfrog into a functional national network. This approach will also enable it to deal with the one significant mandate that a new wholly owned subsidiary will have to deliver on: priority sector lending obligations on a par with domestic banks, currently set at 40 per cent. The other requirements, which may cause at least some foreign banks to think carefully about the transition, are the norms for governance; a minimum number of directors have to be Indian nationals as well as independent of the parent bank. While the parent bank will have to bring in the initial capital, they will be allowed to list the local entity on stock exchanges, should they choose to.

Overall, these are welcome measures and bring a reasonable degree of both concreteness and practicality to the environment within which foreign banks have to operate. The clear message is that if a bank wants to take advantage of the long-term opportunity, it has to reciprocate with appropriate commitments. From the financial development perspective, since the strategy itself is based on the premise of inadequate penetration, along with new domestic entrants into the market, it makes eminent sense for foreign banks to be given comparable space. More players mean more strategies being tested and, even though many will fail, a few successful ones can make an enormous difference to the spread, efficiency and quality of banking services. To the possible criticism that the combination of requirements is too onerous, which is most likely to come from the foreign banks themselves, the appropriate response is that only time will tell. For banks that decide to take the plunge, there will be a significant first-mover advantage as they zero in on the best acquisitions to complement their organic growth strategies. For those that decide to stay out, the niches that they currently occupy – particularly in terms of their global client relationships – will remain. The opportunity is there, the choice is entirely theirs, and from the economy's perspective, there are large potential benefits with virtually no downside.

# RBI norms unshackle foreign banks

**Overseas Cos Free To Open Branches, Buy Pvt Banks If They Incorporate Locally**

Mayur Shetty | [View](#)

Mumbai: Foreign banks such as Standard Chartered, Citibank and HSBC have an opportunity to play a much larger role in India and possibly even acquire small private banks with the Reserve Bank of India releasing a new framework for setting up wholly-owned subsidiaries by overseas players in the country.

The high point of this framework is that a foreign bank — the largest of which does not have a network exceeding 39 branches — will have nearly the same freedom as an Indian private sector bank in opening branches if it chooses to incorporate locally. To incorporate locally a foreign bank will need to start out with a capital base of Rs 500 crore. Half the directors of the bank should be of Indian origin and at least one-third should be Indian nationals. The foreign banks would also have to lend to farmers and small scale industries and they would also face the same restrictions on CEO compensation that Indian

## NEW ROAD MAP TO GO LOCAL

Ragharam Rajan's new rules give foreign banks an opportunity to grow rapidly. But all this is subject to their becoming more 'local'. Here is a look at the gist of the new guidelines...

WHICH BANKS MUST INCORPORATE LOCALLY?	WHAT WILL FOREIGN BANKS GET IN RETURN?
> Banks based in countries that require local depositors to be given preferential treatment in case of winding up (includes the US, UK and Germany)	> Near parity with Indian private banks in opening branches
> Banks with complex structures	> Raising rupee resources through issue of non-equity capital instruments
> Banks that are not widely held	> Permission to open a branch in a tier I centre for every branch in tier 2-5 centres
> Half their board must comprise Indian professionals and a third should be Indian nationals	> They can enter into M&A deals with Indian private banks
> Lend to farmers and SMEs	

private banks are subject to.

According to Ashvin Patel, partner, national leader, global financial services, Ernst & Young, the new framework is radical and at the same time measured and well calibrated as it ensures protection of domestic interests while providing foreign banks an opportunity to grow. "These banks which have long-term interest

in India and want to grow their businesses here will seek incorporation," he said.

RBI has said that it may force some of the foreign banks to incorporate locally if it feels that rules in its home country requires the bank to favour depositors back home over depositors abroad. Foreign banks which account for 93% of banking assets in India may also be forced to convert into a local entity. Domestic incorporation may also be made mandatory for banks that do not have adequate disclosure requirements in their home jurisdiction, or those that have a complex structure or are very closely held. "Wholly owned subsidiaries may be permitted, subject to regulatory approvals, to enter into mergers and



### HOW WILL IT BENEFIT INDIA?

- > Fresh know-how in financial inclusion
- > Distressed old private banks may find buyers
- > Larger role for Indian professionals
- > Ensure protection of depositors in case of global bank failures

acquisition transactions with any private sector bank in India subject to the overall foreign investment limit of 74%," RBI said.

RBI has said that it will cap the entry of newlywholly owned subsidiaries of foreign banks when the capital and reserves of the foreign banks (or wholly owned subsidiaries and foreign bank branches) in India exceed 20% of the capital and reserves of the banking system. But even with this ceiling, there is a large headroom for foreign banks to grow considering that at present they account for around 5% of banking business in the country.

"The biggest impediment will be the implications in respect of tax and stamp duty; if there is no dispensation that provides a one-time waiver on the high stamp duty and capital gains tax on transfer of assets from the foreign branch to the local subsidiary, it will make domestic incorporation unviable," said a foreign bank official. Banks hope a notification will be out before general elections are announced.

**read the article and share your views on [timesofindia.com](#)**

First-Ever Meeting Of Stem Cell Donor & Recipient In Country

# BLOOD BROTHERS bonded by science

PC: S. Shankar Kumar

Pushpa Narayan  
& Manish Raj Iyer

**N**ikhil Kumbhar, who works in Gurgaon, had never met Hrishi Ingawale, a kindergarten student in Mumbai. But the strangers share an incredible bond... Nikhil's blood stem cells gave the five-year-old a new lease of life.

On Tuesday the two met for the first time at an event organised by Chennai-based Datri donor registry... a first-of-its-kind meeting between a donor and recipient of stem cells in the country.

"It's a mixed feeling. Sometimes I think it was an ordinary donation," he said, hugging the child. The 28-year-old could not hold back his emotions when the child sat on his wife Deepali's lap. "Feel responsible. I see him as my own," he said.

A gift awaited him from Hrishi's mother Archana Ingawale — a box of homemade ladoos. "It's Bhai Dooj today and I have made these for you. I hope you like it," she said. Her husband Anil Ingawale looked on with eyes full of tears and gratitude.

Hrishi, who was diagnosed with a rare blood disorder, chronic granulomatous disease when he was one, received stem cells from Nikhil last year. "I had promised Hrishi that he would go to school, make friends and study like a normal child. I kept my promise because of Nikhil," said Archana.

Doctors had said Hrishi needed a stem cell transplant to live. The Ingawales found no match within the family. The couple had another baby just to give it another chance. "The stem cells of the newborn did not match Hrishi's. We were shattered," said Archana.

Hrishi's haematologist Dr Revathi Raj requested Datri to hunt for a donor. In November 2011, Nikhil had registered as a donor in a drive organised by his company to help a cancer-afflicted colleague. Three months later, he received a call saying his stem cells matched a patient living in Mumbai. At



CLOSE TIES: Deepali Kumbhar (left) and her husband Nikhil (right), whose stem cells saved the life of five-year-old Hrishi

## WHAT'S THE MATTER

### WHAT ARE STEM CELLS?

Undivided biological cells that can develop into cells of other types. There are two types of stem cells — embryonic and adult.

### WHAT IS BLOOD STEM CELL TRANSPLANT?

The introduction of blood healthy stem cells into the body to replace damaged or diseased cells. These cells are harvested from the umbilical cord, bone marrow or blood of the donor and injected into the recipient. The procedure is used to treat blood disorders like leukemia and lymphoma, heart diseases, Parkinson's and muscular dystrophy.

first he refused, but Datri's director Raghu Rajagopal convinced him. Nikhil made the donation in March 2012.

"We were married for just few weeks then. Initially, I was scared, but once we learnt the details, we decided to go ahead," said Deepali.

Some blood diseases can be cured with stem cell transplants. While 30% of patients find a match in their family, the rest need unrelated donors

### WHAT IS PERIPHERAL BLOOD STEM CELL DONATION?

The donor is injected with certain medication for five days prior to donation. The medication helps growth of stem cells. On the day of donation, blood stem cells are collected in a four-hour procedure. Stem cells are isolated and removed.

### IS IT SAFE?

More than 30,000 blood stem cell donations have been carried out across the world without any side effect.

### WHAT IS A BLOOD STEM CELL REGISTRY?

It maintains donor profiles and their genetic information. There are two registries — Datri in Chennai with 43,000 profiles, and Marrow Donor Registry of India with 10,200.

### WHO CAN BECOME A DONOR?

Any healthy person between the ages of 18 and 40. A sterile cotton

swab is rubbed against the inner cheek and genetic data is obtained, and stored in the database.

### DOES INDIA HAVE ENOUGH DONORS?

No. India has less than 60,000 donors, while Europe and US have around 30 million.

### WHY DOES INDIA NEED MORE DONORS?

These are just a few reasons:

- 1:10,000 is the probability of finding a suitable blood match
- 40 adults diagnosed with fatal blood disorders daily
- 10,000 babies born with thalassemia every year

to 1 lakh," said Rajagopal.

"Certain blood diseases can only be cured by stem cell transplant," said Dr Raj. While 30% find a match within the family, the rest need unrelated donors. As the process is simple, young people should come forward as donors, she said.

read the article and share your views on [timesofindia.com](http://timesofindia.com)

# BENCHMARKING SOCIAL MARKERS

The Ministry of Statistics and Programme Implementation (MoSPI) recently issued a progress report on the Millennium Development Goals (MDGs) — eight goals, 12 targets and 35 indicators. The report says not all targets will be met by 2015, despite all the progress made. *Business Standard* takes a look at the status of some of the goals and targets

## GOAL TRACKER

### MDG 1:

Eradicate extreme poverty and hunger



**TARGET:** Halve the proportion of those living below the poverty line between 1990 and 2015

**STATUS:**

On track — Poverty rate has declined from 47.8% in 1990 to 21.9% in 2011-12

**TARGET:** Halve the proportion of people suffering from hunger between 1990 and 2015

**STATUS:**

Slow or almost off track — In 1998-99, 43% of people suffered from hunger; this declined to only 40% in 2005-06

### MDG 2:

Achieve universal primary education



**TARGET:** Every child should complete full course of primary education

**STATUS:**

On track — According to the District Information System Report on Education 2010-11, net enrolment ratio at primary level was 99.89%

### MDG 3:

Promote gender equality and empower women



**TARGET:** Eliminate gender disparity

**STATUS:**

On track — The gender parity index in primary education stood at 1.01 in 2010-11, and in secondary education at 0.88. In higher education, it was 0.74. Here, 1 = equality, 0 = inequality

### MDG 4:

Reduce child mortality



**TARGET:** Reduce the under-five mortality rate by two-thirds between 1990 and 2015

**STATUS:**

Moderately on track — Mortality rate among the under-five category stood at 55 per 1,000 lives in 2011 against 125 in 1990

### MDG 5:

Improve maternal health

**TARGET:** Reduce the maternal mortality ratio by three quarters between 1990 and 2015

**STATUS:**

Slow or off track — The maternal mortality ratio stood at 212 per 100,000 live births in 2007-09 against 437 in 1990

### MDG 6:

Combat HIV/AIDS, malaria and other diseases

**STATUS:**

On track — In terms of HIV/AIDS, and moderately on-track for malaria and other diseases

### MDG 7:

Ensure environmental sustainability



**TARGET:** Halve the proportion of people without sustainable access to safe drinking water and sanitation by 2015

**STATUS:**

On track — 17 % of population was without access to safe drinking water in 2007-08 against 34% in 1990. 49% of households were without sanitation facilities in 2008-09 against 76% in 1990

### MDG 8:

Develop a global partnership for development

**STATUS:**

On track

Source: Ministry of Statistics and Programme Implementation  
Compiled: Somesh Jha

# Gauhati HC verdict based on right to life and personal liberty

Satya Prakash

satya.prakash@indianexpress.com

**NEW DELHI:** The Gauhati High Court's verdict declaring the Central Bureau of Investigation (CBI) an illegal entity has surprised many for its far-reaching implications on all cases being investigated by the agency.

But from legal point of view, this landmark judgment is not a complicated one. In fact, it is mainly based on interpretation of Article 21 of the Constitution that guarantees fundamental right to life and liberty to everybody, including foreigners.

"No person shall be deprived

of his life or personal liberty except according to procedure established by law," it says.

From the bare reading of the provision, it is clear that any state action that has any negative implications for people's right to life or personal liberty has to have legal backing. The CBI while probing a case arrests accused persons, conducts searches and seizures, thereby depriving them of their personal liberty. If an accused is convicted of murder charge, he/she can potentially be sent to the gallows.

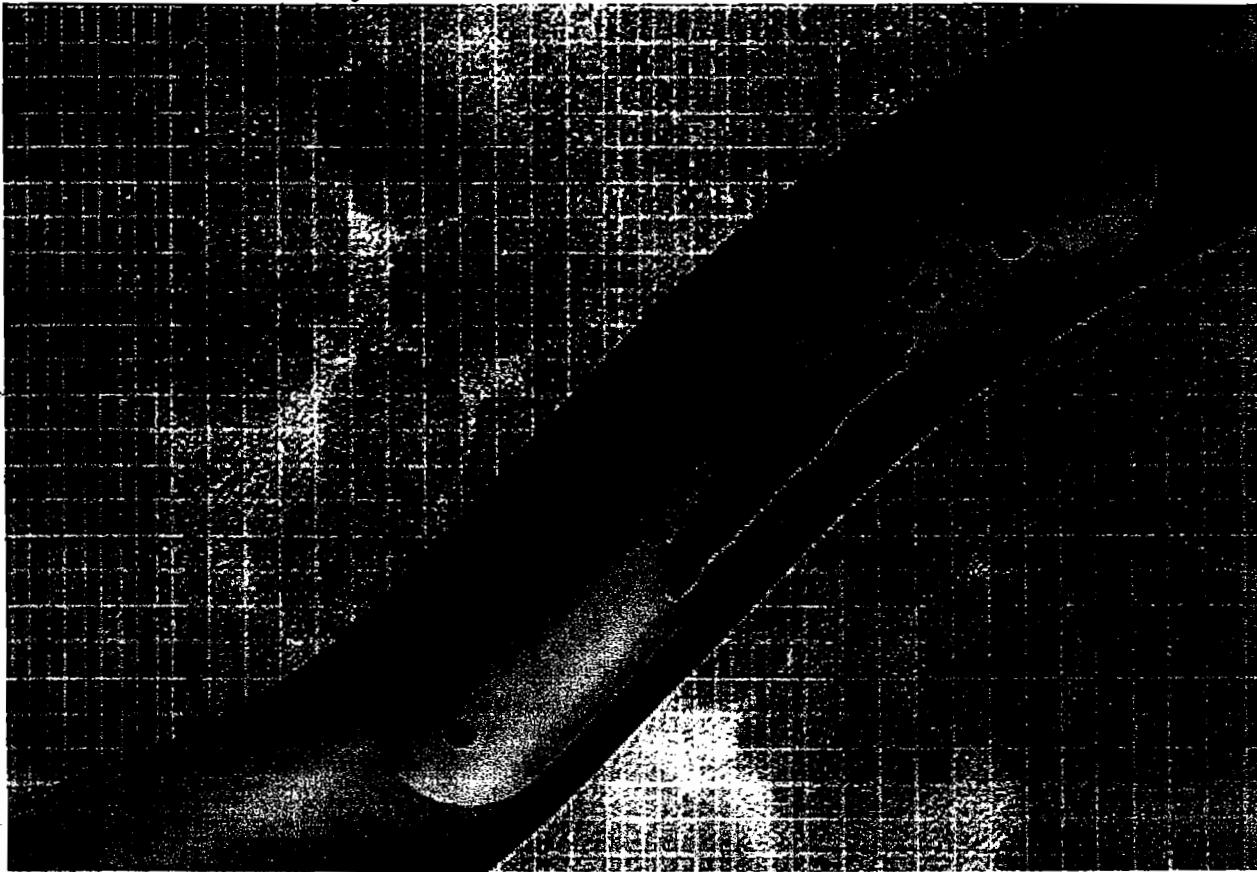
Article 21 mandates that any such action has to be under a procedure established by law.

Further, the Supreme Court has in various judgments ruled that the said procedure has to be due procedure.

But the Gauhati HC found that the CBI was not established by any law. Rather, it was set up by a home ministry resolution dated April 1, 1963, which the HC said was not even a proper executive order as it was not a cabinet decision, nor was it signed by the President. The HC held that the Centre's action in issuing the resolution for setting up the CBI had been neither sanctioned by a law nor had it been taken in valid exercise of its executive powers, and therefore, hit by Article 21.

## Nanomedicine

Nov 5th 2013, 7:54 by Economist.com



ONE of the dreams of nanotechnologists—those who try to engineer machines mere billionths of a metre across—is to build medical devices that can circulate in the bloodstream. This aspiration often prompts ridicule, frequently accompanied by a still from “Fantastic Voyage”, a film made in the 1960s about a team of doctors in a submarine that had been miniaturised with them in it, so they could destroy a blood clot which threatened to kill a scientist who had been working behind the iron curtain.

Well, titter ye not. For though Sangeeta Bhatia’s nanoscale devices are not really submarines, are certainly not crewed by Raquel Welch, and do not actually destroy blood clots, they do go around the bloodstream finding such clots, and they report back what they have found, so that destruction can take place if necessary.

Dr Bhatia is a bioengineer and physician at the Massachusetts Institute of Technology. She was impressed by the competence

of modern urine testing, which can detect conditions ranging from diabetes and pregnancy to breast and brain cancer, but also noticed that one thing it cannot detect is clots attached to the walls of blood vessels. Nor is there an effective blood test for such clots.

That matters, for if a clot breaks free from its site of formation and lodges somewhere critical it can kill. A clot in the coronary artery induces a heart attack. One in a pulmonary artery causes a pulmonary embolism. One in an artery in the brain, a stroke. Dr Bhatia thought she might be able to design something that detects and reports the presence of clots and, as she outlines in *ACS Nano*, she has succeeded. What Dr Bhatia's clot-detector is actually detecting are not the clots themselves, but an enzyme called thrombin, which induces clotting and is thus an indicator of the presence of clots. Her "submarines" are tiny particles of iron oxide (though not so tiny that they pass through the kidney's filters into the urine, and are lost). They are coated with small fragments of protein, called peptides, specially chosen because they react with thrombin. That, however, is not enough—because there is no way to tell from the outside whether such a reaction has taken place. To manage this Dr Bhatia attached reporter chemicals to the free ends of the peptides. When a peptide binds to a thrombin molecule the reporter is released. And the reporter, unlike the iron-oxide particle, is small enough to pass into the urine, where it can be detected by a simple test.

When tried out in mice, this idea worked perfectly. The urine of animals with clots in their lungs turned orange when tested, as it was supposed to do. That of clot-free animals remained unchanged. As for the iron oxide particles, these slowly dissolve in the bloodstream in a way that should cause no damage.

No trials have yet been carried out on people. But if such tests work and the procedure proves safe, then it might be used to give early warning, in those thought at risk of developing internal clots, that such clots have actually developed. They can then be attacked with clot-busting drugs before they can break away and do serious harm.

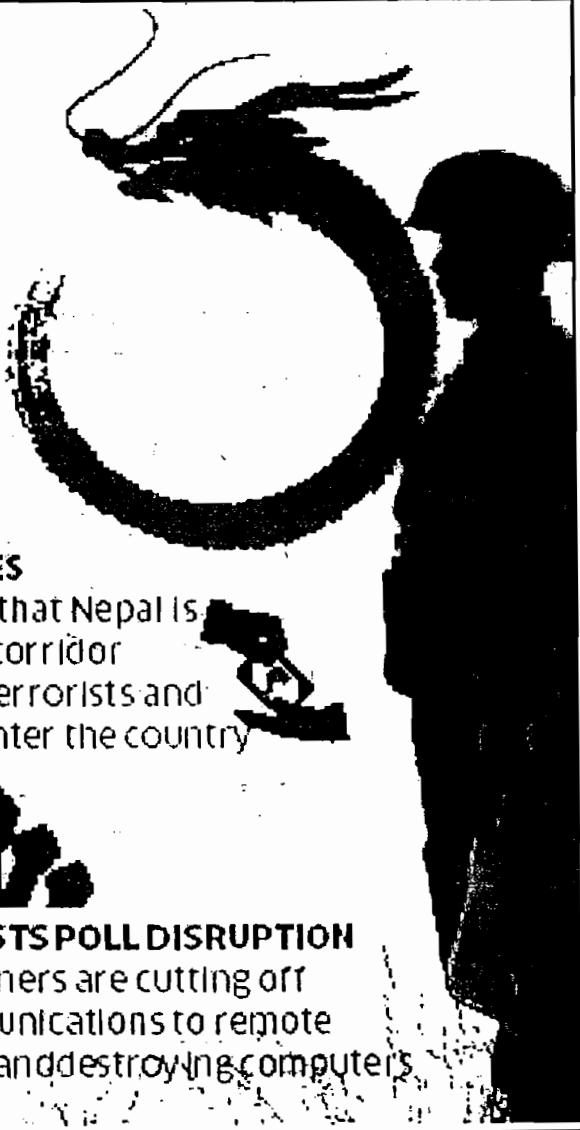
# Indian Concerns



India is concerned with the instability in the neighbouring nation

## NEPAL POLITICAL CRISIS

Since 2008 Maoists have not allowed any progress in the country and have slowed down the ongoing projects supported and funded by India



## INDIAN WORRIES

India is worried that Nepal is being used as a corridor through which terrorists and fake currency enter the country



**MUCH-DELAYED**  
polls in Nepal are  
scheduled on  
November 19

## MAOISTS POLL DISRUPTION

Hardliners are cutting off communications to remote areas and destroying computers

India's concern over the political crisis in Nepal has led to a reassessment of its policy towards the country. The Indian government is worried about the stability of the government in Kathmandu and the potential for conflict between the central government and the Maoist rebels. The Indian government is also concerned about the impact of the political crisis on the economy and the relationship between India and Nepal.

