

# PolicyWatch

Covering developments on policy responses, policy implementation and policy distortions on a quarterly basis. Comments are welcome.

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कटस CUTS  
1984 to 2003 Twenty Years of Social Change

2003

## VAT Spats and the Reality

The spat over the introduction of value added tax (VAT) is not quite unanticipated. Competing interest groups are as old as public policy itself. So, if traders oppose VAT, while manufacturers advocate it, one need not perceive altruistic or humanitarian underpinnings for the varying postures. Business dwells on self-interest. It need not rely on any other spur to react to VAT either. However, what has not been strikingly obvious to many people in the entire chronology of events so far is the role emerging for the civil-society movement in mobilising public opinion in favour of right policies.

Consumer groups can play a significant role in educating the masses of the need to go for VAT. It would, otherwise, be difficult for consumers to learn of the intended benefits of the transition, particularly how it will usher in a more transparent tax regime than the current sales tax. Few consumers know that the current regime taxes inputs multiply, leading to higher prices of final goods. Besides, the system is a web of complex provisions and exemptions leading to mass evasion, not to mention lobbying for still more concessions. So thick is the maze of rules and rates that consumers have hardly any clue about the correct amount they ought to pay as sales tax.

How would VAT be an improvement? Under VAT, tax is collected at each point of sale in the production and distribution chain, with the seller being entitled to a refund of the tax paid on his purchases. This not only does away with double taxation of inputs but also induces dealers to make sales/purchases against bills, as refunds cannot be claimed without tax invoices.

It is common to see consumers buying goods without a cash memo or bill thinking that this would obviate the need for paying sales tax and fetch them cheaper purchases. Little do they realise that most products having a high potential for sales-tax revenue get taxed at the stage where the manufacturer/importer sells his goods to the wholesaler. So, whether consumers take a bill or not, the tax is often already built into the price they pay. Retailers exploit consumers' ignorance and avoid recording their sales transactions so that they can hide their actual sales from tax authorities.

The salient point of the matter is that since sales tax is levied at one point only – either at manufacturer-wholesaler

level or at wholesaler-retailer level – there is high scope for tax evasion. VAT alleviates this scope, as tax is paid at each stage of sale and carries with it stringent penalties for default. It is precisely on this account that unscrupulous traders are so stiffly opposed to the introduction of VAT. On the other hand, honest traders stand to gain, as VAT would minimise unfair competition from dishonest traders engaged in underhand business. Moreover, with only two basic rates, VAT would make it easy for consumers to compute their exact tax liability.

Now, why should manufacturers, honest or dishonest, find it in their interest to have a VAT regime in place? Manufacturers are canny enough to perceive a plus for themselves in the transition. They know that VAT would make their goods more competitive nationally, as well as internationally, through improvements such as avoidance of double taxation and tax refunds in exporting states. Also, VAT would make tax administration simpler and promote ancillary industries.

Given these advantages and more, the hue and cry about VAT implementation would seem quite unjustified. Or does it? In all likelihood, prices would rise, if VAT were implemented, at least in the short-to-medium term, especially as the Central Sales Tax is phased out in a gradual manner. Moreover, small traders would be burdened with extra bookkeeping obligations to be able to claim refunds. However, this reflects, at best, a medium-term adjustment, the costs of which would be quite insignificant vis-à-vis the potential long-term benefits of the transition to a simpler and more transparent tax regime. Besides, dealers with an annual turnover of up to Rs. 500,000 will be totally exempt from VAT formalities, while those with a turnover between Rs. 500,000 and Rs. 4mn would be able to minimise their accounting obligations by opting for a flat composition tax at one percent of their annual turnover.

The deadline for VAT implementation has been repeatedly put off and so has been a section of the business community that acknowledges the benefit potential of VAT. Consumers, of course, have obvious gains to reap. But, the traders' lobby could pre-empt them. Herein lies a role for consumer organisations that can form a counter lobby for the larger social good.