The political crisis in Nepal has been ongoing since 2008, with the Maoist rebels launching a series of attacks and kidnappings. The Indian government has been providing support to the central government in Nepal, but it is clear that more needs to be done to address the underlying causes of the crisis.

The Indian government is also concerned about the impact of the political crisis on the economy. The Maoist rebels have been disrupting communications and infrastructure in remote areas, which has had a significant impact on the economy. The Indian government is working to address this issue, but it is clear that more needs to be done to ensure the stability of the economy.

The Indian government is also concerned about the impact of the political crisis on the relationship between India and Nepal. The Maoist rebels have been using Nepal as a base for their operations, which has led to tensions between the two countries. The Indian government is working to address this issue, but it is clear that more needs to be done to ensure the stability of the relationship.

# TYPHOON HAIYAN

At 315 kmph, typhoon's  
landfall was worst ever



SOURCE: AFP

## TO BE OR NOT TO BE IN COLOMBO

Why Prime Minister Manmohan Singh should or should not go to the Commonwealth Summit in Colombo

### In Favour

- Sri Lanka, once a hot bed of anti-Indian sentiment, has seen a remarkable change in attitudes towards India. This would undermine these gains
- If regional parties are allowed to dictate foreign policy, India's influence in the world would be compromised
- Engaging rather than humiliating President Mahinda Rajapaksa would be a better way to push for justice for Tamils

### Against

- Lanka is dilly-dallying on a constitutional amendment to give Lankan Tamils autonomy. It needs to face pressure on this issue.
- Unrealistic to assume Indian Tamils would stand by as their ethnic brethren in another country are killed or marginalised,
- The UN estimates 7000 civilians were killed in the last months of the Lanka civil war. Rajapaksa should face some international disapproval given his failure to hold anyone accountable.

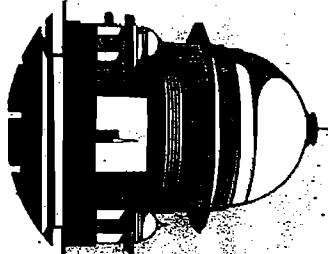


# Supreme Court stays Gauhati HC order stayng CBI unconstitutional

## SUPREME COURT JUDGMENTS ON CBI'S CONSTITUTIONALITY

BY REPORTER  
New Delhi 9 November

State of West Bengal & Ors vs Committee for Protection of Democratic Rights, West Bengal of 2010  
"In the final analysis, our answer to the question referred is a direction by the high court, in exercise of its jurisdiction under Article 226 of the Constitution, to CBI to investigate a cognizable offence alleged to have been committed within the territory of a state without the consent of that state will neither impinge upon the federal structure of the Constitution nor violate the doctrine of separation of power and shall be valid in law."



Bhavesh Jayanti Lakhani  
versus State of  
Maharashtra & Ors of  
2009

"We may notice that by reason of the Government's resolution dated 01.06.1963, the CBI was empowered to conduct investigation with regard to coordination, Inter-State matters and participation as: the National Central Bureau in the work connected with the INTERPOL, thereby presupposing the non-requirement of concerned State's consent."

Vineet Narain vs Union of India of 1997  
"for all practical purposes, the jurisdiction in respect of all such offences is exercised in the consenting states only by the CBI and not the state police ... technically the additional jurisdiction under the general law of the state police in these matters is of no practical relevance." This was with respect to the jurisdiction of the CBI on investigating crimes in states.

(Source: Supreme Court orders available on its website)

The Supreme Court on Saturday stayed the Gauhati High Court judgment that said the Central Bureau of Investigation (CBI) had no legal standing. The order was passed after a short hearing at a special sitting at the residence of chief justice P Sathasivam.

Attorney General G E Vahavati said the high court judgment, if allowed, would have far-reaching consequences and should, therefore, be stayed immediately. He added CBI was investigating a thousand important cases and about 9,000 trials were underway. The chief justice agreed the matter should be looked into and a stay order should be passed. He said within just two days of the high court ruling, those accused in two separational cases had reportedly moved courts for a stay on their prosecutions.

The lawyer for original petitioner in the high court said the court shouldn't go by newspaper reports. He added the government's appeal was "colorful" and the affected parties—CBI and the home ministry—hadn't appealed.

The chief justice said arguments from all parties would be

Ranjana Desai.  
The attorney general said the high court had raised "two wrong questions and gave two wrong answers to those". On the first—whether CBI was constitutionally constituted—he said the government had the power under the Delhi Special Police Establishment Act to raise a police force. The second question was whether it could be created by a mere resolution. The counsel said it could be done, adding this was an exercise of statutory power. "There was complete misunderstanding of the ordinary laws," Vahavati told the bench which included

judgments, the Supreme Court has upheld the constitutionality of CBI and it had referred several cases to the agency for investigation. Hence, the high court should not have passed a contrary order.

In the Centre's special leave petition, drafted overnight due to the embarrassment caused to the government, it stated the high court order quashing the resolution was "ex facie erroneous, contrary to the express provisions of the Constitution and the DSPE Act". It said the high court judgement "flies in the face of several judgments of the Supreme Court, which had categorically upheld the constitutional validity of the DSPE Act, 1946."



# Goodbye IAS, Hello Activism

By Shantanu Nandan Sharma

Bureaucrats rarely hog the headlines and when they do it's inevitably when they wage a lonely, and often futile, battle within a faulty system. It's only once they quit the system and pursue their reformist passion that they become a much-needed catalyst for change. Some civil servants leave the service midway, and others begin a second life only after retirement. In both ways, their vantage point remains the same. After all, they are insiders with direct knowledge of the fault-lines.

"Changing the system is not easy. It can't happen overnight. Many of us have been knocking on the system with a hope that positive spirals begin," says former cabinet secretary TSR Subrahmanian, who along with some of his colleagues had a moment of satisfaction last week when the apex court heeded to their petition on fixed tenures for civil servants. NC Saxena, one of the other petitioners in the same case and former Planning Commission secretary, adds: "Lack of good governance is still the biggest challenge in India. The government must address the hurdles that come in the way of creating a better delivery mechanism."

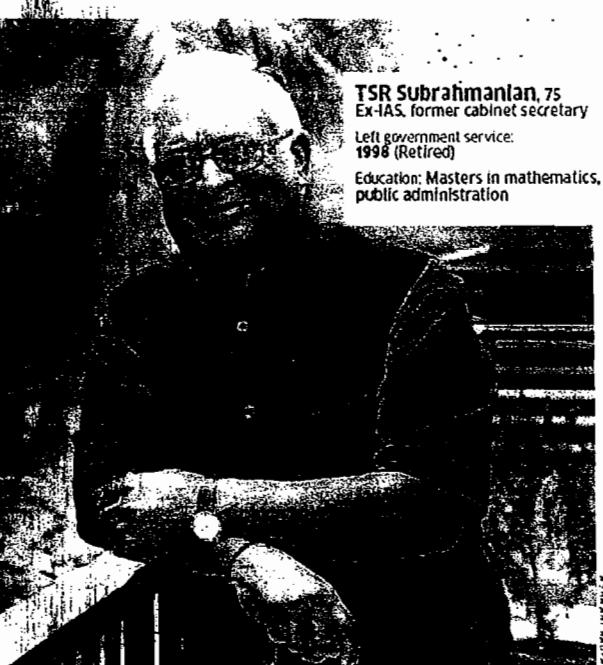
Subrahmanian and Saxena chose to be social activists only after they had retired from the government. But some don't wait that long. Arvind Kejriwal, a former income-tax officer and founder of the Aam Aadmi Party, and former IAS Jayaprakash Narayan, founder of the Lok Satta Party, took the plunge when they had many years left in the service. Both said yes to politics with a hope they would garner support on the plank of good governance. Narayan is an MLA in Andhra Pradesh and Kejriwal is pitting himself against Delhi chief minister Sheila Dikshit in the December 4 Assembly polls.

But there are others like Aruna Roy who left cushy government jobs at a young age to join the brigade of full-time social activists. By making the transparency tool RTI a reality, Roy has demonstrated that one can achieve social goals by influencing the political brass who matter.

ET Magazine picks out six former bureaucrats who have made visible impacts in changing the way the government is run:

## No Fixed Tenure for Him!

In the 15 years since retirement, Subrahmanian has focused on improving governance and administration. To make his point lucid and clear, he spends a lot of time on television talk shows but, when it comes to reaching his goals, he uses the judiciary. For instance, the former cabinet secretary along with a clutch of former bureaucrats scored a big victory recently when the Supreme Court rejected a petition for a fixed tenure to bureaucrats. The apex court agreed in principle with their argument and has requested the government to frame rules to enable such fixed terms. Subrahmanian, who is happy that the SC has paid heed to what they had told it, has just finished writing a book on governance, and is scouting for a suitable title. Any suggestions?



**TSR Subrahmanian, 75**  
Ex-IAS, former cabinet secretary

Left government service:  
1998 (Retired)

Education: Masters in mathematics, public administration



**NC Saxena, 71**  
Ex-IAS, former secretary of Planning Commission  
Left government service:  
2002 (Retired)  
Education: Doctorate in forestry

## Of a Different Tribe

Post-retirement, Saxena got busy raising social issues. Be it equal inheritance for the girl child or forest rights of tribal people, Saxena began to pursue causes he had signed off on as a GoI secretary, both in the rural development ministry and the Planning Commission. He recognizes that a faulty system can be repaired only via involvement and not by remaining a distant commentator. As a member of the National Advisory Council (NAC), the UPA chairperson Sonia Gandhi-led think tank, Saxena brought about changes in tribal areas in particular. He made a big impact when the government refused to give clearances to Vedanta Resources to mine bauxite on the Niyamgiri hills of Odisha after his panel warned in August 2010 that mining would threaten the survival of the Dongria Kondh tribe there.

# SC/STs take rapid strides, close literacy gap

From 2001 To 2011, Women From SCs And STs Made Fast Progress In Education: Census

Renu Nagarkar | Ind.

The literacy rate among scheduled castes and tribes remains well below the rest of India's population, but the gap has closed significantly in the last decade. During this period (2001-2011), ST and SC women made the most rapid progress, latest census data reveals.

Data released earlier this week shows a 14.6 percentage point increase in literacy among ST and SC women over the decade compared to a jump of 10 percentage points for non-SC/ST women. The literacy rate of ST men and SC men has jumped by 9.4 and 8.5 percentage points, respectively, compared to just 4.8 percentage

points among non-SC/ST men.

The pattern of SC and ST women showing a higher increase in literacy holds good across almost all states, and in both rural and urban areas. Of course, the base was very low to start with in case of both women and men in the two communities compared to general population.

In case of ST women, the literacy rate was a shockingly low at 34.8% in 2001 from where it jumped to almost 50%. The literacy rate of SC women, about 42% in 2001, increased to 56.5% in 2011. Among ST males, the literacy rate went from 59.2% to 68.5% by 2011 and among SC males it went up from 66.8% to 75.2% in the same period.

The most remarkable im-

provement has been among ST women in Tripura, where the literacy rate jumped from 44.6% all the way to 71.6%, which is significant considering that STs make up almost a third of the state's population.

Bihar, with around 16% of its population comprising SCs, shows the biggest increase in literacy among SCs—a jump of 20.2 percentage points, from 28.5% in 2001 to 48.6% in 2011.

There are some states where the increase in literacy rate among STs is well below the achievement at national level, though the general pattern of STs and SCs showing better progress than the general population holds true. For instance, in rural Chhattisgarh, the increase in literacy among

STs was just 6.6 percentage points compared to the national level change in rural literacy of 9 percentage points. Among rural SCs in Chhattisgarh too, the improvement in literacy (6.5 percentage points) is less than the national level improvement. However, it is higher than the state's overall improvement of 5.5 percentage points. It is a similar story in rural Rajasthan.

Many of the states with high literacy rates, such as Kerala and Mizoram, show smaller improvement in literacy. This is expected, once states hit literacy levels as high as 85% and more. However, in these states too the SCs and STs show greater improvement in literacy rate than others put together.

## LITERACY RATE GOING UPWARDS

	Change in literacy rate for various sections of the population	Change in literacy rate	Literacy rate in 2011 (%)
Total population	8.2	7.7	
Men	5.6	80.9	
Women	11	64.6	
SC population	11.4	66.1	
Males	8.5	75.2	
Females	14.6	56.5	
ST population	11.9	59	
Males	9.4	68.5	
Females	14.5	49.4	
Non-SC/ST	7.3	76.1	
Males	4.8	83.5	
Females	10	68.2	

\*In percentage points



# All over the world, traditional views on matrimony are undergoing change and new domestic arrangements are evolving. A look at where India stands...

Srishti Jha

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**M**adras High Court made news in June this year when it modified an April 2006 judgment of a Coimbatore family court in a maintenance case involving a couple and ruled that couples having premarital sex will be considered equivalent to married couples. Prior to that, on May 16, the Orissa High Court gave a verdict on the introduction of a new law for those live-in relationships. The two were only the latest in a series of cases which point to the fact that the rules of marriage and domestic partnerships are changing in India.

The idea of an Indian marriage has seen drastic changes over the past few years. Says sociologist Dipankar Gupta. "Increasing urbanisation and migration from rural to urban setups is one of the primary cause for the change. Rural economy is pushing out people in the urban economic bracket which exposes them to modern trends and spaces. Today we see many people from the lower social stratas advertising in the matrimonial sections which shows that they are getting accustomed to urban trends. Even the category 'caste no bar' appears a lot in various sections of the matrimonial columns, which shows that we are rising above deep-rooted disparities like caste and religion." He also feels that with patriarchal control over women decreasing and joint family setups in both rural and urban India seeing a decline, more changes are set to come.

But even with setups like serial monogamy, live-in relationships, single-parent households, deliberate single statuses, late marriages and homosexual partnerships, there is still a space in society where marriage continues to be one of the most important institutions.

However, marriage is increasingly no longer a given, at least in urban India. Nuclear family setups of various kinds are coming up. Says lawyer Pintu Anand, "Society is not unanimous about the institution. Differential treatment comes from different sections. The youth is exposed to new lifestyles which is now permissible and is exploring their sexual identities. Certain legal attempts have been made to deal with the reality but still there is no consensus over the matter. For example, live-in status has been given rights under the Domestic Violence Act but still there is a long road ahead."

Though it's four years since the Delhi High Court has decriminalised homosexuality, there is still much to be done. Says Arvind Anand, "We still have so many biases. We are trying to get into areas where we think there is liberalisation. Societal pressures are a major roadblock in acceptance of new partnerships." Anand also feels that excessive

breakdown of marriages in the West has influenced the institution in India.

Changing marriage prototype is also the result of progress in women's education and income, and the rights granted to them over property, but still we lack in many ways as far as their economic security is concerned. In an article published in May 2013, "Division of Property after divorce", Dr. Ranjana Kumari - Director, Centre for Social Research, stated that, "The recent decision by the Union Cabinet to make further amendments to the Marriage Laws Amendment Bill, 2010 that will guarantee a women's right to 50 per cent of residential property in the case of divorce is an important step towards ensuring women's economic security and equality in marriage and divorce proceedings."

Rajya Sabha in August this year, approved a proposal to make divorce friendly for women. The proposal provides for the wife getting share in the husband's immovable property after "irretrievable breakdown" of marriage.

This year, the Supreme Court said that if a man deceitfully marries a woman hiding the subsistence of earlier marriage, he is obliged to pay maintenance to her under Section 125 of Code of Criminal Procedure. Says advocate Vikas Gupta, "In the past, cases like the Shah Bano case (1985), and Visakha's case (1997) have been political bones of contention as well as defining moments in the history of judiciary for a woman's right in the society. We still have no benefits for single mothers or single people. In the US, there are provisions for tax exemptions and benefits for single mothers and also for their children in terms of education. In India, one hasn't even thought about it. Empowerment isn't supported by practical measures."

Says psychiatrist, relationships consultant and author Dr Vijay Nagaswami, "Young Indians don't necessarily feel as bound by duty and are more conscious of working towards fulfilment in the relationship than merely playing the role of husband or wife. I think the changing norms are making the institution less of an institution and more of a personal human relationship determined by emotionality and companionship than by rigid legal, familial or social diktats."

Economic disparity also plays a significant role in perusal, acceptance and working of any domestic household and partnership. Says financial consultant Devangshu Datta, "Formal or informal relationships both depend upon economic factors. It's easier to make a decision and live through it if you are economically independent. It supports in handling the social barriers."

Adds Dipankar Gupta, "Nobody plans to marry thrice, or be a single parent or marry late or not marry at all. It is all situation based. It is just that now people have choices to follow their will in a particular situation."

## **Minamata convention**

Delegates from some 140 countries and territories on Thursday signed a United Nations treaty to control mercury near the site of Japan's worst industrial poisoning, after Tokyo pledged \$2 billion to help poorer nations combat pollution.

The delegates gathered in Minamata city to sign the world's first legally binding treaty on the highly toxic metal.

The Minamata Convention on Mercury is named after the Japanese city where tens of thousands of people were poisoned — around 2,000 of whom have since died — by eating fish and shellfish taken from waters polluted by discharge from a local factory.

The treaty will take effect once ratified by 50 countries — according to the organizer the United Nations Environment Programme (UNEP).

# Philippines fears typhoon toll's over

Storm Razes 70-80% Of Structures In Its Path; The Living Walking Like Zombies, Says Official

Tacloban (The Philippines) One of the most powerful storms ever recorded killed at least 10,000 people in the central Philippines, a senior police official said on Sunday with huge waves sweeping away coastal villages and devastating one of the main cities in the region.

Super typhoon Haiyan destroyed about 70 to 80% of structures in its path as it tore through Leyte province on Friday, said police chief superintendent Elmer Soriano, before weakening and heading west for Vietnam.

As rescue workers struggled to reach ravaged villages along the coast, where the death toll is as yet unknown, survivors foraged for food or searched for lost loved ones.

"People are walking like zombies looking for food," said Jenny Chu, a medical student in Leyte. "It's like a movie." Most of the deaths appear to have been caused by surging sea water, strewn with debris that many said resembled a tsunami, leveling houses and drowning hundreds of people in one of the worst disasters to hit the typhoon-prone southeast Asian nation.

The national government and disaster agency said they confirmed the latest estimate of deaths, a sharp increase from initial estimates on Saturday of at least 1,200, following a storm whose sustained winds reached 313 kph with gusts of up to 378 kph.

"We had a meeting with the governor and the other officials. The governor said, based on their estimate, 10,000 died," Soriano said.

About 300 people died in neighbouring Samar province, where Haiyan first hit land on Friday as a category 5 typhoon, with 2,000 missing, said a provincial disaster agency official.

Nearly 4,000 people were displaced and 4 million

## GEOGRAPHICALLY DOOMED

While Typhoon Haiyan could be the deadliest natural disaster ever to hit the Philippines, the country is no stranger to nature's fury.