### HIGHLIGHTS

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*"The reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new."*  
Machiavelli in *The Prince*

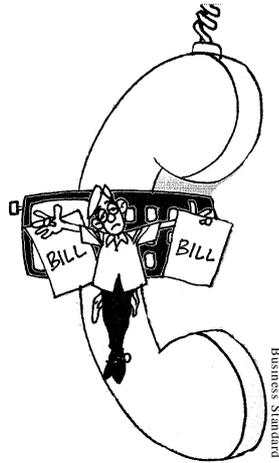
## Rental Hikes Recommended

The Telecom Regulatory Authority of India (TRAI) is in the process of devising a new, more "expensive" tariff structure for fixed-line phone services. In urban areas, the number of free calls is expected to go down to 30 from the present 60. Besides, calls are likely to be metered on a two-minute basis, as opposed to the present three-minute basis and the monthly rental is likely to go up to Rs. 280 from the present Rs. 250.

However, consumers are likely to gain handsomely on STD calls. The TRAI has proposed that all calls up to 50 km, both intra-circle and inter-circle, be treated as local calls. Currently, only calls within a circle are billed on local call rates. For calls beyond 50 km, the market is going to determine the rates.

Further, the tariff hike is going to be implemented from May 1, instead of April 1. Just days before the new tariff and interconnection usage charge (IUC) were to come into force, the Authority has issued an amendment to its earlier order and revised the implementation date to May 1.

(HT, 24.01.03 & BL, 27.03.03)



## ... PSUs Undeterred Though

While the higher tariffs recommended by the TRAI are unlikely to be implemented, the other recommendation of higher rental charge will come with many add-ons, so that subscribers do not feel cheated.

Both MTNL and BSNL have taken the position that the TRAI's recommendation is only a ceiling rate, in that the tariff cannot go beyond what has been recommended, though it can certainly be lower than that.

In a situation where competition in the telecom sector has become cut-throat, higher rentals might lead subscribers to migrate to other service providers. In view of this, the state telecom companies have agreed that it would be unwise to revise the tariff any higher.

(ET, 04.02.03)

## The Interconnect Impasse

The impasse between the private cellular operators and the Telecom Regulatory Authority of India (TRAI) finally ended with the former softening their belligerent attitude towards the latter and withdrawing their petition filed in the Telecom Dispute Settlement Appellate Tribunal (TDSAT).

Notably, private cellular operators had earlier approached the TDSAT against TRAI for issuing show cause notices to them over the interconnection issue.

The matter got resolved, following a meeting between the mobile operators and the Union Communications Minister, Pramod Mahajan, with the operators agreeing to the interconnect user charges (IUC) prescribed by TRAI.

However, private basic operators have lamented the lack of a level playing field in the industry on account of the IUC which, in their view, would make limited mobility services less attractive to customers.

(BL, 20.01.03 & 29.01.03)

## ...and the Resultant Rows

Formally, the deadlock between the TRAI and cellular operators regarding providing interconnection to basic operators may have ended, but the "cold"

battle between cellular and basic operators is far from over.

Tata Tele Services Ltd (TTSL) has been targeted by the Cellular Operators Association of India (COAI) for offering limited mobility services to subscribers beyond the circle area, Delhi, in contravention of the licence conditions. TTSL received a letter from the TRAI, following a formal complaint by mobile operators, in reply to which it has assured the regulator that it would not violate its area norms.

Again, on the basis of another COAI petition, Reliance Infocomm has also been asked by TRAI to explain about the roaming services that the company has been promising to provide on wireless-in-local-loop mobile phones.

(BL, 01.02.03 & 11.02.03)

## Long-Distance Association

The telecom sector is all set to see its first "joint venture with equal stakes". Reliance, Tata and Bharti groups, along with Data Access Ltd, are in the process of forming the Association for Long Distance Operators (ALDO) to lobby collectively for their interests, even as they put pressure on the Government to put

pressure on the "grey market" that is flourishing in the sector, especially in the context of international voice calls.