**PHILIPPINES**

- > Location in northwestern Pacific puts the Philippines right in the pathway of world's No. 1 typhoon generator
- > Covering more than 7,000 islands, the Philippines is hit by more storms each year than any other nation—about 4 times more than countries around the Arabian Sea and the Bay of Bengal

- > It's often the first to welcome storms that eventually hit China to the west, Hong Kong and Japan to the east
- > Typhoon Haiyan, which made landfall in the Philippines on Friday, was the strongest typhoon ever recorded in the North Pacific

**WHAT'S A TYPHOON?**

- > Typhoon is the name given to cyclonic storms that develop in western Pacific, in the region around Japan, Philippines, south China and Hong Kong
- > These storms are known as hurricanes in the US eastern coast and Central America

## PHILIPPINES' DISASTERS

- > A tsunami triggered by magnitude 7.9 earthquake devastated the Moro Gulf on Philippines' southern island of Mindanao on August 16, 1976, killing 5,000-8,000 people
- > Tropical storm Thelma unleashed flash floods on the central city of Ormoc on

Leyte Island on November 15, 1991, killing more than 5,100

- > Typhoon Bopha smashed into main southern island of Mindanao on December 3, 2012, about 1,900 people dead or missing
- > A 7.8 magnitude earthquake hit the mountain resort of Baguio and areas in northern Philippines on July 16, 1990, killing 1,621

- > Taal volcano, about 60km from Manila, erupted on January 30, 1911, killing about 1,300 people

- > An entire mountainside collapsed on the village of Guinsaugon on the central island of Leyte on February 17, 2006, killing 1,126

- > Typhoon Washi hit the northern part of Mindanao on December 16, 2011, killing 1,650 people dead



## WORLD'S DEADLIEST STORMS

**Bhola cyclone, Nov 11, 1970 |** Most destructive cyclone in terms of human toll, struck East Pakistan (now Bangladesh) and Bengal. Left: 300,000-500,000 dead

**Corinna cyclone, Nov 1839 |** Caused 40-ft storm surge that hit the harbour city of Corinna in Andhra. Destroyed 25,000 ships and killed 300,000 people

**Super Typhoon Nina, Aug 1975 |** About 225,000 killed in China as Banqiao dam collapsed after 100cm of rain in a day

**Calcutta Cyclone, Oct 7, 1737 |** Tidal surges destroyed an estimated 20,000 ships & killed 300,000 people on Bengal coast

**WHAT'S A CYCLONE?**

- > Cyclone is the name given to tropical storms that develop in Indian Ocean region, including the Indian subcontinent, and South Pacific, these are called cyclones
- > All these are tropical storms that can generate 10 times as much energy as the Hiroshima atomic bomb

**making it susceptible to storm surges.**

Witnesses and officials described chaotic scenes in Leyte's capital, Tacloban, a coastal town of 520,000 about 80km southeast of Manila which bore the brunt, with hundreds of bodies piled along roads and buried under wrecked houses.

"From a helicopter, you can see the extent of devastation. From the shore and moving a kilometre inland, there are no structures standing. It

was like a tsunami," said interior secretary Manuel Roxas, who had been in Tacloban before the typhoon struck. "I don't know how to describe what I saw. It's horrific."

President Benigno Aquino said the government had deployed 300 soldiers and police to restore order and that he was considering introducing martial law or a state of emergency in Tacloban to en-

sure security.

Officials were yet to make contact with Guiuan, another town which had a population of 40,000 and was first hit by the typhoon. Baco, a city of 35,000 people in Oriental Mindoro province, was 90% under water, the UN said. There were reports of damage across much of the Visayas, a region of eight major islands, including Leyte, Cebu and Samar. **scenes**

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# 'ORDER WILL HELP HONEST OFFICERS'

straight

RK SINGH

Aloke Tikku

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**NEW DELHI:** The Supreme Court has ordered governments to protect civil servants from corrupt politicians and vested interests. Two key measures are a minimum tenure for officers and an impartial postings and transfers system. Former Union home secretary RK Singh—who ran into trouble with home minister Sushilkumar Shinde—asserts that honest officers have been at the receiving end at the Centre too, not just the states.

Excerpts

Does the SC's directive to guarantee a minimum tenure help honest civil servants?

Even now, there are honest officers who do what they believe is right and are willing to run the risk of being transferred, and persecuted for standing up. The order will give them protection.

But wouldn't civil servants still be persecuted when it is time for



their next posting?

That danger will be there. But if officers are posted on the recommendation of the Civil Services Board, this could be a remote possibility. But the cabinet secretary at the Centre and the chief secretary in the states—who head these panels—must be selected by a collegium as recommended by the Administrative Reforms Commission and not by the PM or CM, as happens today.

So the pre-requisite for an effective Civil Services Board is a cabinet secretary appointed by a collegium?

Yes! Otherwise you will have a pliable person... a stenographer cabinet secretary or a stenographer chief secretary.

Have you also run into problems?

Yes, a number of times. As Patna district magistrate, I arrested an MP and detained a minister during elections (in 1985). I was transferred

the next day. As the state home secretary, when I objected to postings of police officers in violation of norms, I was moved out as secretary, sugarcane development. I was again transferred when I was IG Prisons for objecting to the minister's interference in postings of jailors.

Do civil servants face such pressure in the states or at the Centre too?

It happens everywhere. When I was a joint secretary at the home ministry (2000-05), I spotted irregularities in the way a state had contracted its online lottery for a ridiculously low amount. I asked for action according to the law and the contract was cancelled... As I stood my ground, I was transferred.

But the SC also ordered police reforms that weren't implemented. Will this one be?

This, as well as police reforms, will be implemented only when the SC uses its powers of contempt.

So you anticipate resistance again?

Of course, there will be resistance from the political class. Transfers and postings is a key source, and tool, for corruption.

Voters are not swayed by macroeconomic data, but job creation is something they care about

# Let's Talk About Jobs



Rashesh Shah

**E**very time growth numbers move up or down a few percentage points or the industrial production data is announced, there is a frenzy of headlines and markets react violently. Yet what these numbers provide is only a part of the story. The most critical aspect of the story – jobs – is largely ignored.

For a decade now, basking in a high growth rate, we have been trumpeting our demographic dividend. True, having among the largest working age populations in the world is a blessing – but only if we are able to find productive jobs. Otherwise this demographic dividend could turn into a demographic curse.

## Youth Connect

What is inexplicable is that while the economic discourse focuses on the growth rate, current account deficit and the rupee, there is almost no discussion about jobs. We have regular disclosures of numbers like the IIP and inflation but little on the number of jobs created or lost during a given month, quarter or year.

Data on jobs – apart from being a great economic indicator – can also become a potent political argument. Today 20% of the electorate consists of first time voters, a group most analysts believe could influence the outcome of the 2014 polls. What these young people care about,

above almost everything else, is jobs. Any political combine that talks about jobs; the numbers it has created or are planning to create through its economic programme would strike a chord with these young voters.

One reason why there is little discussion about jobs is because our data collection is just not good enough. We have data for the organized sector which provides for less than a fifth of all jobs in the country. Micro, small and medium enterprises sector (MSME) provides 80% of the jobs, but we have little data for this sector.

## Where's the Data?

This skews our economic discourse as well as our economic policy making. Take this year's Economic Survey for example: perhaps the first official attempt to explore in some depth the so called demographic dividend. The Survey reveals that over the next seven years India will have to provide for 11.8 million jobs, just to make up for the number of people moving from agriculture to other sectors.

It says that between 2009 and 2011 when the GDP grew at 8%, 8.5% and 6.5% respectively, the organized sector was able to provide only 900,000 additional jobs. Obviously the organized sector will be unable to provide these 11.8 million jobs that are required and most of them will have to come from the MSME sector; but if we do not have data on how our economic policies are impacting job creation in the MSME sector, we will be operating in the dark.

We have to collect more data on jobs. This can be helped a great deal if decision makers at the highest levels – the prime minister and finance minister onwards, start discussing this on a regular basis.

As campaigning for the 2014 elections starts to heat up, this is the best time for parties to bring jobs to the centre-stage of our economic and political discourse



SALAM

Economies like the US disclose data related to jobs on a monthly basis. To start with, we should attempt to do it on a quarterly basis. It should also become a part of our budget documents. We need data on an industry level and on state level.

Today, we tend to rank states by their growth numbers; we need to start tracking them by the numbers of jobs created to get a clearer idea about the best performing states.

## Jobs as Ideology

The focus of most arguments against any new measure, be it de-regulation or introduction of new technology is on job and livelihood losses – remember the debate about bank computerization in the 1980s and how computers had to be introduced as Ledger Posting Machines? The counter argument has to focus on how many new jobs will be created.

The entire debate on FDI in retail would have had a completely different complexion, if it had centred on

how many jobs are likely to be created if global majors invest in large format retail stores and associated supply chains. Take the case of sectors like aviation, telecom and finance. De-regulation led to competition and creation of millions of new jobs. Whatever the ideology, for a political party to oppose measures that create jobs will become difficult.

In this process of creative destruction there will be some job losses as the old order gives way to new, but if we can demonstrate that reforms will lead to greater and importantly, more productive jobs, that will find resonance with people.

As campaigning for the 2014 elections starts to heat up, this is perhaps the best time for parties to bring jobs to the centre-stage of our economic and political discourse. That is something every voter will identify with.

(The author is chairman and CEO, Edelweiss Group)

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## Afghanistan, anti-terror measures dominate RIC meeting

PRESS TRUST OF INDIA  
New Delhi, 10 November

Terming the situation in Afghanistan as the "greatest concern" for the region, India along with Russia and China on Sunday demanded "additional measures" from the international community to prevent escalating threats in the war-torn country while agreeing to enhance counter-terrorism cooperation. Sharing the assessment of developments in Afghanistan, the foreign ministers of RIC (Russia-India-China) in their third stand alone meeting here stressed on enhanced efforts to help it deal with the crucial transition it was going through in the face of complete NATO combat troop withdrawal by next year.

"We had a very productive discussion on these issues on counter-terrorism. We do want to look together at countering drug trade that is as greater a menace as terrorism and in fact intrinsically linked in many ways as it gets to finance terrorism," External Affairs Minister Salman Khurshid said at a joint press conference with his counterparts Wang Yi from China and Sergei Lavrov from Russia. Khurshid was asked if the three countries have discussed any concrete action on Afghanistan and counter-terrorism. Wang said, "The issue (Afghanistan) is of greatest concern to the countries in this region including China, India and Russia...We want secure, stable and unified Afghanistan which enjoys development. We have always respected sovereign independence and territorial integrity of Afghanistan."

They also need a helping hand from the international community, Wang said, adding there was a need to properly handle the three aspects - to ensure smooth general elections in Afghanistan, truly support political reconciliation process that is Afghan-led and Afghan-owned and jointly support UN efforts to coordinate international assistance.

Lavrov asked for "additional measures" by international community to prevent escalating security threats in Afghanistan. Another major issue of congruence in today's deliberations ahead of the meeting of Foreign Ministers of Asia and Europe from tomorrow was counter-terrorism. The three leaders discussed ways to enhance cooperation in the field of counter-terrorism. According to sources, China, in view of terrorist attack at Tiananmen Square, came around to express strong support for regional cooperation in counter-terrorism. Russia also expressed concerned about terror spreading from Afghanistan, the sources said.

## ISRO Chairmen Over the Years

### VIKRAM SARABHAI 1961-1971

The man Visionary and dreamer, slightly impractical at times conceptualised and built the foundations of India's space programme. ISRO milestones Set up various centres, space commission, launched some sounding rockets.



### SATISH DHAWAN 1972-1984

The man Outstanding aeronautics engineer highly organised and efficient leader. Built the systems around which ISRO is organised even now. ISRO milestones Launched its first set of satellites and the rocket SLV-3.



### UR RAO 1984-1994

The man Space scientist and all rounder of sorts with a visionary streak, an enthusiast for space exploration. Built the satellite programmes & the first PSLV launches. Aggressively Launch vehicles ASLV and PSLV started succeeding after some failures. INSAT satellites launched.



### K KASTURI-RANGAN 1994-2003

The man Space scientist and satellite man, with all-round intellectual interests. Led development of some of India's best remote-sensing technology. ISRO milestones PSLV stabilised to become a world-class product. Remote-sensing technology and INSAT matured. GSLV launched with Russian cryogenic engines.



### MADHAVAN NAIR: 2003-2009

The man A rocket man to the core who has handled complex projects. Nair pushed the launch vehicle programmes vigorously. ISRO milestones Several successful PSLV launches, one of which placed the Chandrayaan-I in moon orbit.



### K RADHA-KRISHNAN 2009-

The man An all rounder with a keen sense for money and people. Radhakrishnan pushed the organisation to step up the pace. New areas like Mars and the Sun were concretised. ISRO milestones Mars mission conceptualised and Phase-I executed.



## PRESS 'REFRESH' ON MODEL CODE

Amid fiery speeches by leaders, the model code is back in focus. Here's a look at whether the code can restrain free speech.

**WHAT IS IT:** A set of norms governing the conduct of parties and candidates

**IN FORCE FROM:** Date of announcement of poll schedule till polls are over

**EC'S ROLE:** Ensuring code is followed for the sake of free, fair and peaceful elections

**MAXIMUM PENALTY:** Poll panel can de-recognise a political party for the violation. Never exercised

**LIMITATION:** Cannot debar a person found guilty of violation from contesting an election

### DON'TS

- **ACTING AS LAW:** Model code is not law. It is a set of norms.

- **NOT A POLITICAL CODE:** It is not a political code. It is a code of conduct.

- **NO DEBARMENT:** It cannot debar candidates or political parties or private life not connected with public activities.

- **CITIZENSHIP BASED:** It does not allow foreign citizens to contest elections.

## BIG PICTURE

# AfPak riddle: Tough choices await India



M. K. BHADRAKUMAR  
Foreign policy analyst

The former Pakistani ambassador to Washington, Husain Haqqani, has disclosed that President Barack Obama once made an offer of American help to bring India to settle the Kashmir problem if only Islamabad cooperated with his AfPak strategy. But Pakistan rejected the overture. The year was 2009.

Nonetheless, successive US special representatives on AfPak have continued to remain rooted in the belief that unless Kashmir problem is resolved and India-Pakistan ties improved, the stabilisation of Afghanistan will remain elusive. Curiously, the idea was originally mooted in October 2001 by the then Pakistan president Pervez Musharraf to George W. Bush administration as a "pre-condition" of his support for the war on terror. But Bush instead

proceeded to invade Iraq in 2003 and, even more galling for Pakistan, seized the window of opportunity presented by the appointment of Manmohan Singh as India's prime minister to enter into a 10-year defence cooperation agreement with New Delhi and begin discussions that culminated in the nuclear deal in 2008. In sum, Pakistan spurned Obama's 2009 offer against a combination of circumstances adversely affecting its core interests. Five years later, the big question is how would Pakistan respond if Obama were to repeat the offer?

As a matter of fact, he just did. The US-Pakistan joint statement issued after Pakistan Prime Minister Nawaz Sharif's talks with Obama in Washington last month made thinly veiled references to the imperatives of Kashmir settlement, while underscor-

ing the need of "strategic balance" and "strategic stability" in South Asia. It hinted at a US-Pakistan nuclear deal and promised long-term US military assistance for Pakistan.

Suffice to say, Obama has improved upon his 2009 offer, but then, his timeline today is short and Pakistan has brilliantly succeeded in regaining lost ground by advancing its "strategic assets" on the Afghan chessboard. Obama's agenda is to wind up the war, but ensure that the NATO's credibility isn't impaired; and, secondly, to establish military bases in Afghanistan but with US troops not involved in combat missions. Obama is a realist and he understands the criticality of an enduring US-Pakistan partnership.

On the other hand, Pakistan's core expectations out of any coalition government in Kabul (which includes the Taliban) are two-fold: exorcise India's influence in Afghanistan and ensure security along the Durand Line and there is no clash of interests here between Washington and Islamabad.

A sense of frustration is apparent in India. The pundits are self-righteously fulminating against Pakistan's political economy. But, honestly, did Pakistan have a choice or, put differently, did India offer a road that was not taken? Frankly, what is the net gain out of the \$1.5 billion spent on Afghanistan since 2002 – or the hundreds of millions of dollars wasted in the late 1990s to support the "anti-Taliban" resistance?

The really important thing is to be introspective. India's Afghan policies suffered severe "collateral damage" from the US-India nuclear deal. The period 2005-2008 was the time the Taliban staged the comeback but India felt obliged to "harmonise" with the US' regional policies.

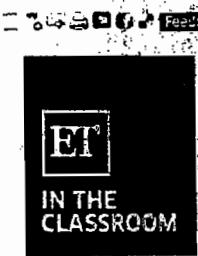
It's possible to view the paradigm through the Indian prism. But the continued ambivalence over the establishment of the American military bases in Afghanistan suggests that strategic

**The continuing ambivalence over the establishment of US military bases suggests strategic clarity in lacking.**

clarity is still lacking. There is nothing like absolute security in today's world and the US' rebalance has already introduced high volatility in the Asia-Pacific and destabilized that region. This can as well repeat in Central Asia of which Afghanistan becomes a crucial geopolitical template. India should reach out to regional powers that are stakeholders in regional stability.



Read the author's blog  
[indrus.in/blogs/realpolitik](http://indrus.in/blogs/realpolitik)



# Opinion Polls

From being in the news, opinion polls have become the news. The Congress, which is being routed in most opinion polls in recent times, wants the Election Commission to ban them. The party says opinion polls are plagued by poor methodologies, and do more to mislead than inform. ET examines the two sides of opinion polls.

## Why Are Political Parties Getting So Worked Up About Opinion Polls?



There are two reasons. One, they tell voters about the national mood vis-a-vis parties. Two, they can be used to sway undecided voters, especially those who want to vote for the winner to ensure their vote doesn't go waste. For this reason, opinion polls are becoming a political weapon. Each party commissions and releases findings that show it will win.

## How Is That Done?



Opinion polls are sample surveys. In theory, a representative cross-section of the population has to be surveyed so that their voting preferences reflect the skew the sample such that you leave out the minorities, or the illiterate, or the educated, and you will get the results you want.

## What Happens Do Opinion Polls Have On Elections?

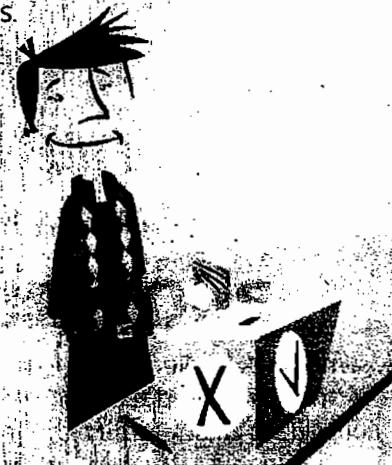


Hard to say. Right now, the country is seeing a avalanche of polls - not only for states heading to polls in the next two months, but also for the national elections in the middle of 2014. A lot can happen between now and then to change voter minds. Also, given the ever-present temptation to manipulate findings and the multiplicity of polls, it is possible that they might just become irrelevant to those for the voter. Also, voters can change their voting preference at any point in time, especially with poll results changing after election freebies. For this reason, exit polls are considered more reliable than opinion polls.

## How Are They Two Different?



The sample used in opinion polls comprises of people who may or may not eventually vote in contrast an exit poll is conducted after voting is over and comprises of only those people who have voted.



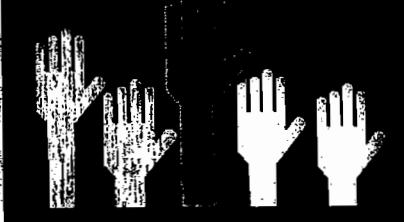
## So, Should Opinion Polls Be Banned?



Or not. Just because there are made-to-order opinion polls, it doesn't mean opinion polls themselves are a bad thing. They present one way in which voters can gauge the national mood. The question is: how does one ensure the polls do not get manipulated?

## How Does One Do That?

Greater transparency. If a poll is claiming to sum up the national mood, it should also describe its methodology -- the size of the sample, its socio-economic profile, how the data was collected (questionnaire, interview or phone), etc. The poll should also disclose ownership and track record of the organisation that conducted the survey, and the client who paid for the survey. A good start would be to ignore any survey that doesn't provide detailed answers to all of these questions.



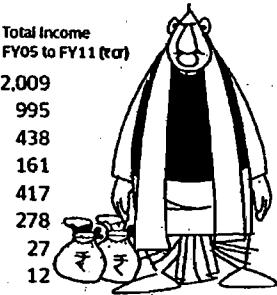
## POLL FUNDING

# THE MONEY TRAIL

How do political parties fund their activities? What are their main sources of funds? According to Association for Democratic Reforms, there is no standard format for declaring sources of income and hence reporting heads of income differ from party to party. However, most large political parties list sale of coupons & contributions as their major source of income...

### Main Funding Sources Include Sale of Coupons & Contributions...

Party (Main Source)	Percentage of Total Income	Total Income FY05 to FY11 (₹cr)
Congress (Coupons)	77	2,009
BJP (Voluntary Contributions)	82	995
BSP (Contributions)*	70	438
NCP (Sale Of Coupons)	88	161
CPM (Voluntary Contributions)	42	417
SP (Donation)	76	278
JD(U) (Coupon Sales, Membership)	97	27
Trinamool (Donation)	66	12



### ...and Over 20k Donations Have to be Disclosed in I-T Returns

#### » INDIVIDUALS

Share of individual donations over ₹20K in Total Income (FY05 to FY11)

Party	Head in ITR (FY05 to FY11)	% of Donations ₹20K
Cong	Donations	8.8
BJP	Voluntary Contributions	19.4
CPM	Voluntary Contributions	0.6
CPI	Party Fund, Voluntary Contributions, Donation, Coupon Sales, Membership	38
JD(U)	Coupon Sales, Membership	25.8

#### » CORPORATE DONATIONS

This is subject to a limit of 5% of companies' average net profits over the previous three years. And this has to be disclosed in the profit-and-loss statements.