So far, the three corporate groups with stakes in the cellular and basic services markets have been part of the same associations – Cellular Operators Association of India (COAI) and the Association of Basic Telecom Operators (ABTO). However, none of them has had equal stakes in the ventures, partly because of their varied interests in these segments, which have intensified with the limited mobility controversy. (BL, 21.01.03)

## High-Speed Mobile Computing

Reliance Infocomm Ltd will introduce high-speed mobile computing in India at affordable costs. Users of Reliance India Mobile will benefit in two ways – higher access speeds and lower access costs.

The company will provide Internet access at the lowest cost in the country. There is no Internet service provider (ISP) fee to be paid by Reliance India Mobile Users for accessing the Internet.

A user of Reliance India Mobile handset will be using the computing power of a huge bank of computers served from the largest server farm in India. (HT, 17.01.03)

## Phone Surrenders at BSNL

Bharat Sanchar Nigam Ltd (BSNL), which has a near monopoly across the country, is faced with a strange predicament – its subscriber base is shrinking at a rapid pace.

According to official sources, not only have their existing customers started surrendering their landlines – close to 2.5mn over the past one year – but also the total number of new connections being provided by BSNL has gone down by around 20 percent this year. Only around one million lines have been set this year, as against 1.60 million in the same period last year.

Although officially the company is not stating the reasons, many industry observers note that the reasons are not far to seek – the spread of the cellular services across the country has shaken up the landline market.

(BL, 03.02.03)

## Incoming Calls Free

Cellular phone companies announced today that mobile-to-mobile incoming calls will become free as soon as their networks are re-configured. The benefit will be available to both pre-paid and post-paid cellular categories.

The operator parties to the decision are Bharti, Hutchison, BPL Mobile, Escotel, Idea, Oasis and RPG Cellular.

Some analysts say that the companies will wait for TRAI to announce the interconnection rates before implementing the announcement.

(TH, 12.01.03)

**No Reform, No Money**

Disbursement of structural adjustment loans to States from multilateral institutions is headed for trouble, with most of the borrowers defaulting on some of the fiscal and power-sector reform milestones.

According to sources, only Gujarat and Andhra Pradesh have been able to meet some of the reform conditions. States such as Karnataka have availed themselves of structural adjustment loans from abroad, but failed to conform. For example, Karnataka has not been able to cut back power subsidies. Moreover, it has indicated that privatisation of power distribution, as a method of plugging revenue leakages and cutting subsidies, is faced with uncertainty.

Against this backdrop, the Centre has advised the states to terminate loans from multilateral institutions. Instead, they are being asked to draw funds from domestic financial institutions. *(BL, 14.01.03)*

**Policy, Projects and Paise**

Despite the Finance Minister's specific announcements for the power sector, relating to customs duty reduction and liberalisation of the power policy to extend the benefits available to the 18 projects notified under the policy, experts do not think that there will be any real gains in terms of more generation projects taking off.

Experts point to the fact that there are hardly any mega power projects in the pipeline that could benefit from these relaxations, especially the customs duty reduction that would bring down transmission costs.

Meanwhile, the Power Ministry has been trying to expedite the financial closure of eight power projects –one each in Madhya Pradesh, Himachal Pradesh and Uttaranchal, while five in Andhra Pradesh – and has been asking the state governments, the Central Electricity Authority and lenders to provide a solution. *(BL, 28.02.03 & BS, 03.03.03)*

**Riders to Multilateral Funding**

Multilateral lending agencies have linked their funds support to the Indian power sector to the credibility of the business plans of state utilities and their reforms programme.

The Director of the Department of Economic Affairs has pointed out that although there is no dearth of funds for the transition periods of reforms, without a credible business plan, prospective investors would be extremely hard to entuse.

For example, according to a Finance Ministry official, a clear-cut target year must be given in the turnaround strategy and the plan should unambiguously address the question of subsidy as to who would foot the subsidy bill and how it would be met. *(BL, 12.02.03)*

**Co-operation Must**

The 22-member Deepak Parekh Committee on power reforms, set up by the Union Power Ministry, wants the State Electricity Regulatory Commissions (SERCs) to be involved in the process of turning about state power utilities.

The Committee, which concluded its sessions in the first week of January, feels that power utilities, state governments and

SERCs should have an equal role in working out the revival strategy for State Electricity Board (SEBs) whose losses touched Rs. 33,177 crore (\$6.9bn) in 2001-02.

The Committee also feels that the SERCs that were set up as part of the power sector reforms process should go in for multi-year regulatory regimes. This would reduce regulatory uncertainty and instil confidence among private investors. Moreover, this would also induce private investors to pursue efficiency gains. *(BL, 16.01.03)*

**Lighting up the Villages**

The Group of Ministers on power has finalised an interest subsidy scheme for rural electrification under the Accelerated Rural Electrification Programme. Under the scheme, which entails a provision of Rs. 164 crore (\$34.2mn) as interest subsidy, loans will be extended to states at 3-4 percent lower than the prevailing rates for electrifying villages.

The programme will be co-ordinated by the Power Finance Corporation (PFC). The scheme was approved as part of Budget 2002-03.

Around 80,000 villages are still to be electrified across the states. Of these, 62,000 villages will be connected to the national grid, while 18,000 will be covered by non-conventional energy sources during the current Plan period.

The Power Ministry is confident of completing the electrification of villages by 2007 and claims that 40,000 villages will be covered by 2004. *(BS, 28.01.03)*

**State Brief . . . . .**

**No More Free Power**

There will not be any free supply of power to any consumer in Tamil Nadu, according to a significant ruling of the Tamil Nadu Electricity Regulatory Commission. About 1.5 million farmers and 1.4 million hut dwellers enjoy free power at the moment.

The Commission, issuing its first order on a tariff revision petition filed by the Electricity Board, has also hiked the tariffs for all the sections of consumers with domestic connections and commercial consumers facing the highest tariffs. The hike ranges between 22.12 percent for domestic connections and 7.13 percent for cottage and tiny industries.

However, in order to temper popular criticism, the State Government has announced a direct subsidy scheme under which it will give small and marginal farmers – about 940,000 of them – Rs. 1,000 per year each in two equal instalments. *(BL, 15.03.03)*

**It's Poor Planning**

Poor planning for capacity addition, coupled with a lack of maintenance of power plants and transmission lines, has been held responsible for the power crisis in the national capital.

Delhi has recorded a demand growth of 13 percent, while it has managed to add only 125MW during the plan period January 2001 to January 2002. Government officials and the power industry blame it on the cold wave, which they claim led to an unforeseen rise in demand.

Although at the beginning of the plan period the Government had drawn up plans for private investments in two or three generation plants, none of them found a taker. Besides, most of the plants have been operating below capacity at 60 percent, much lower than the average for central power utilities at 80-90 percent.

The Centre, which has been in constant touch with the Delhi Government, has drawn up two plans to improve the power situation in the capital. *(ET, 23.01.03)*



## Oil and Gas Price Hike

Fuel prices have been steadily moving up in the past two years, a situation passively accepted by the consumers, who think that international oil prices are zooming and that the Government has no option but to increase the prices. Ironically, the biggest gainers from the increased prices are the Central and State Governments, who reap a windfall from high tax collections.

However, the Government has assured domestic oil consumers' protection against any steep hike in global crude prices, following the US war on Iraq. Setting in motion a contingency plan to ensure continuous supplies, the Petroleum Secretary, B. K. Chaturvedi, said, "we are constantly in touch with the Finance Ministry and will request them to cut excise and customs duties on crude oil and petroleum products, if global crude oil prices rise steeply."

The Government also assured that the country will not face any shortage of petroleum products, atleast till the month of May, this year. Geological studies have also shown possibilities of huge oil and gas reserves in many parts of the country, including the Himalayas, the north-eastern region and offshore areas of the east and south coast, which may make India self-sufficient in its oil and gas production.