#### Top 8 Donors (FY04 to FY12)

Donor	Total (₹cr)
General Electoral Trust*	68.48
Torrent Power	28.15
Bharti Electoral Trust	20.1
Tatas' Electoral Trust	19.8
PEP Awareness Trust*	14.5
Videocon Industries*	13.51
Asianet TV Holding	12.5
ITC	10.86

\*Aditya Birla Group \*\*Public & Political

### STATE BUDGET: Govt Can't Contribute to Party kitty



STATE BUDGET: parties can't expect to get a share of the total amount of election expenses from the state government. The state governments can't contribute to the party kitty.

STATE BUDGET: contribution to ₹100 cr tax-exempted. ₹100 cr to ₹200 cr tax-exempted. ₹200 cr to ₹500 cr tax-exempted. ₹500 cr to ₹1000 cr tax-exempted.

### Ban on Foreign Funding

THE FOREIGN AGREEMENT ACT OF 1948 (Section 29B) and the Foreign Contribution (Regulation) Act, 2010 (Section 3) prohibits political parties from accepting donations from any foreign source or company (defined at Section 601 of Companies Act, 1956).



### There's a Limit on the Amount Candidates Can Spend...

#### PARLIAMENTARY CONSTITUENCY

₹40 lakh\*

23 states

(Arunachal & Sikkim: ₹7 lakh; Goa: ₹22 lakh; Manipur, Meghalaya: ₹35 lakh; Mizoram: ₹32 lakh; Sikkim & Tripura: ₹8 lakh)

#### ASSEMBLY CONSTITUENCY

₹16 lakh



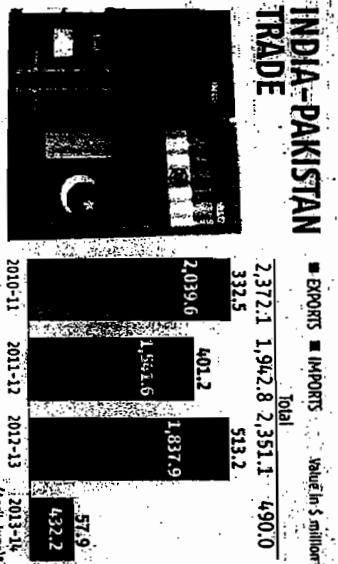
# Pakistan hints at MFN status, allowing more products from India

BS REPORTER

New Delhi/15 November

The government of Pakistan said it was hinted on Friday, might soon agree to Most Favoured Nation' (MFN) trade status to India, something it has been postponing for a considerable while. And, that it might allow imports of some more goods from this country which are presently prohibited, such as pharmaceuticals and agricultural items.

"We have liberalised our trade regime with India. Last year, we shifted to a much smaller negative list; only pharmaceutical and agricultural items are left. Consultations are on with these groups and very soon, these products will be allowed and trade will also be normalised," Naeem Anwar,



\*Provisional; figures show exports to Pakistan and imports from Pakistan

Source: Dbs

cotton and organic chemicals

"MFN status must be given

to India. We have exceeded the WFO stipulation. We must do it soon; there is no need to delay," asserted Zulqarnain

Malik, president, Federation of Pakistan Chambers of Commerce and Industry. Malik added the governments on both sides were considering the idea of allowing trade through multipoint border post. He also said it was important, for trade relations to

be stabilised, for the visa regime to be relaxed.

Echoing the point, Arvind Mehta, joint secretary of India's commerce department, stressed a visa system to ease movement of business people within each other's countries should be accelerated.

# First Strategic Oil Storage to be Commissioned in Jan

**No decision yet on operator for Visakhapatnam storage facility**

**PRESS TRUST OF INDIA  
NEW DELHI**

India's first strategic oil storage will be commissioned in January but it is still not clear as to who will operate the facility that has been built as insurance against supply disruptions.

India, which is 75% dependent on imports to meet its crude oil needs, is building underground storages at Visakhapatnam in Andhra Pra-

desh and Mangalore and Padur in Karnataka to store about 5.33 million tonnes of crude oil. This is enough to meet nation's oil requirement for 13 days.

"The Visakhapatnam storage is to be commissioned in January 2014. But we don't yet have an agency which will buy crude oil, store and operate the facility," an official said. The government has offered Hindustan Petroleum Corp Ltd (HPCL) the job of managing the Visakhapatnam facility which would have the capacity to store 1.33 million tonnes of crude oil in underground rock caverns or cavities which are almost ten storey tall and approximately 3.37 km long. But HPCL is unwilling to take the

job as it does not have the money to buy crude oil that is to be stored.

"HPCL has taken on rent 0.3 million tons of the storage for storing crude oil it imports for processing at the nearby Vizag refinery. For the remaining 1 million tons of storage which are to be used as strategic stockpile, it is unwilling to make any commitments," the official said. The company wants the government to fund the cost of buying the 1 million tons of crude oil and it can then manage the facility on an annual fee, he said.

A similar facility in Mangalore will have a capacity of 1.55 million tonnes and would be mechanically completed by March 2014.

read the article and share your views on [economictimes.com](http://economictimes.com)

# Premji Tops India Philanthropy List

Wipro chief and IT tycoon Azim Premji tops the list of Indian philanthropists, with donations amounting to Rs 8,000 crore in the past year, followed by HCL chairman Shiv Nadar, according to China-based Hurun Report Inc's India Philanthropy List 2013 released on Thursday. The study ranked 31 Indians who donated more than Rs 10 crore cash or cash equivalent during the fiscal year ended March 31, 2013.

## Shiv Nadar, Nilekanis, Ratan Tata also in Top 10

EDUCATION IS TOP CHOICE OF DONORS



Imaging VARANI SAHU

# Govt's new policy to let developers sell equity on exiting road projects

MANU BALACHANDRAN  
New Delhi 15 November

The Ministry of Road Transport and Highways is looking to tweak an exit policy announced for highway projects this year. The policy failed to excite developers as it did not transfer the perks to the new operator. The Union ministry is considering a proposal by the National Highways Authority of India that allows a developer to sell or transfer their stake in a special purpose vehicle (SPV) formed for a project.

Road projects in India are undertaken through such vehicles, made up of the concessionaire (operator), lenders and the highways authority, and the project is usually awarded for 20-25 years. The construction is usually done in three years and the tolling period starts once the project is built. The current policy does not allow transfer of equity but only substitution of a concessionaire, following which a new vehicle has to be then

formed. The exit policy announced in July this year found notakers as the new vehicle did not get the perquisites offered to the original vehicle, including a tax holiday of 10 years.

"This was the original recom-

mendation that NHAI had put forward. But the

government formulated the new policy

that required the creation of a new SPV,

once a concessionaire is substituted;

with a comprehensive policy. There are also concerns over income tax and taxation concerns and the government should address them," said B-Murari, Director General, National Highway Builders Federation.

Road projects in India have been struggling in the past few years largely as private developers have stayed away. Lenders have also been reluctant to fund road projects over various concerns. In an interview with *Business Standard*, Minister for Road Transport Oscar Fernandes had acknowledged funding for projects was the biggest constraint.

The ministry has suggested the finance ministry to reschedule premium worth ₹1.51,000 crore that developers owe the highways authority. The finance ministry has in turn set up a committee under Prime Minister's Economic Advisory Council Chairman C Rangarajan to study the terms and conditions of rescheduling. The committee is expected to come out with recommendations next month.



**ROAD BLOCK** Road projects have been struggling in the past few years largely as private developers have stayed away

# CSR issues continue to remain unresolved



ASSH K BHATTACHARYA

social and environmental pillars. Clarification on this issue is provided by employees of companies and processes in order to "essentially" tax companies and who are employed primarily to create shared value." Mitchell, a professor at Harvard University, believes that regulators should have a common understanding on which items should be included in CSR reports. The term "items" should be considered as CSR spend. The HBR article states, "January-February 2011), Article 18(1) of the Companies Act (schedule V) stipulates that social-business projects may be included in the CSR policies and operating expenses may be included in the CSR activities to enhance the company's competitive advantage. By definition, surplus funds from these projects are their family members shall be simultaneously advancing the ploughed back to improve the considered as CSR activity." The Draft Rules state, "Only economic and social activities, which are not exclusive to the company, but benefit the employees of the company or their family members shall be included in the CSR activities." A clarification is required on whether such research and development activities will be considered as CSR activities. The Draft Rules state, "CSR Policy would specify that the corpus would include the following: 2% of the average net profits; any surplus arising out of CSR activities." A clarification is required on whether a company that is not otherwise required to appoint independent directors is required to appoint an independent director.

An example of shared value initiative is the 'Project Shakti' of Hindustan Unilever Limited (HUL). It enhances the direct support to retired employees and their families. While empowering women, it was extended to other members of the community located around ITC's manufacturing facilities. Can we classify 'Project Shakti' as a CSR project? Whether training expenses on Shakti entrepreneurs should be classified as CSR expenditure? The concept of shared value blurs the boundary between pure business activities and CSR activities. Shared value strategies definitely serve the CSR objectives, but they are closely intertwined with the business strategy.

We have discussed a lot on 'why' CSR. It's time to discuss 'how'. rather than 'why'. Draft Rules are before us. The provision (section 135) of the Companies Act 2013 shall be applicable from the financial year 2014-15 and companies hardly have five months to formulate the CSR policy. Certain issues are bothering those who are responsible for formulating the CSR policy and implementing the same.

The Draft Rules state, "CSR projects/programmes of a company may also focus on integrating business models with

environmental sustainability are also classified as CSR activities. Financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director will be an independent director. A clarification is required on whether a company that is not otherwise required to appoint independent directors is required to appoint an independent director.

In the absence of clarity, unscrupulous companies will take advantage of loopholes and honest companies also use those facilities. A clarification is required on whether only proportionate expenditure that can be assigned to the use of those facilities by local community members should be considered as CSR spend. Allocation of expenditure will be an issue that should be addressed by cost accountants. Activities related to 'envi-

ment, every company having a turnover of ₹500 crore or more or a net profit of ₹500 crore or more during any financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director will be an independent director.

If ITC designates it as a 'social business project', it shall not include surplus from this business in the net profit of the company. A clarification is required on whether a part of general overheads and the cost of serv-

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# India eyeing economic corridor with Mekong

Such a corridor will form an integral part of India-Asean connectivity

## FAR-REACHING TIES

- The Mekong-Ganga cooperation initiative includes India, Cambodia, Laos, Myanmar, Thailand and Vietnam
- The Mekong-India economic corridor will be a network of land and sea infrastructure
- Recent political reforms in Myanmar have enabled land connectivity between South and Southeast Asia
- India plans to sign a free trade agreement on services and investment with Asean in December
- It is expected trade between India and Asean nations would stand at \$100 billion by 2015

MAYANIMA BASU

New Delhi, 17 November

As part of India's Look-East Policy and its economic integration with the Association of Southeast Asian Nations (Asean), the government is promoting India-Mekong economic cooperation. Both sides are also planning a Mekong-India economic corridor, which will form an integral part of India-Asean connectivity.

For long, India has been promoting the Mekong-Ganga cooperation initiative, which includes India, Cambodia, Laos, Myanmar, Thailand and Vietnam. Initially, this was part of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

India is preparing to sign the much-awaited free trade agreement on services and investment with Asean in December. This would pave the way to an India-Asean comprehensive economic partnership agreement.

The Mekong-India economic corridor will be a network of land and sea infrastructure. Currently, the proposal is being studied by the Ministry of External Affairs. The corridor envisages the linking of vibrant emerging economies in the Asean region with India.

On November 19, Minister

of External Affairs Salman Khurshid will address a seminar on the proposal. The seminar, to be organised by the Confederation of Indian Industry (CII) and the Asian Development Bank, will also be addressed by Department of Economic Affairs Secretary Arvind Mayaram, Vietnamese trade minister Nguyen Cam Tu, Pan Sorasak, secretary of state, commerce ministry of Cambodia, and Yoshiro Kosaka, head World Customs Organisation (Asia-Pacific), among others.

In November 2012, it was agreed discussions on a regional comprehensive economic partnership would be initiated to enable further liberalisation between Asean nations and major regional economies, including India. The recent political reform process in Myanmar, a key bridge between the regions, now makes land connectivity between South and Southeast Asia possible, unlike the case a few years earlier, according to a study by CII.

In the last 11 years, trade between India and Asean nations has risen about 10 times to \$76 billion in 2012-13, exceeding the target of \$70 billion. It is expected trade would stand at \$100 billion by 2015, following the implementation of the India-Asean comprehensive economic partnership agreement in July 2015.

## Precious materials

### The importance of C N R Rao's Bharat Ratna

**O**n Saturday, the Indian government awarded its highest honour, the Bharat Ratna, to the scientist Chintamani Nagesa Ramachandra Rao. Dr Rao, a materials chemist, is the fourth scientist or engineer to be awarded the Bharat Ratna, after the Nobel laureate physicist C V Raman in 1954, the civil engineer M Visvesvaraya in 1955, and missile engineer and former President A P J Abdul Kalam in 1997. That list itself is revealing. Under India's first prime minister, Jawaharlal Nehru in the 1950s, the establishment of a "scientific temper" – a phrase he often used – was considered of paramount importance for the Indian state. Raman was an Indian scientist who had achieved international acclaim; Visvesvaraya had built a complex flood protection system for Hyderabad, a series of dams and reservoirs across the Deccan Plateau, and a barrier that protected the port of Visakhapatnam from sea erosion. In all the years since that time, the high noon of scientific optimism in India, only Dr Kalam – best known, perhaps, as an administrator of India's missile programme and not a scientist – has been deemed worthy. The turning away of India from Nehru's vision of indigenous science and engineering as a path to greatness is obvious.

Thus, Dr Rao's award deserves unqualified celebration. He is now 89, at the end of a long and celebrated career in which he has demonstrated remarkable skill and virtuosity as a research chemist. But perhaps most importantly, he has taken the time to help build institutions as well. He is chairman of the prime minister's scientific advisory council; he helped reinvigorate the Indian Institute of Science, Bangalore, in the 1980s and 1990s, and has set up several similar institutions since. Nor has his association with power curbed his tongue; he has spoken out about the tendency to ignore the importance of basic science, and has been scathing on the subject of Indian institutes' inability to compete on the world stage. In fact, he has gone further, and demonstrated a keen understanding of the economic importance of basic science. His basic research had several real-world implications for semiconductors, for example – but he has on occasion bewailed the fact that India lost out on the semiconductor revolution, with microchip manufacturing being largely unknown in this country. Dr Rao, with a very few peers across the world, helped propel materials chemistry in the 1950s into being the powerhouse it is today – the source of many hoped-for technological advances. But India, where he has lived and worked, has stumbled at translating this into economic gains.

After years of working on semiconductors and superconductivity, Dr Rao has turned his attention in his eighties to nanotechnology – the production of infinitesimally small "machines" – working on, among other things, how to generate semiconducting nano-tubes. As he has remarked, India cannot afford to miss out on the nanotechnology revolution as it has the biotechnology and semiconductor revolution. Over his long life and career, Dr Rao has seen India de-emphasise basic science, minimise the role of scientists and scientific temper in society, and fail to implement technological advances in its manufacturing sector. It is to be hoped that this award represents, more than anything else, a turning of the tide back to what it was when Dr Rao was a young scientist.

# What the Constitution really says about forming new states

K. VIVEK REDDY



INDIA has often been described as an "indestructible union with destructible states". It is this power to reorganise the state of Andhra Pradesh and create a Telangana state that is now being contested. Despite the fairly clear process stipulated in the Constitution for creating a new state, the opponents of Telangana, including the chief minister, have invoked the Constitution to oppose its creation. This deserves closer scrutiny.

First, it has been urged that, in the absence of a supporting state resolution from the state legislature, a new state should not be carved out of an existing one. The chief minister has specifically urged that this constitutional convention, which was followed for the creation of Chhattisgarh, Jharkhand and Uttarakhand, be followed even for the creation of Telangana.

This argument proceeds on a misunderstanding of the constitutional process for the creation of a new state. Constitutional conventions apply only when the Constitution is silent. The issue of creation of

a new state was extensively debated in the Constituent Assembly. Two proposals were specifically considered: one, a new state can be created only after the previous consent of the state legislature was obtained; and two, any proposal for legislation that increases or diminishes the area of an existing state shall originate from the state legislature. Both proposals were rejected on the ground that if either of these were accepted, a minority in the state would never be able to achieve its aspiration for a new state, however justified it may be. It is for this reason that Article 3, dealing with the formation of the new state, only requires the state legislature to "express its views", rather than a supporting state resolution.

When the States Reorganisation Act, 1956 and the Uttar Pradesh Reorganisation Act, 2000 were challenged, the Supreme Court on both occasions categorically stated that the views of the state legislature would be taken into consideration, but the same would not mean that Parliament would be bound thereby (*Babulal Parate vs State of Bombay, 1960* and *Pradeep Choudhury vs Union of India, 2009*).

Second, it has been argued that forming a new state out of an existing one without a supporting state resolution would undermine the federal character of the Constitution. This argument proceeds on a misunderstanding of the nature of Indian federalism. Unlike the

United States, where states joined together to create a union, the states in India were created by Parliament after the creation of the Union of India. If Parliament has the power to create a state, it would not violate the federal character if it exercises the same power to bifurcate said state. The creation of new states would only deepen the federal character of the Indian polity.

Does this mean that the Centre can carve out a new state without following any norms? Instead of stipulating norms, the Constitution has prescribed an elaborate process to ensure deliberation and debate precedes the creation of a new state. The Constitution mandates that only the president can introduce the bill, followed by debate in both Houses of the state legislature and Parliament, before it is actually

voted on and a new state is created.

Third, it is also urged that the creation of a new state be preceded by a constitutional amendment to Article 371D, which makes certain special provisions with regard to various regions of Andhra. This assertion ignores Article 4, which enables Parliament to make such "supplemental, incidental and consequential provisions as Parliament may deem necessary" while reorganising the state. As part of the reorganisation bill, Parliament can make appropriate amendments to Article 371D to safeguard the interests of new states. A constitutional amendment is not required. This is supported by past practice. For instance, when the state of Bombay was bifurcated, the special constitutional provision establishing development boards for various regions within the Bombay province in Article 371 was amended not by way of a constitutional amendment, but as part of the Bombay Reorganisation Act.

The Punjab Reorganisation Act, creating Punjab and Haryana, was challenged on the ground that the strength of the new Haryana legislative assembly was below the constitutionally prescribed limit of 60. The SC rejected the challenge, holding that the power of Parliament to create a new state includes "the power to modify the provisions of the Constitution in order to tide over a temporary difficulty". However, Parliament cannot use this

power to override the constitutional scheme by creating a state that does not have a legislature, executive or judiciary. But for that restriction, Parliament can amend any other provision of the Constitution while creating a new state (*Mayal Singh vs Shrimati Ratnu, 1967*). Thus, Article 371D can be amended as part of the reorganisation bill without a constitutional amendment.

Fourth, it has also been argued that when the president refers a bill to the state legislature for expressing its views, a resolution has to be introduced on the floor of the legislature, followed by voting. This again ignores Article 3, which uses the phrase "expressing its views". Whenever the Constitution mandates voting or passing of a resolution by the state legislature, it has expressly said so (Article 368 and 169). However, Article 3 neither speaks of the word "resolution" nor does it speak of voting. It only requires the legislature to "express its views", which need not be by way of voting. Each member or political party and the state cabinet can express their views in the legislature and the same would be transmitted to the president.

Carving out a new state has always been a difficult issue, but this has to be resolved on the floor of Parliament, not in the courtroom.

The writer is a Hyderabad-based lawyer

## Ignoring values

Why the Maldives' election is bad news for India

**A**fter an energetically contested run-off, Abdulla Yameen Gayoom has been declared the victor in the Maldives' election over former president Mohamed Nasheed. Abdulla Yameen Gayoom is the half-brother of Maumoon Abdul Gayoom, the former dictator of the island nation. Mr Nasheed himself was removed in a coup in 2012, after which he had sought refuge in the Indian embassy; he also won the initial round of voting before losing to Mr Yameen in a hotly disputed final run-off, in which the difference might have been made by extremist Islamist elements in the Maldivian political spectrum. India's official statements have expressed the country's neutrality between both forces in the election; an unexpressed hope is that, given the past comfort that India's foreign policy establishment had in working with Mr Gayoom when he was dictator, his half-brother would be similarly easy for New Delhi to manage.