(TH, 11.01.03 & ET, 20.03.03)



### 5.2% Growth

Despite a slowdown in the growth of infrastructure industries in January 2003, six infrastructure industries, electricity, coal, steel, crude petroleum, petroleum refinery products and cement, have registered a growth of 5.2 percent during the first 11 months of the current fiscal, as against 3.2 percent in the same period last year.

As per the quick estimates released by the Ministry of Commerce & Industry, among these industries, which account for a total weight of 26.68 percent in the Index of Industrial Production, cement clocked the highest growth of 9.2 percent, followed by finished steel (7.8 percent), petroleum refinery products (4.4 percent), coal (4 percent), electricity (3.5 percent) and crude petroleum (3.5 percent).

(BS, 24.02.03 & BL, 21.03.03)

### ...Growth Pulled Down to 3.9%

Electricity, cement and coal pulled down the six infrastructure industries to 3.9 percent in February this year, lower than 4.4 percent in February 2002. The six industries include electricity, coal, steel, crude petroleum, petroleum refinery products and cement.

The six-infrastructure industries grew by 5.2 percent during April-February 2002-03, as compared to 3.2 percent during the first 11 months in the past fiscal.

The cement sector witnessed a growth of 5.2 percent in February, as against a handsome 19.6 percent last year. Similarly, coal production grew by only 1.0 percent,

as against 4.6 percent a year ago, while electricity generation grew by a meagre 0.1 percent, compared to 2.9 percent last year.

(FE, 21.03.03)

### Rs. 60,000 Crore for Core Sector

Listing infrastructure developments as one of his 'five priorities', the Finance Minister, Jaswant Singh, announced new initiatives worth Rs. 60,000 crore in the road, railways, port and airport sectors in the Budget 2003-04.

The measures include 48 new road projects at an estimated cost of around Rs. 40,000 crore, the Golden Quadrilateral project worth Rs. 8,000 crore under the *National Rail Vikas Yojana*, modernisation of the Delhi and Mumbai airports to make them the principal hubs of international travel to India and modernisation of the Jawahar Lal Nehru and Cochin ports.

(BS, 28.02.03)

### ADB to Invest \$7.5bn

The Asian Development Bank (ADB), a subsidiary of the World Bank, is looking at investment opportunities in sectors like inland waterways and agro-processing, including irrigation, in India. The agency is planning to invest about \$7.5bn during the next three years in the country. The ADB's lending will almost be doubling to \$2bn during 2003-04.

The ADB is looking at enhancing its exposure in India by venturing into various other segments like inland waterways, clean fuel projects and agro-processing, in addition to the existing areas like national highways, state highways and rural roads.

Speaking at a seminar organised by the Confederation of Indian Industry, Albab Akanda, Head-Infrastructure, ADB, India, said there is a need to promote public-private partnership in the development and maintenance of infrastructure, especially roads. There should also be a clear-cut definition of the role and powers of the government to facilitate speedier development of the infrastructure. (FE, 20.03.03 & BL, 20.03.03)

### Poor Disbursal

An official review notes that since the launch of the *Pradhan Mantri Gram Sadak Yojana* (Prime Minister Rural Road Programme) in December 2000, till November-end 2002, a sum of Rs. 7,553.77 crore had been approved by the Centre for road works in all the 28 states and six Union Territories. Of this approved amount, only Rs. 4,925 crore could be released and road works worth Rs. 2,977.62 crore could be executed in different states. Only 17 states could complete the road works sanctioned in 2000-01, says the review.

The inspection report of the National Rural Roads Development Agency (NRRDA) has, so far, inspected 3,378 road works in different states and has found 1,047 to be of average and poor quality. NRRDA has, however, found only 231 road works to be of very good quality, out of which 61 are in Madhya Pradesh. It has noted that the maximum number of poor quality road construction, i.e., 32, was seen in Uttar Pradesh. (FE, 20.01.03)

### Indian N-Reactors set Benchmark

Indian Nuclear Reactors have set a new international benchmark by achieving an average capacity factor (CF) of 89 percent during January-December 2002, beating, in the process, the best-rated American Reactors by a clear margin of at least one percent point.