This view is insupportable. In fact, this result is not good news for India, and is a direct consequence of New Delhi's mismanagement of the situation following the coup that unseated Mr Nasheed. Instead of supporting Mr Nasheed, a conservative foreign policy establishment decided to, essentially, abandon his claim to the presidency and tacitly indicated it would happily work with whoever held power. The short-sightedness of this was immediately apparent. Major contracts to Indian companies became the subject of controversy; many political figures made statements attacking Indian diplomats. By abandoning the India-friendly Mr Nasheed, New Delhi narrowed its foreign policy options in the Maldives in such a way that it is now forced to spin an embarrassing regional defeat as a victory.

What is worse is that Mr Yameen's victory reveals the extent of the inroads made by more fundamentalist forms of political Islam in India's neighbourhood. This is all of a piece with what is happening in Bangladesh, where the dominance of the incumbent and secularising Awami League has been challenged by the more conservative Bangladesh Nationalist Party and its Islamist allies. While some of this is due to local factors, India's inability or unwillingness to support friendly parties in its region is on display in both countries. And, in both countries, this has led to a constriction of possible future foreign policy alternatives, leaving New Delhi with the troubling possibility of dealing with Islamist-influenced governments that will take India-unfriendly positions.

This is a reminder that a foreign policy that is based on values like secularism and democracy is, in fact, in India's interests even when viewed from a strictly realist perspective. Had India valued secularism and democracy sufficiently, it would have recognised that an Awami League-led government in Bangladesh was such an asset that it would have gone the extra mile to make its tenure a success. Had India valued secularism and democracy sufficiently, it would have stepped in to defend Mr Nasheed's right to the presidential position after he was removed last year. In both cases, a values-based approach would have led to significant real gains for India in its neighbourhood. Instead, India faces the daunting challenge of dealing with rampant Islamism in South Asia and the inevitable spillover of that regional ascendancy into its own domestic problems.

# No breakthrough yet, but negotiators still hopeful at COP19

Nivedita Khandekar

nivedita.khandekar@hindustantimes.com

**WARSAW:** India has claimed that little has been achieved in terms of emission reduction targets and climate finance one week into the United Nations climate change conference but negotiators believe dynamics will change once ministers arrive for the ministerial-level talks.

Union environment minister Jayanthi Natarajan is scheduled to arrive in the Polish capital on Tuesday evening to join the talks at the 19th edition of the Conference of Parties (COP19). The two-week-long conference is trying to lay a ground map for a new deal to be signed in 2020 for global warming and climate change. On the first day of the summit, joint secretary (climate change) at the Union ministry of environment and forests (MoEF) had said, "The focus is on adaptation measures, finance vis-a-vis the Green Climate Fund (GCF), and technology transfer to fight climate change. We are looking at how these decisions can be implemented."

However, after the initial statement, the future of COP19 hangs in the balance

**JAYANTI NATARAJAN, UNION ENVIRONMENT MINISTER, WILL ARRIVE IN WARSAW ON TUESDAY TO JOIN THE TALKS**

as ministers arrive. "There is an expectation that when the ministers come, we may have some kind of decisions on how to take this forward," said Prasad.

Asked if COP19 was heading for a bleak end, a negotiator said, "Not exactly. Dynamics may change when the ministers arrive. I think some countries are willing to contribute to the Green Climate Fund, even since the US and some other countries are not clear. Other countries are not coming forward. But some nations are in that frame of mind that they can put their stamp if a decision is taken today."

In terms of implementation of earlier decisions, however, not much movement has been witnessed, the negotiator said.

The last edition of the climate conference in Durban had resulted in an extension of the Kyoto Protocol's lifetime, due to expire in 2012, till 2020.

# The new normal?

**Physics suggests that storms will get worse as the planet warms. But it is too early to tell if it is actually happening**

Was typhoon Haiyan the strongest recorded storm to make landfall? Meteorologists will never know. Reliable records go back only a few decades. But it is surely one of them. Besides the devastation and the death toll, one way to assess its potency is to compare it with Katrina, the hurricane that devastated New Orleans in 2005. At its most intense, Haiyan's peak wind speeds were probably greater than 300kph (190mph). The best estimate for Katrina when it hit land is around 200kph.

Regardless of its precise position in the historical hierarchy, Haiyan — like Katrina — has provoked discussion about the effects of global warming on tropical storms. Naderev Sano, the Philippines' representative at a climate summit in Warsaw, was unequivocal, daring doubters to visit his homeland. "The trend we now see is that more destructive storms will be the new norm," he said.

In theory, a warmer world should indeed produce more potent cyclones. Such storms are fueled by evaporation from the ocean. Warmer water means faster evaporation, which means more energy to power the storm. A warmer atmosphere can hold more moisture, which means more rain.

But other factors complicate things. Tropical cyclones cannot form when wind speeds in the upper and lower atmosphere differ too much. Climate models suggest in the North Atlantic at least, that such divergent winds may be more common in a warmer world. The Intergovernmental Panel on Climate Change (IPCC) reckons that the frequency of cyclones will stay the same or decrease while their average intensity goes up.

That is the forecast. But the evidence so far is messy. Meteorological records are of uneven quality, and tropical storms vary widely in intensity, which makes spotting trends tricky. Operation Deep Dive from 1979, Typhoon Tip holds the record for the lowest atmospheric pressure recorded, another measure of a storm's intensity. Yet levels of carbon dioxide, the main greenhouse gas, were only 337 parts per million (ppm) in 1979, compared with 399 ppm in 2012. The IPCC concludes that, although there is good evidence for more and stronger Atlantic hurricanes over the past few years, there is no consensus on the cause of them. Worldwide, there is no trend in either the frequency or the intensity of tropical storms. And, given the rarity of such storms as Typhoon Haiyan, it will take a long time for any trend to become apparent.

# BHARAT RATNA Awardees

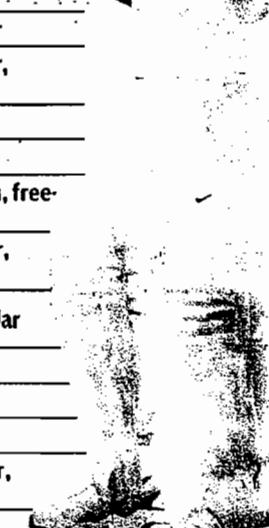
S. No.		Born in	Age	
42	Sachin Tendulkar	1973	26	Cricketer
24	Rajiv Gandhi*	1944	47	Former PM
15	Indira Gandhi	1917	54	Former PM
14	Lal Bahadur Shastri*	1904	62	Former PM
2	S Radhakrishnan	1888	66	Former president
3	C V Raman	1888	66	Physicist
6	Jawaharlal Nehru	1889	66	Former PM
12	Zakir Hussain	1897	66	Former president
32	APJ Abdul Kalam	1931	66	Former president
36	Amartya Sen	1933	66	Economist
7	G B Pant	1887	70	Politician
18	Mother Teresa	1910	70	Spiritual leader, Social worker
29	Satyajit Ray	1922	70	Filmmaker
43	CNR Rao	1943	70	Chemist
21	M G Ramachandran	1917	71	Film actor, politician
23	Nelson Mandela	1918	72	Second non-citizen, anti-apartheid movement
39	Lata Mangeshkar	1929	72	Playback singer
17	K Kamraj	1903	73	Politician
1	C Rajagopalachari	1878	76	Last Governor-General
11	Rajendra Prasad	1884	78	Former president
9	B C Roy	1882	79	Politician
10	P D Tandon	1882	79	Educationist
38	Ramzi Raik	1920	79	Sitar player
16	W G Grace	1894	81	Former president
33	M S Subbulakshmi	1916	82	Classical singer
13	R N Kane	1880	83	Samskrit scholar
40	Istadi Bismillah Khan	1916	85	Shehnai player
4	Bhagwan Das	1869	86	Freedom fighter, author
41	Pandit Bhimsen Joshi	1922	87	Classical singer
19	Adyaryya Vinobha Bhave*	1895	88	Social reformer
28	JRD Tata	1904	88	Industrialist
31	Aruna Asaf Ali	1905	88	Freedom fighter
34	Chidambaram Subramanian	1910	88	Freedom fighter, politician
5	M Visvesvaraya	1861	94	Engineer
26	Morarji Desai	1896	95	Former PM
20	Khan Abdul Ghammar Khan	1890	97	First non citizen, freedom fighter
35	Swami Vivekananda	1902	97	Freedom fighter, politician
22	B R Ambedkar	1891	99	Politician, ischolar
30	Chittaranjan Das	1898	99	Former PM
8	D K Karve	1888	100	Social reformer
27	Maulana Azad*	1888	104	Politician
37	Gopinath Bordoloi	1890	109	Freedom fighter, politician
25	Vallabhbhai Patel	1875	116	Politician

\*Posthumous



CNR Rao  
has 60 honorary  
PhDs to  
his credit

Sachin Tendulkar  
scored 100  
international  
centuries



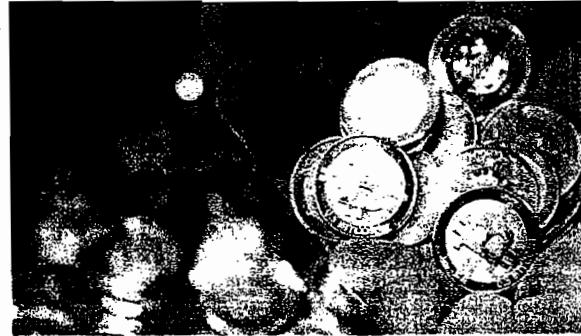
# Bitcoin gaining validity fuels rally

BLOOMBERG  
Portland, 10 November

**B**itcoin's rally is accelerating as the US Department of Justice's description of the digital currency as a "legal means of exchange" bolsters the prospect of wider acceptance as an alternative payment system.

Bitcoins, which exist as software and aren't regulated by any country or banking authority, surged to a record \$744 on Bitstamp, an active Web-based exchange where they trade for dollars, euros and other currencies, after the remarks at a hearing by the US Senate's Homeland Security and Governmental Affairs Committee. The gains extended an advance that has seen the price of Bitcoins quadruple in the past two months and climb 45-fold so far this year.

Growing interest from investors in China and a limited supply of Bitcoins have also been fuelling the increase in price, while last month's closing of the Silk Road Hidden Website — where people could



There are 12 million Bitcoins in circulation, according to Bitcoincharts, a website that tracks activity across various exchanges

obtain drugs, guns and other illicit goods using Bitcoins — was already spurring speculators to bet Bitcoins would gain more mainstream acceptance. Now, government agencies from the US Secret Service to the Financial Crimes Enforcement Network have weighed in to say that the virtual currency that's designed to be difficult to trace has potential benefits, as well as risks.

"These hearings mean Bitcoin is finally coming into its

own; it's a real thing and it's not going anywhere and these hearings highlight that," said Jerry Brito, senior research fellow at the Mercatus Center at George Mason University.

## Legal use

Introduced in 2008 by a programmer or group of programmers going under the name of Satoshi Nakamoto, Bitcoin is being used to pay for everything from Gummibär to smartphones on the Internet.

# *Mid-day lessons*

Government rankings of states' performance on mid-day meals offer insights on what works best

THERE has been introspection about the design and implementation of the mid-day meal scheme in the wake of the Gandamau tragedy in Bihar in July this year, when 23 children, aged between four and 12, died after consuming contaminated food at school. Questions over whether the state is capable of delivering nutritious and hygienic lunches, especially in villages and districts with bad roads and no cold storage facilities, have led to stakeholders re-examining the functioning — even the feasibility — of the scheme across the country. In this context, the first-time ranking of states by the Union ministry of human resource development on the basis of their performance in implementing the mid-day meal scheme, offers some surprising results.

Karnataka comes out on top, and Bihar, despite the relatively recent revival of its primary school system, is at number five. Tamil Nadu, where the national template of the mid-day meal programme originated, has underperformed. And Delhi, despite its high visibility, was at the bottom, with dismal scores in funds utilisation and the infrastructure and health categories. Unpacking the data on state performance should focus attention on what works and what doesn't, in a scheme that has a proven effect in increasing enrolment of students. For instance, most states do poorly in the monitoring and supervision category. Even

Tamil Nadu, with its much-vaunted local administrative structures and dedicated district officials to monitor implementation, scores abysmally low. But the rankings also confirm that the experience of mid-day meals varies widely across India.

While it would be a mistake to replicate too many operational details from the mid-day meal manual of a relatively successful state, and local conditions must be factored into how the scheme is implemented, it is possible to distil some shared lessons. Infrastructural problems need to be addressed, from non-availability of foodgrains to the absence of separate kitchen stores and cooks, which can lead to teachers having to step in to cook the meals, adversely affecting the quality of instruction they are able to offer students. The involvement of strong decentralised institutions in the mid-day meal scheme in Karnataka — for instance, via mothers' self-help groups that oversee implementation — likely contributed to its improved performance. Effective monitoring of such a massive administrative undertaking requires political and community ownership, and too often, the principal and teachers are the only active members of the school management committees whose task it is to monitor the scheme. Mobilising these committees to foster greater community involvement is essential in improving outcomes.

# Vietnam Leader's Visit Key to Rebalancing in SE Asia

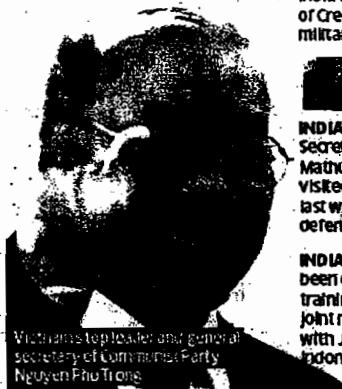
DIPANJAN ROY CHAUDHURY  
NEW DELHI

The visit of Vietnam's topmost leader Nguyen Phu Trong, General Secretary of the Communist Party, to India cannot be merely termed as yet another trip by a senior foreign leader in the calendar year. Beginning with the Vietnamese leader, Delhi will host Japanese Emperor Akihito and two more important leaders from the region -- South Korean President Park Geun-hye and Japanese Prime Minister Shinzo Abe (who will also be Republic Day Chief Guest) — over the next two-and-a-half months with an eye to counterbalance China's growing clout and aggressive postures in Southeast and East Asia.

This is third visit to the country by senior leaders of Vietnam since 2011, signalling the growing strategic and defence partnership. This speaks of growing links between the two countries both of whom have territorial disputes with China. While the Vietnamese President made a state visit in 2011, the Southeast Asian country's Prime Minister was in Delhi last year to attend the ASEAN Commemorative Summit. Trong's four-day visit beginning Tuesday would largely focus on expanding this burgeoning strategic partnership. As many as 13 agreements in the fields of hydrocarbon, trade, education, direct air-links, finance and customs are expected to be signed during this trip.

An area where in-depth consultations will be held away from the public glare is defence. The two sides are expected to firm up a Line of Credit (LoC) of \$100 million that India would extend to Hanoi in future to purchase four maritime patrol boats, official sources indicated. India has extended such LoC to

## Look East Policy



Vietnam's top leader and general secretary of Communist Party Nguyen Phu Trong

Mauritius and Seychelles too. The LoC was agreed upon around the time India reiterated its resolve to remain involved in oil exploration in the Phu Kanh basin of the South China Sea. Vietnam says it is within its rights to invite India to explore for oil in this area. But China claims that this basin is within the "nine dotted line" or its zone of influence. Last week Defence Secretary R.K. Mathur, on a quiet visit to Ho Chi Minh city, is understood to have firmed up major agreements to boost defence ties.

Militaries of India and Vietnam remain in regular touch.

Vietnam's wish list from India also includes BrahMos missile, jointly produced with Russia. Moscow has given green signal but Delhi is yet to take a

IN A FIRST to any SE Asian nation, India to extend a \$100-m Line of Credit to Vietnam for buying military equipment



INDIAN DEFENCE Secretary R.K. Mathur went visited Vietnam last week to boost defence ties

INDIA HAS ALSO been offering defence training and holding joint military exercises, with Japan, Singapore, Indonesia & Malaysia

13 AGREEMENTS to be signed during Vietnam General Secretary's visit

political call on the supply of BrahMos. The visits of Emperor Akihito followed by Prime Minister Abe in succeeding months speak of the journey that India and Japan has traveled since 1998 nuclear tests. Trade and investments apart, defence partnership and proposed nuclear deal have been key elements in the relationship. South Block officials explain, "India-Japan ties have been consistent over the past decade and it has only seen an upward trajectory. That Japan is emerging as defence hardware supplier is noteworthy. Abe is determined not to allow Chinese hegemony." Shyam Saran, former Foreign Secretary and currently chairman of the National Security Advisory Board (NSAB), told ET.

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**A** LONG a walking path that takes you to a medieval shrine in the Japanese garden behind the Chinzanso Four Seasons Hotel in Tokyo is an impressive stone sculpture of a three-headed god with six arms. I was not able to establish if this was a rendering of Brahma-Vishnu-Maheshwara, but anyone who knows Japan's ancient history would not rule it out. Both India and Japan must avoid the temptation and the trap of viewing their bilateral relationship merely from the contemporary prism of the world we live in now, and remind themselves that their relationship is based on the firm foundations of an ancient civilisational link.

One would imagine that this is the message that the emperor and empress of Japan would want to convey to their Indian hosts on the first ever official visit to India of a Japanese monarch. Emperor Akihito and Empress Michiko have been to India before, in 1960, but as prince and princess on a honeymoon, at a time when neither country was looking at the other as a strategic partner. In the winter of their reign, the two arrive in Delhi to signal the beginning of a new phase in the bilateral relationship. It is significant that the visit of the emperor and empress will be followed by that of Japan's charismatic leader, Prime Minister Shinzo Abe.

Taken together these visits to India, following Prime Minister Manmohan Singh's visit to Japan earlier this year, will mark the beginning of a new era in India-Japan relations. Why do I say this?

Despite the ancient civilisational relationship between the two countries and the fact that Japan played an inspirational role in India's own national movement, drawing to its shores a great Indian philosopher and religious leader, Swami Vivekananda, a great Indian poet, Rabindranath Tagore, a great Indian engineer, Mokshagundam Visveswarayya and offering protection and support to a great Indian freedom fighter and soldier, Netaji Subhash Chandra Bose, postwar Japan's incipient engagement with an industrialising



# The Emperor and Empress return to Delhi after 30 years to open a new chapter in ties

SANJAYA BARU

India, in the 1980s, was nipped in the bud by its decision to focus on China. During the 1990s, when India opened up to foreign investment, Japan was so mesmerised by the China opportunity that it chose to yield market space across a wide swathe of industries to South Korean competitors.

The 1990s was not just Japan's "wasted decade", it was also a wasted decade for the India-Japan relationship. Little wonder then that when India chose to conduct nuclear tests in the summer of 1998, Japan was quick to impose sanctions, while South Korea made a point of taking no such action, in the face of considerable pressure

tions. Our mission, given to us by the late Brajesh Mishra, then national security advisor and principal secretary to Prime Minister Atal Bihari Vajpayee, was to get Japanese thinkers, business leaders and policymakers to "appreciate" India's reasons for going nuclear. An entire day was spent at Tokyo's Japan Institute of International Affairs with a Japanese delegation led by Nobuo Matsunaga, a former Japanese ambassador to the US and the UN. It agreed to state Japan's "understanding" of India's decision, but not its "appreciation" of it.

Japan's stake in India was so low at the time, and its focus on

**While shared concerns about China's rise offered the context, it would be wrong to view the India-Japan relationship purely from the China prism. The more enduring context is the change in Japan's own view of itself, of its own place in the emerging multipolar world and the imperatives of its economic resurgence. Abe is the first postwar leader to urge his people to rise from their slumber and regain their self-confidence as a nation.**

from the United States.

In December 1998, I was invited to be the youngest member of a high-powered Indian delegation that travelled to Tokyo to urge Japan to end the regime of sanctions. Led by the late J.N. Dixit, a former foreign secretary and later national security advisor, the team included the late Jasjit Singh, then director-general of the Institute for Defence Studies and Analyses, a former Indian ambassador to Japan, Arjun Asrani and N.N. Vohra, now governor of Jammu and Kashmir and at the time, director of the India International Centre. I was then a professor at the Indian Council for Research on International Economic Rela-

China so obsessive, that it did not really bother about Indian concerns. While Japan had become the largest aid donor to India in the mid-1980s, its 1990s focus on China meant that India's relative ranking slipped down. It was only after 2001 that Japan started cutting back on aid to China and stepped up its assistance to India.

The real turn in the relationship began with Japan's former prime minister, Junichiro Koizumi, during Manmohan Singh's first term in office. Abe's impressive address to the Indian Parliament in August 2007 clearly defined the relationship in strategic terms for the first time. While shared concerns about China's rise and its "new as-

sertiveness" offered the context, it would be wrong to view the India-Japan relationship purely through a unidimensional China prism.

The more enduring context is the change in Japan's own view of itself, of its own place in the emerging multipolar world and the imperatives of its economic resurgence. Abe is the first postwar leader to urge his people to rise from their slumber and regain their self-confidence as a nation. Japan is, after all, Asia's first industrial nation. It is Asia's first military and technological power, it was the first Asian nation to challenge European power and supremacy and ignite Asian hearts across the length and breadth of this vast continent. Which is why Swami Vivekananda, Gurudev Tagore, Netaji and Visvesvarayya were so inspired by it.

Few in India today draw such inspiration from the mercantilist postwar Japan that for so long has become dependent on a US security cover for its own safety. To be viewed once again as the "Land of the Rising Sun", Japan must itself rise and when it seeks to do so, many in India will stand up for Japan.

True, there are some in India who have been so dazzled by China's rise and so unnerved by its military capability that they go weak in the knees when it comes to rebuilding relations with Japan. Similarly, there are still so many in Tokyo whose bank accounts overflow with cash earned from doing business with China that they still think of Japan as a mercantilist nation and not as a nation that inspired Asia.

What Abe and Singh have tried to do, and continue to try, is to rebuild the relationship, based on shared values and interests and, above all, on the foundations of a civilisational link. That too will be the message of the emperor when he comes calling.

*The writer is director for geo-economics and strategy, International Institute for Strategic Studies and honorary senior fellow, Centre for Policy Research, Delhi  
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# The inconvenient fact of drug resistance

If new anti-microbial drugs are not discovered, many people will die of commonplace infections in the years ahead \*

## abattleagainstbugs

Sudhirendar Sharma

In 2011, a fifth of the global human population perished on account of infectious diseases. With the power of anti-microbial and anti-bacterial drugs literally coming to an end, some 9.5 million people in developing countries paid the price for the growing resistance of bugs. Given the fact that no new class of antibacterial drugs has been discovered since 1987, humanity runs the risk of death from most common infections like never before.

Dame Sally C Davies, the first woman chief medical officer for England in over 150 years, made this revelation in her report 'The Drugs Don't Work'. "While new drugs have not been discovered, the existing formulations have been misused through overuse and false prescriptions," says Davies, "resulting in the bugs growing in resistance and fighting back with vengeance".

Already resistant bugs are killing 25,000 people a year across Europe. The same number die in road accidents. In the US, some 23,000 people die fighting infections each year, whereas in southeast Asia one child dies every five minutes. As India is home to some deadly infections like diarrhoea, pneumonia, typhoid, encephalitis and dengue, cumulative human casualty across different age groups is reportedly in excess of five million each year.

On an average, antibiotics add 20 years to our lives provided new formulations are developed before bugs become immune to existing drugs. Shockingly, it has been more than 20 years since a new drug has been developed, trapping developing countries like India in the double whammy of unnecessary death from infections and growing antimicrobial resistance. No wonder, the country has been witness to eight new infections in recent times.

Reports indicate that 30 new infections have been detected worldwide in the last three decades, accounting for 26% of annual deaths worldwide. If such is the pace with which infections are growing, why is drug development lagging behind? Davies offers a shocking answer: "because companies can no longer make enough money out of antimicrobial drugs to justify investing in research needed".

It can cost over \$1 billion to develop a new medicine, meaning that drug companies are very careful about what areas to research. Currently the return on investment is likely to be much higher for other therapeutic areas, such as cancer, arthritis, diabetes and other chronic diseases. This is because

the treatment for chronic diseases can last for months or years as opposed to relatively short courses for antimicrobials.

New drugs are likely to have a shortened shelf-life, failing to recover the huge investment made in researching the new drug.

The World Health Organization has also warned that an infectious disease crisis of global proportions is threatening hard-won gains in health and life expectancy. Infectious diseases are now the world's biggest killer of children and young adults. They account for more than 13 million deaths a year — one in two deaths in developing countries.

The only way to pull out of the crises, according to Davies, is to make drug innovation financially attractive. If a \$10 million Ansari X Prize can be created to stimulate research on new generation of space launch vehicle, setting up a \$50 million prize for anyone discovering a new class of antimicrobial drugs can surely go a long way towards saving millions of people from the danger of emerging infections.

As Davies warns, 'If we fail to develop new drugs fast enough, people will start dying from the most commonplace of infections in the years ahead.'

Sudhirendar Sharma researches development issues at The Ecological Foundation, New Delhi  
The views expressed by the author are personal

# RBI gets \$22.7 billion in forex under special swap windows

BS REPORTER  
Mumbai, 20 November

So far, the Reserve Bank of India (RBI) has received \$22.7 billion under the special concessional window to swap fresh foreign currency non-resident (bank), or FCNR (B) deposits and foreign currency borrowings.

On September 4, RBI had announced these schemes to boost sentiment in the foreign exchange market and attract dollar flows. Both swap windows are open till November 30. The central bank is yet to specify how much it has collected under each window.

Under the FCNR (B) window, banks can swap fresh dollar funds (deposits with a maturity period of at least three years) at a fixed rate of 3.5 per cent a year for the tenure of the deposit. RBI has entered into swap arrangements with banks for the principal amount to be brought under FCNR (B). It had also opened another window through which banks could swap fresh borrowings against Tier-I capital, at one percent less than market rates.



**The central bank had announced such schemes to boost sentiment in the foreign exchange market and attract dollar flows. It is yet to specify how much it has collected under each window**

In September, RBI received \$4.1 billion in FCNR (B) deposits, while total non-resident Indian (NRI) deposits increased \$10 billion.

In August and September, the central bank had taken many steps to attract foreign exchange, which would help

stem the fall in the rupee. In August, it had allowed banks to offer interest without any ceiling on non-resident (external) rupee, or NRE, deposits with maturities of at least three years. Banks would not have to maintain cash reserve ratio or statutory liquidity ratio for any incremental NRE and FCNR (B) accounts. RBI also raised the interest ceiling for FCNR (B) deposits for three-five-year maturities by 100 basis points — to 400 basis points more than the London Interbank Offered rate (Libor).

# GST: A long and winding road

**MAKING IT SIMPLER** The goods and services tax has hit a roadblock over taxes on fuel and alcohol. HT takes a look:

Gaurav Choudhury  
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## What is good and services tax (GST)?

GST is India's most ambitious indirect tax reform plan, which aims to stitch together a common market by dismantling fiscal barriers between states. It is a single national uniform tax levied across the country on all goods and services.

## Why is it required?

The indirect tax system in India is currently mired in multi-layered taxes levied by the Centre and state governments at different stages of the supply chain, such as excise duty, octroi, central sales tax (CST) and value-added tax (VAT), among others. In GST, all these will be subsumed under a single regime.

## Why is it taking so long to roll out GST?

In addition to the passage of the Constitution Amendment Bill by the Parliament and state assemblies, it is also imperative to have a robust country-wide information technology (IT) network and infrastructure to make the implementation seamless across state

boundaries. The IT network is still work in progress. The most important issue on which consensus eludes states and the Centre is regarding the states. GST's implementation faces political hurdles as it could rob state governments of discretionary fiscal power. States also fear that they will suffer heavy revenue losses after GST is implemented. State governments point out that the Centre has been not able to successfully convince them about adequate measures to protect them against potential revenue losses.

At a meeting in Shillong, the capital of Meghalaya, state finance ministers have opposed the inclusion of petroleum products and liquor under GST. They have also pressed for a formal mechanism as part of the Constitution Amendment Bill for compensating the states for revenue losses they may have to suffer after GST is rolled out. The states have also demanded that the Centre does not enjoy the power to categorise some items as declared goods — items of special importance on which Centre can impose lower taxes.

## How will the system work?

GST, if adopted, can dramatically alter tax administration by giving a one-shot solution to a welter of levies. Under the system, the Centre and states will tax goods and services in identical rates. For instance, if 20% is the agreed rate on a certain good, the Centre and states will collect 10% each on the good.

**₹9,000 cr**  
Allocation in this year's budget to compensate states

**50%**  
No. of state assemblies that will have to pass amendment

ILLUSTRATION:  
ABHIMANYU

## Why is dual GST required?

India is a federal country where both the Centre and the states have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST will conform to fiscal federalism.

**When will it be implemented?**  
The system can be rolled out only when Parliament passes the Constitution Amendment Bill, which has been pending in Parliament since March 2011. A Constitution Amendment Bill can be passed in Parliament only if at least two-thirds of the members

vote in its favour. In addition, at least half of the state assemblies will have to pass the Bill. In an election year, it is unlikely that the Bill will be passed in the Parliament and state assemblies.

## Why do states believe that they will suffer revenue losses?

There are certain very state specific issues. For example, Maharashtra earns more than ₹13,000 crore annually from octroi. Gujarat, on the other hand, a highly industrialised state, earns about ₹5,000 crore from its share from the central sales tax.

**If there is a loss in revenue, how will states be compensated?**  
Discussion on GST between the Centre and the states have been largely concentrated



coded

## EMPOWERED COMMITTEE

The Empowered Committee of State Finance Ministers was originally set up in July 2000 by the Centre with an objective to switch over to value-added tax (VAT) and to monitor reforms in the Central Sales Tax system existing in the country. Introduction of the VAT at the central and the state has been considered to be a major step — an important breakthrough — in the sphere of indirect tax reforms in India. If VAT is a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, then the goods and services tax (GST) will indeed be a further significant improvement — the next logical step — towards a comprehensive indirect tax reforms.

working out an independent mechanism to compensate states from revenue losses after rolling out GST. The government has gradually brought down the level of central sales tax (CST) over the past few years from 4% to 2% as a precursor to rolling out GST. As an interim measure, the Centre has periodically compensated state governments for revenue loss.

## INCLUSIVE INNOVATION FUND

# Cabinet to take up proposal

SANJEEB MUKHERJEE  
New Delhi, 23 November

**A**fter a gap of about three years, the Cabinet is likely to take up a proposal to set up a ₹5,500-crore Indian Inclusive Innovation Fund (IIF).

The fund will be under the Ministry of Micro, Small and Medium Enterprises (MSME). Officials said though the Planning Commission wanted the fund to be set up under the Department of Science and Technology, not MSME, the issue had now been resolved.

MSME has floated a Cabinet note in this regard.

The fund proposes to invest

in a new generation of Indian

entrepreneurs who are either building or will build world-class enterprises that focus on the problems of the poor

entrepreneurs who are either building or will build world-class enterprises that focus on the problems of the poor

as a for-profit entity, with a focus on social investment.

Earlier, then finance minister Pranab Mukherjee had sanctioned initial seed capital of ₹100 crore for the fund. Officials said 20 per cent of the total funds for IIFF would be provided by the government, while the rest would come from banks.

In 2011, Prime Minister Manmohan Singh had announced setting up of the fund to help the bottom half of the country's economic pyramid.

"We have made innovations in areas such as space technology, atomic energy and automobiles. But innovation in our country has focused mostly on the needs of rich, not ade-

quately on solving the problems of the poor. We wish to change this state of affairs," Singh had said.

Innovation, he had said, could be "a game-changer to move from incremental change to radical change." He added the country needed models of innovation to address problems in areas such as poverty alleviation, health care, rural communications, agriculture, animal husbandry and green energy.

In its approach paper to the 12th five-year Plan, the Planning Commission had supported the idea for such a fund, which would specifically focus on encouraging grass-root innovations to help the poor.



12th  
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innovations to  
help the poor.

# Warsaw meet headed for a stalemate?

Nivedita Khandekar

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**WARSAW:** Starting Friday morning, the climate change negotiations between 194 countries that had spilled over to Saturday have shown no signs of reaching any conclusion and, instead, are on the verge of a breakdown.

A similar situation was witnessed in 2011 at the Durban COP where the discussions had continued till the morning of the third day.

As part of the 19th session of the Conference of Parties (COP19) of the United Nations Framework Convention for Climate Change (UNFCCC), rich and poor countries have been discussing threadbare every single point going into the framework text for a new agreement to

be signed at Paris in 2015.

The new agreement should ideally be including new emission reduction targets, especially by industrialised countries and also financial commitments by rich nations to help poor countries fight the adverse impacts of climate change.

Developing countries – led by G77, BASIC – which has both India and China – have held the fort and continued to fight back the developed countries.

Late last night, the ministerial plenary discussed the draft text and returned it to the delegates to thrash out a new draft as they felt the earlier one was too weak. This means, the delegates discuss the text again and arrive with a stronger draft.

Major bones of contention include commitments by the rich

WE ARE SMALL COUNTRIES WITH SMALL DELEGATIONS. YOU NEED TO RESPECT US AND ENSURE THAT WE AS HUMANS ARE NOT PUT THROUGH IMPOSSIBLE PHYSICAL LIMITATIONS

CLAUDIA SALERNO, head of Venezuelan delegation

countries for the climate finance front, mutually agreeable reduction of emission targets and a mechanism for vulnerable countries for coping up with loss and damage as a result of weather extremes due to climate change

At the penultimate meeting, Ravi Shankar Prasad, heading the Indian delegation, expressed concern at the "missing sense of urgency" and said: "There was expectation of ratcheting of ambitions (of reducing emitting targets) by developed countries to at least 40%. Also, we don't have a road map on finances. The text does not address our concerns. It disturbs the balance that we are trying to strike."

Claudia Salerno, heading the Venezuelan delegation, said what was on every developing country's mind. "It has been more than 30 hours of non-stop discussions. We are small countries with small delegations. You need to respect our human rights and ensure that we as humans are not put through impossible physical limitations."

# Vaccines and the demographic 'dividend'

SANJAY JAISWAL

**W**hat precisely does India's demographic dividend amount to? In 2026, to pick a random year from the near future, 573 million Indians will be aged between 15 and 30, out of a total population of close to 1.5 billion. Well-equipped and skilled, a young population can be a boon. Ill-equipped and poorly-skilled, it can be a disaster. The challenge before us is an economic one — providing education, vocational skills and jobs. Yet, it is also a social one, related to health and nutrition.

Not that this has gone unrecognised. After all, among the points raised during the recent debate on the Food Security Bill was the need to ensure timely and adequate food for our children. It has been scientifically established that nutrition is directly linked to cognitive development and learning abilities and is therefore essential for young children.

Rearing a child cannot, however, be broken into separate parts and silos. It represents a continuum where education, social and physical environment, food security and public health all play a part. As such, in acknowledging the food security provisions, let us not forget the challenge India faces from childhood diseases.

Each year, 6.6 million children around the world die before the age of five. India accounts for an astonishing and shaming one-fifth of this number. What is particularly tragic is the vast majority of these children die of eminently preventable diseases. As a signatory to the United Nations Millennium Development Goals (MDGs), India is internationally committed to act on this. MDG 4, after all, holds India to the promise of reducing under-five mortality by two-thirds by the year 2015. This goal cannot be met if diarrhoea and pneumonia, the two primary killers of children in India, are not tackled.

Diarrhoea kills more than 200,000 children in India before they reach their fifth birthday (Unicef). Even if a child survives, the costs related to treatment, hospitalisation and other suffering can be guessed. Rotavirus, the leading cause of diarrhoea in India, is responsible for an estimated 75,000 deaths, 450,000-800,000 hospitalisations and two million outpatient visits per year. Do remember, diarrhoea is much more likely to strike a child from a poor family, living in an unhygienic neighbourhood.

The corresponding figures for pneumonia are no less depressing. Caused by *Streptococcus pneumoniae* and *Haemophilus influenzae* type B (Hib), pneumonia is the leading killer of children under five in India and globally. To give you an idea, pneumonia accounts for more deaths than HIV-AIDS, malaria and measles combined. Yet, it gets only a fraction of the media coverage and public and policymaker attention.

In 2010, just over 30 per cent of deaths of Indian children in the one to 59 months cohort occurred due to pneumonia. This came to some 250,000 deaths. An additional 142,000 neonatal deaths were caused by pneumonia that killed new-born infants before they completed their first month.

What is the way out? Can India even hope to meet the aspirations of MDG 4? Public

health specialists increasingly stress the relevance of what may be called the PPT model — Protect; Prevent; Treat.

Of these, protection is ideal — but the conditions for it, social and economic, are not always optimal in a developing country such as India. Protection calls for promoting breastfeeding and hand-washing, both of which are the first line of defence against pneumonia and diarrhoea. Adequate nutrition and supplementation — zinc in the case of pneumonia and zinc and vitamin A in the case of diarrhoea — are also recommended.

Finally, reducing indoor air pollution — difficult in crammed Indian homes, where a coal-based stove may be functional in the same room as a child — is vital to guarding against pneumonia. In the case of diarrhoea, safe water and sanitation are required. How easily are these available? Our sanitation statistics are there for all to see.

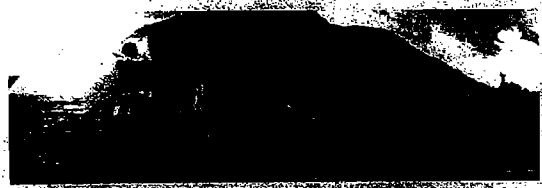
Treatment is the last-ditch stand, often a desperate attempt to stave off death. Even if successful, it need not be without consequences. Take the example of pneumococcus, which causes both pneumonia and meningitis. Detected early, it can be treated with antibiotics. However, India has a longstanding problem related to antibiotic misuse, leading to resistance. As such the efficacy of this mode of treatment may be less than expected in serious cases.

That aside, access to treatment and care is unpredictable and depends on which state or even town or village you live in. Only 13 per cent of Indian children suspected to have pneumonia receive potentially life-saving treatment. Even when treatment works and saves the patient, there can be long-term implications. Meningitis survivors often complain of hearing loss, seizures, motor impairment and mental retardation. Naturally, scholastic outcomes in the classroom suffer.

All this makes the second P — prevention — key to India's MDG 4 campaign. In turn, this calls for use of the most cost-effective and technologically-adept tools of prevention. Within such a matrix, the choice of vaccines is inevitable and unavoidable. As the development economist Jeffrey Sachs once put it, vaccines are "weapons of mass salvation".

Vaccines that are already part of our routine immunisation system and promised to every Indian child assist us in taking on diarrhoea and pneumonia. The measles vaccine helps prevent both afflictions and the pertussis vaccine provides collateral immunity against pneumonia. However new vaccines are also available and increasingly used in the private sector in India and of course in other countries. These are the rotavirus vaccine (which protects against the most lethal form of diarrhoea) and the pneumococcal and Hib vaccines that fight the pneumonia family of diseases.

It is time to get these vaccines to those who need them most: vulnerable children from India's poorest districts and most economically-stricken households. We owe it to our MDG commitment before the United Nations. More than that, we owe it to the legatees of our demographic dividend.



### China, Japan spar over Senkaku Islands

China has declared an air defence identification zone in the East China Sea, amid a territorial dispute with Japan, warning its armed forces will take "defensive emergency measures" if aircraft fails to comply. A map, details of the zone's coordinates, and rules governing the area were posted on China's defence ministry website on Saturday, along with a question & answer statement from spokesman Yang Yajun. Japan's Foreign Ministry lodged a complaint with China over the zone, *Kyodo News* said. The move risks heightening tensions between Asia's two biggest economies that are in dispute over the ownership of islets known as Diaoyu in Chinese and Senkaku in Japanese. The islands lie inside the zone and both nations claim sovereignty over the surrounding waters, which are rich in oil, natural gas and fish.



**Statins** (or HMG-CoA reductase inhibitors) are a class of drugs used to lower cholesterol levels by inhibiting the enzyme HMG-CoA reductase, which plays a central role in the production of cholesterol in the liver. Increased cholesterol levels have been associated with cardiovascular disease, and statins have been found to prevent cardiovascular disease in those who are at high risk.

## **Lakshminath Bezbaroa**

(1868–1938) was a great Assamese personality and celebrated pioneer of modern Assamese literature. He was one of the literary stalwarts of the Jonaki Era, the age of romanticism in Assamese literature when through his essays, plays, fiction, poetry and satires, he gave a new impetus to the then stagnating Assamese literary caravan.

As a sensitive artist, he responded to the prevailing social environment through his beautifully timed satirical works to bring and sustain positive changes to the former.

A year-long celebration to mark the 150th birth anniversary will kick-start in Delhi next month with a sarod recital by Amaan Ali Khan and Ayaan Ali Khan.

# India in talks with 10 countries for currency swap pacts

ENS ECONOMIC BUREAU  
NEW DELHI, NOVEMBER 22

INDIA is in talks with major trading partners, including Singapore and Japan, as well as oil suppliers like Iraq and Venezuela, to accept payment in rupee for a part of their exports.

*Reuters* reported that this is one of the key recommendations of a government panel that was set up in August to study currency swaps and is now understood to have won support from the finance ministry, commerce ministry and the Reserve Bank of India. The move will also make the rupee more acceptable in international trade.

The report of the task-force under Rajeev Kher, additional secretary in the commerce ministry, which is likely to be finalised over the next few days, is expected to call for currency swap pacts with 10 countries in rupee for a part of their exports.

The assumption is that the rupee is now acceptable *de facto* as a unit of currency by traders in markets like Singapore and so the barter trade will give it legitimacy.