The Canadian Reactors, which are more or less similar to Indian design, could manage a CF of only 84-85 percent. It is expected that India would be able to touch a CF of 90 percent by the end of the current financial year.

According to S. A. Bohra, Senior Executive Director (Technical), Nuclear Power Corporation of India Ltd, the dream performance of the reactors was made possible by the meticulous planning that had gone into effecting the shutdowns, among other things. According to him, a CF of 82/83 percent is itself tough and whatever achieved over this is a bonus. Explaining the methodology, he said CF would take into account shutdowns, forced outages, equipment failures and other contingencies. (BL, 26.03.03)

INFRASTRUCTURE

**Interlinking of Rivers**

The Indian Government will unveil a plan in June this year that aims to link all the country's rivers in a project that would dwarf China's Three Gorges Dam. The Task Force for interlinking the rivers will thoroughly examine the entire gamut of issues and implications of socio-economic acceptability and cost-benefit in the long run, before finalising the proposal.

The scheme is estimated to cost roughly about 1.5 percent of the current GDP and would take 14 years to complete. Suresh Prabhu, the Chairman of the Task Force, said that there will be no compromise on the quality of surveys and studies being conducted on various aspects. He also added that the positive aspects of such a gigantic project should not be overlooked.

In a country where water plays a very critical role, it was necessary that such an attempt should be welcomed and the immense advantages arising out of linking rivers should be carefully evaluated, without prejudice. (FT, 04.02.03 & BL, 30.03.03)

**Policy Crisis in Energy**

It is almost a year since the petroleum sector was freed from government control. Oil companies are busy firming up arrangements with one another on supplies, product movement, storage and marketing. Yet, there is no industry regulator in place.

Announcing the deregulation last April, the Government had promised to set up a regulator by the end of this fiscal,

but it has not been able to progress beyond introducing the Petroleum Regulatory Board Bill in the Parliament.

A regulator is essential not just to ensure fair play among the various stakeholders but also to set up systems that would ensure a smooth move to a free and competitive market.

For reasons best known to the Government, the Electricity Bill has also been in the cold storage. With a peak energy deficit of 12 percent and base-load deficit of 7 percent, the country needs to attract fresh investment in power generation and the Electricity Bill will provide the framework for that.

Any further delay in the passage of the two Bills will not only send wrong signals on the Government's commitment to reform but will also adversely affect the energy sector, which is the engine of economic growth. (BL, 14.03.03)

**India among the Worst Six**

The third World Water Forum, described as "the largest gathering to confront one of the greatest challenges of the 21<sup>st</sup> century", opened in the historic city of Kyoto on 16 March 2003 in the shadow of the Iraq crisis.

The officials were quick to point out that the shortage of water is an ongoing crisis. The discussions pointed out that water needed to be protected during armed conflicts and countries could invent resolution mechanisms.

Instead of providing a source of conflict, water could prompt countries to

co-operate and settle trans-boundary water rights, as has been the case with the Nile River.

A new water poverty index, devised by the UK's Centre for Ecology & Hydrology and experts from the World Water Council, finds that some of the richest nations, including Japan and US fare poorly in water ranking. India figures among the worst six.

Water experts believe that developing countries need \$180bn annually to ensure global water security over the next 25 years. (BS, 16.03.03)

**Lenders to Exit Dabhol**

Upset with the perennial delay in restarting the Dabhol Power Company, foreign lenders led by ABN Amro Bank have decided to pull the plug and exit from the project seeking re-payment of loans of more than \$339mn.

The strongly worded letter sent by the bank to the Union Finance Secretary, S. Narayan, states, "though offshore banks welcomed the Centres' initiative to resolve the problem, the history of the project prevents us from reviewing our decision to pursue our legal rights at this stage."