It is one more step to push the rupee closer to capital account convertibility. For instance India-Singapore trade was over \$24 billion in 2012 and diversified. So there is room for savings by India of \$1 billion of foreign ex-

## BARTER TRADE

SINGAPORE and Japan, as well as oil suppliers like Iraq and Venezuela, are being approached to accept rupee payments for part of their exports.

THE REPORT of a task force under Rajeev Kher, additional secretary in the commerce ministry, is

likely to be finalised in a few days.

THE ASSUMPTION is that the rupee is now found acceptable as a *de facto* unit of currency by traders, and the barter would give it legitimacy.

THIS IS one more step towards capital account convertibility

change through this arrangement, an earlier report by *The Indian Express* had noted.

Earlier this year, India has begun paying for oil imports from Iran in rupees that could help save \$8.5 billion in the current fiscal.

It plans to target oil producing countries such as Venezuela and Iraq, too, for a similar arrangement. But while Iran is a special case, Iraq

or Saudi Arabia have problems as they hardly import anything from India.

So the rupee chest will be useless for them. *Reuters* however, reported that China has also shown keenness to start a yuan-rupee trade while Japan, too, is largely willing to go ahead with such a plan.

India's current account deficit shot up to \$88 billion in 2012-13 and its trade deficit

widened to a record \$190 billion in last fiscal as the gap with major trade partners such as China soared to \$40 billion, and the combined deficit with South Korea, Japan and Venezuela touched \$30 billion.

The record CAD is also blamed for the sharp depreciation in the rupee that touched a record low of 68.75 against the US dollar in late August. Since then, the government has stepped in with a number of measures to arrest the rupee fall and control the CAD, which is now estimated at \$60 billion in 2013-14.

A larger volume of trade in rupee will expand the onshore market for the currency, which is now domi-

nated by offshore non-deliverable forwards market.

The volume of rupee offshore market is now 18 per cent of the daily turnover for all emerging market economies, as per Nomura estimate. Available literature also shows that typically for India and China, it is the offshore market that determines how the domestic currency behaves compared with economies that allow more convertibility, like Brazil and South Korea.

For instance, since 2008, while NDF trade in the Brazilian real has retained the top spot among all nations, the rupee has vaulted to the second position by 2013, the same Nomura paper shows.



# Lok Adalats set world record, settle 35 lakh cases in 8 hours

Dhananjay Mahapatra/TNN

New Delhi: At a time when 16,000-odd trial courts, 21 high courts and the Supreme Court are battling pendency of over three crore cases, a nationwide simultaneous holding of Lok Adalats created a world record by disposing of 35.1 lakh cases within eight hours. The Lok Adalats were opened on Saturday by Chief Justice P Sathasivam.

"What is important is these cases will be settled and reach a finality without litigants going back home with a sense of rancour that drives them to file appeal in higher courts. Settlement of cases leaves both parties happy both in heart as well as in the pocket," said Justice G S Singhvi, executive chairman of National

Legal Services Authority.

The simultaneous functioning of Lok Adalats was televised live through web casting, a facility provided by the apex court's e-committee headed by Justice Madan B Lokur. A whopping 39 lakh cases were put up for settlement in a friendly atmosphere of Lok Adalat without the overbearing presence of court staff or the incomprehensible legalese.

The litigants discussed among themselves and when they agreed for a settlement, in 35.1 lakh cases, it was recorded by a judicial officer, bringing an end to disputes. Appeals are not against settlements recorded under Lok Adalats. How are Lok Adalats different from the courts? Answering the self-posed ques-

tion, Justice A K Patnaik, who also heads the Supreme Court Legal Services Committee, said an accident victim after moving at a snail's pace through a clogged pathway in three-tier justice delivery system gets compensation years later.

But the Lok Adalats would provide immediate relief, which is more useful to a victim than the money he receives years later and realizes that inflation has significantly devalued the quantum of compensation, he said. CJI Sathasivam said the Lok Adalats, like courts, would strictly adhere to principles of natural justice. Justice Singhvi said, the record settlement will give a fillip to Lok Adalats as a people-driven concept. This should be popularized to make justice affordable.

read the article and share your views on [timesofindia.com](http://timesofindia.com)

## FIVE YEARS IN THE MAKING

**JANUARY 2009:** President Barack Obama, in his first inaugural address, suggests a willingness to open contacts with Iran.

**MARCH 2009:** Obama calls for a "new beginning" in the countries' relationship.

**SEPTEMBER 2011:** Informal contacts between working-level American and Iranian officials begin in earnest at various locations.

**JUNE 2013:** Hassan Rouhani wins Iranian election, promising relief from sanctions that are crippling the country's economy and signaling a new willingness to engage on the nuclear issue.

**AUGUST 2013:** Rouhani and Obama exchange letters. A framework for an initial nuclear deal begins to emerge.

**SEPTEMBER 2013:** Obama speaks to Rouhani by phone in the first conversation between a US and Iranian leader since 1979.

**OCTOBER 2013:** Secret meeting held between US and Iranian officials. A new round of larger nuclear talks with world powers is held in Geneva.

**NOVEMBER 23, 2013:** Western powers and Iran reach the initial deal on curbing Iran's nuclear programme.

## WHO GAINS, WHO LOSES

### WINNERS

**ASIAN OIL CUSTOMERS:** Sanctions on Iran's oil exports will remain in place during the six-month period covered by the deal, but world powers promise no new economic measures against Tehran as long as compliance moves ahead. This is good news for energy-hungry Asian economies such as India and China.

**DUBAI:** Sanctions have sharply cut into the traditional trade and liveli-

hood of many in the large Iranian expatriate community in Dubai. Anything that brings back Iranian business is welcome in Dubai.

**IRAN'S PRESIDENT:** Rouhani often pitched the nuclear talks as a potential for a "win-win" outcome with the West. On one level, he got his take by securing a deal that allows Iran to maintain uranium enrichment — although at lower levels.

### LOSERS

**ISRAEL:** Many Israeli officials, including Prime Minister Benjamin Netanyahu, see Iran's ability to enrich uranium as a recipe for potential disaster. Netanyahu must now try to weigh the significant risks of turning his back on the West and considering possible unilateral military options.

**SAUDI ARABIA:** Saudi Arabia now sees the deal as favouring its

regional rival and diminishing the Gulf role in US policy-shaping. It's unlikely, though, to stop the major Saudi military purchases from American defence contractors.

**EGYPT:** The nuclear deal and the possibility of expanding US-Iran dialogue could cut into Egypt's traditional standing as the guiding force in shaping Western policy in the region.

# There's nothing much to write home about

The steps taken at the Warsaw climate meet looked more like uncomfortable shuffling of feet with the odd stumble forward

## adodginggame

Graham Readfearn

After sitting through the final week of the UN climate change negotiations in Warsaw, one thing has become clear: Rich countries are desperate to avoid taking the blame for the impacts of climate change on nations with a lot less money but an awful lot more to lose. More specifically, the developed countries won't let any statements slip into any UN climate document that could be used against them in the future.

The 19th Conference of the Parties meeting of the UN Framework Convention on Climate Change, which ended a day late on Saturday, was supposed to be a stepping-stone towards a new global deal to cut emissions. By virtue only of the fact that the meeting went ahead and that all the countries have agreed to turn up again in Peru next December, it was a stepping-stone of sorts. In the grander scheme of stuff, the "steps" taken in Warsaw looked more like

uncomfortable shuffling of feet with the odd stumble forward.

One decision from Warsaw was that the UNFCCC will set up a new mechanism to deal with "loss and damage" from climate change. That is, to provide help to poorer countries for dealing with the impacts of climate change. It seems to acknowledge that one-off "extreme weather events" can be linked to human-caused climate change.

This new "loss and damage" branch can be seen as an explicit and formal recognition that impacts from climate change are inevitable. One observer at the talks described "loss and damage" as the UNFCCC's "third leg". The first leg is mitigation, when countries cut emissions and issue targets. The second leg is adaptation, when you make advance preparations for the impacts of climate change that are already locked in.

But what the agreed text conspicuously avoids is any suggestion that contributions made by developed countries should be worked out based on their overall contribution to the 40% increase in greenhouse gases in the atmosphere since the start of the industrial revolution.

In short, this would be seen as an admission of liability and rich nations do not want a court case.

The countries agreed to go back home and "initiate or intensify domestic preparations for their intended nationally determined contributions" to whatever deal might be brokered in Paris in 2015. Countries will be able to start putting their "contributions" to cutting emissions on the table from April 2015 - these "contributions" might be targets but could be other efforts to keep emissions down. But the text of the agreement makes clear that whatever nations do offer, this will be "without prejudice to the legal nature of the contributions".

When it comes to offering even a broad outline of what a new Paris deal will look like, the decision from Warsaw leaves the door not so much open as swinging wildly on its hinges.

As the document says, a deal requiring action from 2020 could end up being "a protocol, another legal instrument or an agreed outcome with legal force".

So pretty much anything, then.

*The Guardian*

# CPI bonds to shield investors from inflation

By Bureau

New Delhi, Nov 25: CPI-indexed bonds aimed at giving retail investors a cover against prevailing high inflation and wean people away from purchasing gold will be launched by December-end, according to RBI deputy governor HR Khan.

"Guidelines (on CPI bonds) will be out soon... We are likely to launch the first tranche before end of December. We will come out with details. This year it (quantum) should be between ₹10,000 and ₹15,000 crore (for wholesale price and consumer price indexed bonds) but the exact amount will be announced. This is part of (the government's) overall borrowing programme," said Khan on the sidelines of an event organised by the National Housing Bank.

In its policy statement last month, RBI had said that inflation-indexed securities for retail investors of 10-year tenor would be linked to the new (combined) consumer price index. Interest would be compounded half yearly and paid cumulatively at redemption, the statement said. Apart from India, such inflation-indexed bonds are issued in the US, UK, Sweden, France, Italy, Japan and Australia, among others, and all of them link the instrument to consumer price based inflation.

Meanwhile, Khan also said over \$25 billion has been received from the swap facility for Foreign Currency Non Resident (Banks) deposits and banks' overseas borrowings. The swap facility was introduced in Sep-

tember as the rupee was threatening to breach 70 to a dollar and had hit a record low of close to 69 in August.

The facility closes on November 30. RBI had clarified recently that banks can get disbursement from multilateral agencies till December 31.



**THE CPI-INDEXED BONDS WILL BE LAUNCHED BY DECEMBER-END, ACCORDING TO RBI DEPUTY GOVERNOR HR KHAN**

"There are some multilateral institutions who have taken some time to sanction the loans and release it. What we have said is that there is a commitment that they will be releasing so we have given time up to December 31 for the banks to take loans under tier-I from international financial institutions, multilateral financial institutions," he said.

"The transaction has to be booked before November 30. This is limited only to banks who are on the process of negotiations with international financial institutions. We have issued a circular on this," he said.

# Only 11% women MPs in LS

**India Ranked A Poor 108th In Gender Parity In Parliament**

Lubna Kabby | INN

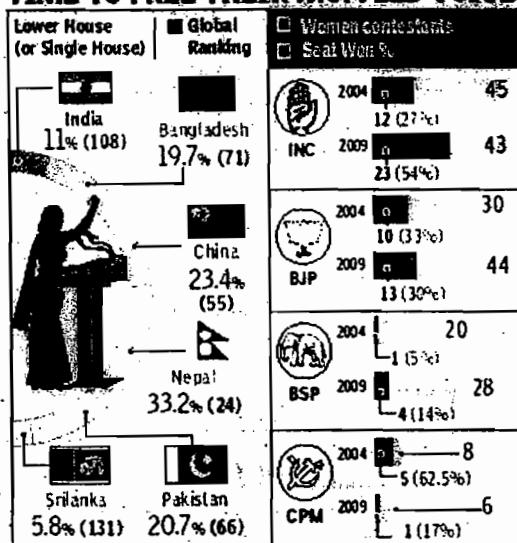
**W**omen have a poor 11% representation in India's Lok Sabha and 10.6% in Rajya Sabha, making India 108th among 188 countries covered in the annual analysis on statistics of women MPs conducted by the Inter-Parliamentary Union (IPU).

The global average of women in Parliaments, as of November 2013, stood at 21.3%, a slight increase over the preceding two years (20.3% and 19.5%). IPU is an international organisation of Parliaments and works for establishment of representative democracies. Countries are ranked by IPU based on percentage of women in the lower house. The top three in the 2013 analysis were Rwanda, Andorra and Cuba.

India fared poorly even when compared with her immediate neighbours (see graphic). Here, Nepal, ranked at 24, led the pack, followed by China (55) and Pakistan (66).

With elections around the corner in India, several women's groups have come together under the umbrella

## TIME TO FREE THEIR MUFFLED VOICE



of 'Time for 33% Coalition' and are seeking passage of the women's reservation bill during the winter session that begins shortly. The bill proposes to reserve 33% seats for women in Lok Sabha and the state legislative assemblies. Various similar bills, introduced since 1996, have lapsed.

According to Election Commission statistics, for the 543 Lok Sabha constituencies the number of elected women increased from 49 in 1996 to 59 in 2009, with 11% representation in the lower house. In 2009, the number of elected women (over total

seats) was maximum in Punjab (30.8%), followed by Madhya Pradesh (20.7%) and Haryana (20.0%). Against this, the number of women voters in India has risen from 44.3% to 45.8%.

"The patriarchal hereditary nature of Indian polities requires intervention at many levels and in many forms. A 33% reservation, which is the minimum mass required, will be one of the most significant changes in helping women attain their right to participate in Indian democracy not just as voters but also as leaders," stated Amitabh Kumar of

Centre for Social Research.

"Even in highly patriarchal societies such as Afghanistan, a reservation mechanism is in place. Appropriate representation of women is possible only through a quota regime, and this in turn will bring more transparency, efficiency and even decency in Parliament's functioning," said Vibhuti Patel, economist and president of Women Power Connect.

Many EU countries such as Belgium, France and Germany, besides others – Egypt, Iraq and Nepal – legislatively provide for quotas for women candidates. Afghanistan, Bangladesh, China and Pakistan reserve seats for women in Parliament. Voluntary quotas adopted by political parties exist in countries such as Australia, Canada, Israel, the Netherlands and the UK.

"Although quotas remain contentious in some parts of the world, they remain key to progress on a fundamental component of democracy – gender parity in political representation," stated IPU secretary general Anders B Johnsson.

Quotas need to be ambitious and women candidates should be placed in winnable positions on party lists, the IPU added. In the Indian scenario, where the ratio of women candidates winning their contested seats is not yet optimal, this is a suggestion that needs to be followed.

# Finmin to ramp up quasi-sovereign bond issues to cushion against Fed tapering

Arup Roychoudhury

New Delhi, Nov 25: The finance ministry wants to get its timing right for the proposed issue of quasi-sovereign bonds through three public sector firms to soften the impact of an expected announcement on stimulus tapering by the US Federal Reserve early next year.

"The rupee has recovered and stabilized, bond yields have improved and for now we are getting a lot of dollars in through the FCNR(B) window. So quasi-sovereigns were in the back-burner for a while, but now we will ramp it up so that we can get in more dollars by January," a senior official told FE.

The idea is to get in as much foreign currency as possible to prevent a repeat of the July-August bloodbath, the official added.

In August, the finance ministry mandated India Infrastructure Finance (IIFCL), Power Finance Corp (PFC) and Indian Railways Finance Corp (IRFC) to raise a total of \$4 billion through quasi-sovereign bonds and asked banks and PSUs to raise NRI deposits and external commercial borrowings to help prop up the rupee and finance the current account deficit.

Emerging markets around the globe bled on fears of an imminent announcement by the US Fed on tapering its quantitative easing program. India was no exception as bond yields rose sharply and the rupee hit a lifetime low of 68.85 versus the dollar.

The announcement was delayed by the Fed and markets now expect an eventual

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clarification on the tapering in January or February 2014. Meanwhile, there was no move by the PSUs to issue quasi-sovereign bonds, till IRFC said that \$600 million worth of the bonds will be issued December onwards.

Officials in the North Block said the timing (early next year) for these bond issues is deliberate.

India has so far received \$25 billion through the FCNR(B) (Foreign Currency Non-Resident Banks) and the Tier-I concessional swap windows. These facilities were

announced by the RBI in August for the exact same purpose of getting in foreign currency to prop up the rupee and finance the CAD.

Another senior official said since August, the PSUs have been working behind the scenes to draw up plans, work out roadshows and rope in bankers to help with the offerings.

"These things are time consuming. The PSUs have completed these formalities and are now ready to issue these bonds," the second official said.

Officials said they hope the \$4 billion worth of bonds would be issued before a tapering announcement by the Fed.

Quasi-sovereign bonds are bonds which are not directly issued by a government but do have the sovereign backing of a government. In India's case, \$1.5 billion worth of the bonds will be issued by IIFCL and PFC each, while \$1 billion will be issued by IRFC to finance long-term infrastructure and increase dollar inflows.



## HOW INDIA WILL GAIN

The deal to ease sanctions on Iran will be positive for the Indian economy

### THE NUMBERS

**\$8.5 billion**

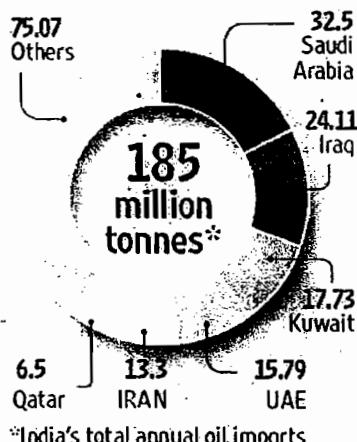
Projected cost of crude imports from Iran in 2013-14

**11 million tonnes**

Projected crude imports from Iran in 2013-14

### INDIA'S TOP OIL SUPPLIERS

(All figures in million tonnes)\*



\*India's total annual oil imports

### THE GAINS

- The deal will bring down oil prices
- Lower oil prices will narrow India's ballooning oil import bill
- Lower \$ outgo will keep CAD down
- Lower crude prices will bring down govt's subsidy burden
- Lower retail prices of petrol, diesel and LPG will help curb inflation

### MARKETS CHEERS MOVE

**387 pts** Rise in Sensex

**1.7%** Rise in BSE's oil & gas index

Company	Rise
HPCL	6.0%
BPCL	4.5%
ONGC	3.7%
IOC	2.5%

## Arunachal Pradesh

In tune with their ethnic backgrounds and social binding, the *Noctes* celebrate a number of festivals at different periods of the year. ***Chalo Loku*** is by far the most colourful and popular festival. Like most of the tribal festivals, *Chalo Loku* is also an agricultural festival. The name derives from three words: Cha, which means paddy, Lo, which means season, and Loku, which means festival. So *Chalo Loku* means *harvest festival*. It is celebrated in the month of October-November annually after the harvest of paddy and before the start of the new *jhum* cultivation.

#### **Impact the WTO talks?**

The WTO Ministerial Conference is the topmost decision making body of the global trade organisation. It meets about every two years. The talks in Bali, Indonesia will be the ninth in the series and will take place between December 3 and 6 to work out a deal on agriculture subsidies and trade facilitation.

The issue of farm subsidies is one of the most contentious issues between developing and developed countries. If an agreement can be reached on the issue, it will help take forward the 12-year-old Doha round of global trade talks. The talks started in 2001 but have been stalled since 2008 due to major differences between developing and developed countries on measures to protect farmers. Agreement amongst all 159 member nations is crucial to the way the WTO works, where even one country can veto the talks.

The Bali Summit will be especially crucial in furthering the Doha Round after high-level dis-

by the cabinet committee on WTO, which was scheduled to meet on Monday. The meeting is now expected to take place on Thursday when India's stance on the WTO ministerial draft will be finalised.

#### **How will the peace clause impact India?**

India is close to crossing the 10 per cent ceiling on farm support. Agreement to the peace clause will help the implementation of the UPA's flagship Food Security Act as well as its MSP programme to 24 crops. Developed nations including the US and Canada have already raised concerns over the Food Security Act on grounds that it would breach the mandated 10 per cent cap on subsidies.

The country needs 62 million tonne of foodgrain in a year to implement the law. However, commerce and industry minister Anand Sharma has made it clear to the WTO chief, the US and the EU that India's food security programme is non-negotiable.

# peace clause

IN AN attempt to take forward the stalled Doha round of global trade talks, the World Trade Organisation's Ninth Ministerial Talks will start next week. But even before the discussions kick off in Bali, developing and developed countries are already drawing up lines over the contentious "peace clause" to protect farm subsidies. **SURABHI** explains what the provision means and India's stance on it:

## What is the peace clause?

The WTO's Agreement on Agriculture negotiated between 1986 and 1994 in the Uruguay Round seeks to limit the so-called "market distorting subsidies" at 10 per cent of total production. The original peace clause was included as a part of Article 13 of the agreement under which agriculture subsidies could not be challenged. The provision expired in 2003. The name refers to a period of peace or a time length agreed upon by the member countries when they were forbidden to seek penalty against countries which still breached the cap. Its utility sort of came down in the new century and it expired in 2003.