(BS, 16.03.03)

**State Brief**

**Grants for Textile Industry**

The Central Government has sanctioned financial assistance of Rs. 20 crore to augment infrastructure facilities for the textile industry in Panipat.

An official spokesperson said that a Rs. 90 crore project has been formulated for augmentation of sewerage disposal, effluent treatment plant and acquiring 577 acres of land for promotion of the handloom industry.

Panipat can be considered a home of handloom industry, with 30,000 handlooms, 40,000 pit looms, 25,000 power looms, 120 shuttle looms and 150 carpet manufacturing units.

Panipat is exporting goods worth Rs. 1200 crore per year and these include handloom products like *durries*, mats, table covers, bedsheets, curtains, carpets, home furnishings and floor coverings. These were being exported to Germany, Canada, Japan, USA, Australia and several other countries.

However, the industrial units are functioning on plots mostly in the residential areas. As this activity was highly polluting, there was a need to develop separate industrial estate to check pollution.

The shifting of these units from residential areas will lead to an increase in production and export of textile from Panipat. (TH, 12.01.03)

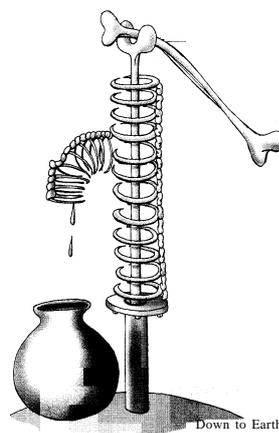
**Access to Safe Drinking Water**

One of the millennium development goals to be achieved by 2015 is to halve the proportion of people without sustainable safe drinking water. The year 2003 has been declared the Year of Fresh Water by the UN and, the Department of Drinking Water Supply, under the Ministry of Rural Development, has been mandated to provide safe drinking water in all rural habitations by April 2004.

According to the Census of India, if a household has access to drinking water supplied from a tap, hand-pump or a tube well, within or outside premises, it is considered as having access to safe drinking water.

The 54<sup>th</sup> round of National Sample Survey of July 1999 on drinking water, sanitation and hygiene estimated that 50 percent of rural households were served by a tube well or a hand-pump, 26 percent by a well, and 19 percent by taps. Still, 70-80 percent of the illnesses is related to water contamination and poor sanitation.

The Government is doing its bit by running programmes like the Accelerated Rural Water Supply Programme and the *Pradhan Mantri Gramodaya Yojana*. These programmes have helped cover 91.06 percent of rural habitations with drinking water facilities. But then, schemes and increased allocations for them can only take us so far. (ET, 27.02.03)

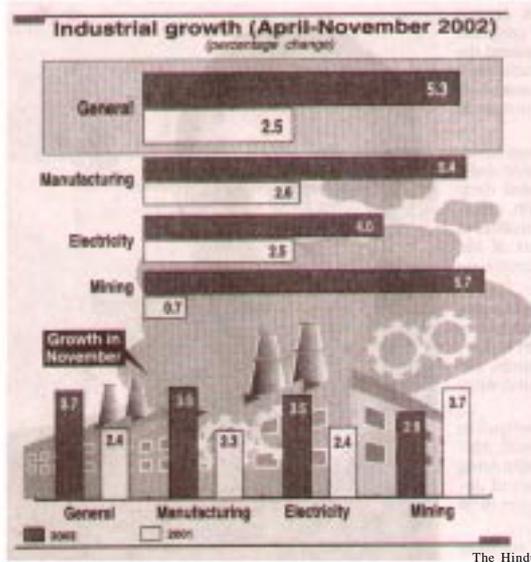


## Industry Shines, GDP Pines

Industrial growth for the first nine months of the fiscal 2002-03 has been estimated at 5.3 percent. The quick estimates of the Index of Industrial Production (IIP) released by the Central Statistical Organisation, show that the rise in the IIP was higher by an order of two percent in December 2002 than in December 2001.