But with the recent rise in global food prices, many countries have begun giving higher subsidies to farmers to promote agriculture, putting them in danger of breaching the 10 per cent cap and so the issues surrounding the peace clause have surfaced again.

The clause is now being offered as a carrot to developing countries by WTO director general Roberto Azevedo in the ministerial draft at Bali as an interim solution to take forward stalled WTO talks. The provision seeks to provide a four year relaxation - till the Eleventh Ministerial Talks, during which a WTO member will not again seek penalties on a developing country for breaching the cap.

It is however, based on the condition of additional disclosures on transparency in public stock holding of foods.

## How will the peace clause

cussions at the WTO's General Council in Geneva "did not reach an agreement" by early Monday morning, according to a Reuters report. The General Council was expected to finalise the draft for the Bali talks.

## What have the developing countries sought?

Developing countries such as India and Indonesia provide subsidy for procuring food grains at a minimum support price and selling it through public distribution systems. They have sought an amendment to the Agreement on Agriculture for a relaxation on food subsidy and stockpiling provisions. The bloc, known as the G-33, had called for a longer duration of the peace clause and want it to be for at least eighty years, if not indefinite. Developed nations, however, are not in favour of such a long relaxation.

## What is India's stance on the peace clause?

India, which leads the G-33, seems agreeable to a watered-down version of the peace clause with a four-year duration. But it also wants inflation to be factored in while the subsidy is calculated, as the existing method of using food prices from 1986-97 is outdated.

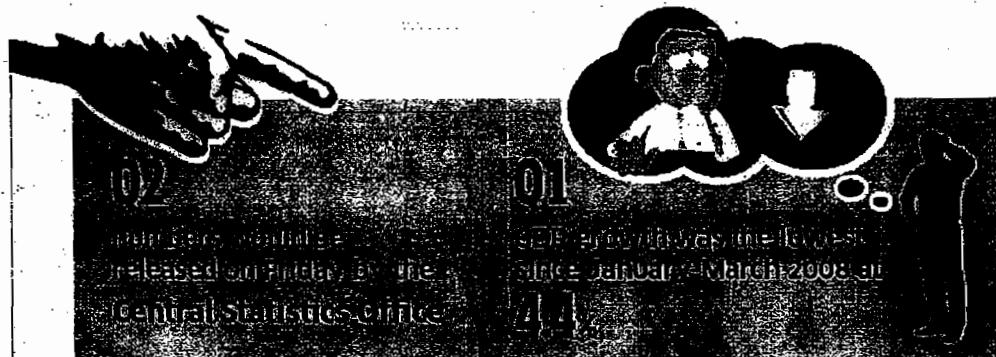
However, farmer groups have rejected such a move and have urged Prime Minister Manmohan Singh, commerce and industry minister Anand Sharma and agriculture minister Sharad Pawar to reject any proposal that would harm the country's farm subsidy and impact subsistence level farmers.

"It does not make any sense for India to trade off the very survival of its 600 million farmers and roughly 830 million hungry for the sake of a successful Doha round. India cannot dilute its position on the G-33 proposal and accept a Peace Clause which makes a travesty of the poverty and hunger faced by millions of Indians every day," the 15 farmers groups said in a letter.

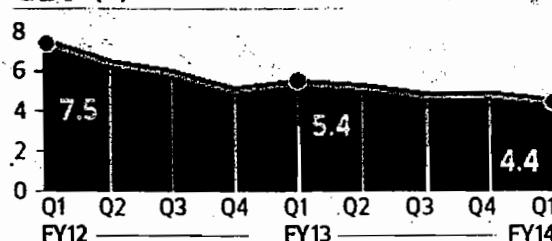
A final decision will be taken

# A Look at the GDP

Second quarter GDP for 2013-14 may get slight leg up from good agriculture & better industry performance...



## GDP (%)



## Private Forecasters Put GDP Growth in Range of 4.5-4.8%

ICRA	4.6
Crisil	4.7
CARE Ratings	4.8
Moody's Analytics	4.5
State Bank of India	4.7
Kotak Mahindra Bank	4.7

## SOME OUTLIERS

BNP Paribas	4-4.2
Deutsche Bank	5.5

## GDP Maybe Slightly Higher Than Q1 Number As

INDUSTRIAL production expanded by 1.7% in Q2, against a contraction of 1.1% in Q1

EXPORTS expanded robustly in double digits against a 1.4% contraction in Q1

ABOVE normal monsoon led to higher farm output

HIGHER government expenditure in absolute terms in Q2 versus Q1, 11% higher

# Japan, South Korea fly military planes in zone set by China

MARTIN FACKLER  
TOKYO, NOVEMBER 28

**T**ESTING China's response, Japanese military aircraft flew through a new air defense zone that Beijing has declared over disputed islands, a Japanese government spokesman said Thursday. He said there was no response to the flights by the Chinese side.

The announcement of the flights came a day after American B-52 heavy bombers flew through the same airspace in defiance of China, which last weekend announced it had the right to police a vast area over much of the East China Sea. Beijing later said that it had monitored the American bombers but had chosen not to take action.

On Thursday, the top Japanese government spokesman, Chief Cabinet Secretary Yoshihide Suga, said that Japan had followed suit by sending an unspecified number of patrol planes into the airspace, though he did not specify when they had flown. The aircraft patrolled the airspace on routine reconnaissance flights without incident, and China did not scramble its fighter jets to intercept them, Suga said.

Suga said that the aircraft had flown without informing China, defying Beijing's demands that all traffic entering the so-called air defense identification zone file flight plans with China first. Japan and the US have refused to recognise the air zone, which covers the disputed islands, known as the Senkaku in Japan and Diaoyu in Chinese. The islands are administered by Japan, but also claimed by China.

The South Korean government also said that it had flown surveillance aircraft through the zone on Wednesday without alerting Beijing, a flight that Chinese officials said that they had monitored. South Korea, too, claims sovereignty over territory in the zone, but enjoys warmer ties with Beijing than Japan does.

China's failure so far to enforce the zone appears to support the view of some Japanese officials, who say that the zone is just part of a broader, long-term strategy to try to pry the islands out of Japan's grip. NYT

## JAPAN AMPS UP DEFENCE, US THINKS POLICY

EXTENT OF AIRSPACE DECLARED BY SATURDAY'S ANNOUNCEMENT

AN UPDATE OF Japan's long-term defence policy to be unveiled next month will call for stronger air and maritime surveillance capabilities and the improved ability to defend far-flung isles as concerns rise about China's military assertiveness.

"THE SECURITY environment surrounding our country has become increasingly grave," said a draft outline of the policy shown to ruling party lawmakers.

TENSIONS RATCHETED up after Beijing Saturday announced a new airspace defense zone.

THE DEFENCE Ministry has already said it was considering buying unmanned surveillance drones.

THE US, TOO, has acknowledged the changing dynamics. Sending two B-52s to reinforce its protest serves as a reminder that President Barack Obama wants to turn America's gaze eastward, away from the Middle East.

WHEN VP Joseph Biden visits China, Japan and South Korea next week, the administration will likely try to flesh out the policy.

THE BALANCING act in Obama's Asia policy, between cooperating with and containing China, is evident in the administration's mixed messages over the last two weeks. National security adviser, Susan E Rice, recently said the US was seeking "a new model of major power relations".

REUTERS, NYT



M. R.  
MADHAVAN

# Without conviction

A decision to disqualify chargesheeted candidates could also affect sitting legislators

**T**HE Supreme Court is examining a PIL filed by the Public Interest Foundation on the criminalisation of politics. The PIL asks that persons charged with serious criminal offences be debarred from contesting elections to Parliament and state assemblies.

The Election Commission has filed an affidavit supporting the PIL and stating that if the offence has a maximum punishment of imprisonment for five years or more, the chargesheeted person should be disqualified from being a candidate. It says that the framing of charges implies that the person does not have the adequate integrity and character required of a candidate for high public office.

There are two significant arguments that can be made against this case. First, the PIL ignores the basic premise that a person is innocent until found guilty through the judicial process. The second problem is that this position skews the incentive for political parties towards framing their political opponents to keep them out of the contest.

The Election Commission contests these arguments and states that these issues are addressed by the fact that charges are framed by a court after judicial scrutiny. The court looks at the allegations and the evidence, and frames charges only if it determines that there is a *prima facie*

case. This judicial process protects a prospective candidate from frivolous allegations. The person is still not adjudged guilty; he is only debarred from contesting elections to legislative bodies.

However, the standing committee of Parliament that examined the issue took a different position. It pointed out that at the time of framing of charges, the court is not required to appreciate evidence to conclude whether it is sufficient for convicting the accused. It also said that the prosecution could be influenced by the party in power and there is the likelihood of framing false and malicious charges.

**The 'Lily Thomas' judgment said that Article 102(1) required that there be no differentiation between sitting members and those contesting elections.**

The National Commission to Review the Working of the Constitution had also examined this issue. It proposed a protection through a delayed implementation of the disqualification. That is, for a person to be disqualified from contesting elections, the charges should have been framed at least one year prior to the election. It also recommended that special courts with powers equivalent to high courts be set up for the speedy disposal of such cases.

The recent Supreme Court judgment in the *Lily Thomas* case adds a new angle to the discussion. This was the judgment that struck

down the three-month period given to sitting legislators to appeal if they were convicted, and to continue as members until the appeal was decided. The judgment interpreted two articles of the Constitution to reach its conclusion. It said that Article 102(1) required that there be no differentiation between sitting members and those contesting elections. That is, any law made by Parliament regarding disqualification from legislative bodies has to treat both these categories in an identical manner. It also said that Article 101(3)(a) stated that, on disqualification, the seat would immediately become

vacant. Based on these two interpretations, the court ruled that there could not be an exception clause for sitting legislators, and that they would be disqualified immediately if they were convicted of any of the offences that invited disqualification.

Let us apply the same rationale to the issues raised in the PIL. If the court upholds the PIL, it will result in a direction that any person who is chargesheeted for a serious criminal offence will not be permitted to contest elections. The corollary to this potential order, using the *Lily Thomas* rationale, would be: if any sitting MP or MLA is

chargesheeted for such an offence, he or she would be immediately disqualified and would have to vacate the seat.

Therefore, the bar set by the *Lily Thomas* judgment to disqualify a sitting legislator will be lowered significantly. Following the judgment, the position is that any person loses his seat in Parliament or a state legislature if he is convicted for a certain set of offences (including any conviction where the sentence is imprisonment of two years or more). Given that charges are framed at a preliminary stage, before the evidence is subjected to cross-examination, it is possible to complete the process of chargesheeting with less rigour than that needed to convict a person (which requires the court to find that he is guilty beyond reasonable doubt). This implies that it would be easier to disqualify an elected MP or MLA if the Supreme Court passes an order in favour of the PIL. The fact that conviction rates are not very high indicates that several sitting legislators could be disqualified even if they are later found not guilty. It is important that these consequences be considered while the court examines the PIL.

*This piece was co-authored by Priyanka Rao. The writers are with PRS Legislative Research, Delhi  
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## **NATIONAL COMMISSION FOR WOMEN**

Set up in 1992. Autonomous, but budget and appointments are tied to parent ministry. It can make suggestions on law and policy concerning women, but cannot enforce them. Can move suo moto or on its own in a crime case, speeding up its outcome, offering legal and medical help, and can be a pressure group on government to offer financial compensation

**Current structure: 5-member body. Every member has 3-year term.**

**Chairperson: Mamta Sharma**

**Members: Charu Walihaanna, Hemlata Kheria, Nirmala Samant Prabhavalkar, Shamina Shafiq and Lal Dingliani Sahoo**

**Budgetary outlay for 2011-12: Rs 12.29 crore**

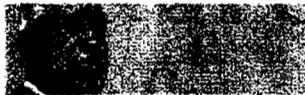
For 2012-13, Rs 15.60 crore, an increase of 27%

For 2013-14, Rs 8.45 crore, a rise of 18%

28 states have state women commissions. They are also autonomous and do not report to the national body

# To develop, reinforce the steel frame

**CLEAN UP** The recent Supreme Court order that asked for the setting up of civil service boards is a welcome move to improve governance, but more needs to be done



TSR SUBRAMANIAN  
FORMER CABINET SECRETARY

Poor implementation and weak oversight have reduced the effectiveness of government policies and programmes. According to the Second Administrative Reforms Commission, "Governance is admittedly the weak link in our quest for prosperity and equity".

Eliminating corruption is not only a moral imperative but an economic necessity for a nation aspiring to catch up with the world. The 10th Five-Year Plan noted that "people's welfare is largely determined by the efficiency of public delivery mechanisms. The consistent failure to achieve targets, across the board and over time, clearly indicates that the basic problem underpinning each failure lies in implementation arising out of poor governance".

Without underestimating the role of sound policy, I would like to say that govern-

ernance is 5% policy and 95% implementation and the latter is in the domain of the permanent executive. Thus improvement in the quality, performance and effectiveness of the civil services will have a positive impact on the

quality of governance.

Parliament and state legislatures have their role in the creation of sound policies — it is another matter that these bodies also need major reforms. The political executive has lost respect in the public eye. Ministers are now seen as venal, self-centred, and prone to use high office for personal benefit — crony capitalism and arbitrary non-transparent decision-making have become the norm of the day. This criticism may or may not be true, but it cannot be discounted.

The main flaw stems from a weakness in the Constitution that does not provide for checks and balances against the political class — remember the conspiratorial agreement among parties against the Lokpal Bill or their stand against allowing transparency in their finances?

However, the current focus is on administrative reforms and the bureaucracy: the permanent executive. Note that they are also public servants, deriving their mandate from the Constitution. In fact, the higher civil services are presidential appointees. They are 'instruments' of administration and the quality of governance is a function of how this instrument is kept in good shape and maintained properly to deliver services effectively.

In recent decades, one has seen sharply deteriorating service standards largely due to politicisation, increasing corruption levels, arbitrariness in service matters as well as unholy alliances between politicians and bureaucrats



Illustration: JAYANTO

indulging in dishonesty, all to the detriment of the public. This phenomenon is increasingly seen at the Centre and the states and there is no need for any elaboration on this.

While there is a sharp downward movement in this regard, it should also be added that the structure has still not collapsed because it has a large number of able, honest civil servants, who uphold the spirit of the Constitution and keep the system going.

Any improvement in the standard of governance should encourage the latter group and inhibit the scope and impact of the former group of civil servants.

The recent Supreme Court order that asked for the setting up of civil service boards (for transparency and non-arbitrary postings and transfers), security of tenure of officers (for greater efficacy, as well as prevention of arbitrary political interventions) as well as for instructions in writing (to inhibit the growing phenomenon of 'authority without responsibility') is a major step for recognising the ills in our administration and to usher in reforms.

**ELIMINATION OF CORRUPTION IS NOT ONLY A MORAL IMPERATIVE BUT AN ECONOMIC NECESSITY FOR A NATION ASPIRING TO CATCH UP WITH THE WORLD**

The SC has not encroached on the 'executive space'. It has asked for improvement in governance for the benefit of the citizen. The order should not be seen as one of politician versus bureaucrat, as has been projected often in the media. It should be seen as a call that the citizen's interest is supreme; that ministers and secretaries and field officials are there only to serve the common man, not for their own personal glory or importance. The SC order is a welcome new call — not a command — there is urgent need to reverse gear, and improve governance.

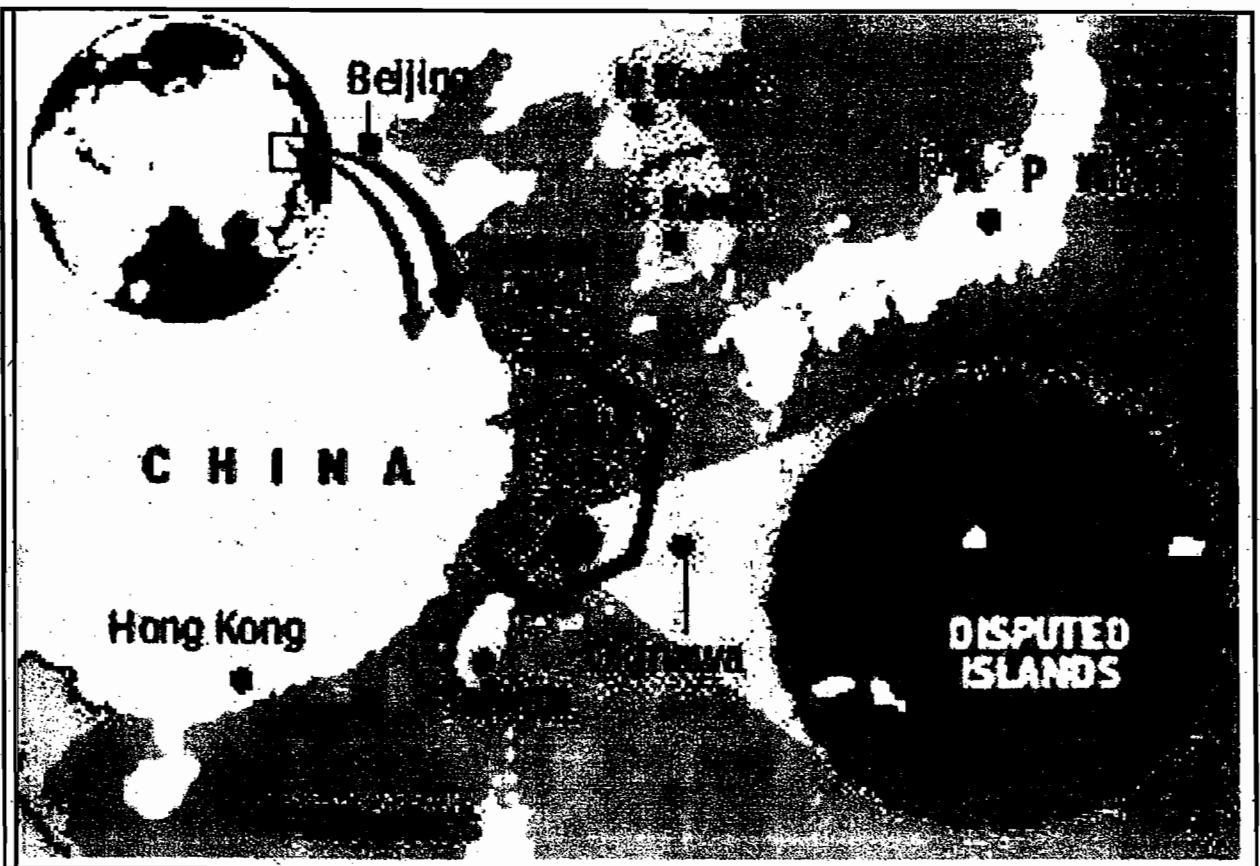
No one can object to the prayers of the PIL petitioners (83 distinguished senior retired officers, with 3,000 man-years of experience, who have nothing to gain). The three prayers — civil service board, security of tenure and need for written instructions — are unexceptionable, no reasonable person can object to their validity in a democracy. The SC has merely stepped in to restate the obvious.

What they have now said is the law of the land — a continuing mandamus. One hopes that these are seen in the right spirit and as a call for improvement in public service delivery to presage a reversal in administrative / governance trends, to improve the quality of governance.

The political executive, at the Centre and at states, are now responsible for establishing a sound policy environment, and to get the legislature to enact appropriate legislation.

## TOMORROW

K Srinath Reddy on how improving urban health infrastructure has benefited the urban poor



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# UN passes anti-spying resolution

AGENCE FRANCE PRESSE

United Nations, 27 November

A UN rights committee on Wednesday passed a "right to privacy" resolution pressed by Germany and Brazil which have led international outrage over reports of US spying on their leaders.

The resolution, without naming any countries, says that surveillance and data interception by governments and companies "may violate or abuse human rights."

The United States and key allies Britain, Australia, Canada and New Zealand joined a consensus vote passing the resolu-

tion after language which suggested that foreign spying would be a rights violation was weakened.

The resolution said the UN General Assembly's rights committee is "deeply concerned at the negative impact" that surveillance and interception of communications "including extraterritorial surveillance" can have on human rights.

Germany and Brazil had wanted the resolution to say the assembly was "deeply concerned at human rights violations and abuses that may result from the conduct of any surveillance of communications, including extraterritorial sur-

veillance of communications." Germany's Chancellor Angela Merkel and Brazil's President Dilma Rousseff have reacted with fury to reports that the US National Security Agency has spied on their phone calls and office communications.

Germany's UN ambassador Peter Wittig said that while the resolution is non-binding it was an important "political message".

Wittig stressed that it was the first time that the UN has said that "unlawful and arbitrary surveillance domestically and extra territorially might violate human rights."