The GDP growth, both for this and the next fiscal years has been projected lower than the average level, six percent, achieved during the 1990s. While this fiscal, the highest estimate for the GDP is 4.9 percent (NCAER) and the projection for the next fiscal, at a little over five percent, is far from optimistic, mainly on account of the Iraq war.

The NCAER has projected that the war would push up oil prices by 50 percent, reduce private investment and lead to a decline in foreign trade. Agriculture is expected to grow by four percent, industry by five percent and services by 5.47 percent, owing to the war. The war has also lowered business sentiment, which would adversely affect investment. *(BS, 26.03.03 & BL, 11.02.03)*



## ...and FM Declines

The Finance Ministry's (FM) refusal to hike budgetary support for the Tenth Five-Year Plan has cast further doubt on the Prime Minister's hopes for an eight-percent GDP growth during the Plan period and several other schemes.

The FM has decided to maintain budgetary support for planned expenditure at previous year's level, in real terms. There will be no rise in allocations for infrastructure projects in railways, roads and urban development, along with those for certain employment generation programmes.

This is, perhaps, for the first time in the era of economic liberalisation that the increase in gross budgetary support for planned expenditure is being limited to 3.4 percent. The FM has, on an average, provided about a ten-percent increase in outlays over the last several years. *(ET, 05.02.03)*

## Employment Gets Inelastic

Employment elasticity of output growth, which means percentage rise in employment in response to a one-percent rise in output, has been declining in India. It has fallen from 0.52 during 1983-94 to 0.16 during 1993-2000. This is something against standard economic logic that higher output growth accelerates employment generation rate and vice versa.

The annual growth rate of employment in India has declined from 2.7 percent during 1983-94 to 1.07 percent in 1993-2000, whereas the average annual growth rate of output in these periods was 5.2 percent and 6.7 percent. These figures are estimated using the data of the National Sample Survey Organisation (NSSO).

A fall in employment elasticity of output generally indicates a rise in labour

productivity and/or a technological shift in favour of capital-intensive methods of production. There is evidence of both in India. Labour productivity rose from 2.3 percent to 5.6 percent, while greater capital intensity is reflected in the rise in the incremental capital-output ratio. *(ET, 20.01.03)*

## Exports-Imports 2003-04

India's modified Export-Import Policy for 2003-04 aims at identifying the "engines of growth", such as the hitherto under-exploited services exports and special economic zones (SEZs) and building the country's core competence in areas like agriculture and allied products' exports, with special emphasis on high-growth segments including textiles, auto components, gems and jewellery, drugs and electronics hardware.

The policy has also simplified norms and procedures and extended benefits to status-holders and manufacturers availing themselves of the Export Promotion Credit Guarantee (EPCG) Scheme. Further, it has removed quantitative restrictions on import of 69 items, spread across five categories, and from a list of 600 tariff lines where curbs had been maintained for safety and security reasons.

Export restrictions on five items – paddy, except basmati, cotton lintens, rare earth, silk cocoon and family planning devices – have been relaxed and import of petroleum goods has been partially decanalised, with oil companies possessing licences being permitted to bypass Indian Oil Corporation, the only state-designated agency to import petroleum products. *(BS, 31.03.03 & BL, 31.03.03)*

## Hosts to Levy Imports

The Central Government has asked the empowered committee of state finance ministers to draw up a draft law to amend the Constitution to allow the states to levy a 5 to 8 percent tax on imports.

The states have argued that any levy by them is compatible with the World Trade Organisation regulations. They have pointed out that the tax is modelled on a similar levy in the European Union. Further, their demand to tax imports seeks to ensure an "equitable tax regime" after the nationwide imposition of the value-added tax.

Besides the issue of parity, the states are seeking powers to control imports of certain products. However, the main reason for the demand appears to be to bolster the state exchequers.

The Central Government wants the state consuming imported product to realise the tax and not the state where the consignment lands. *(BS, 06.03.03)*

## Concern over Deficit

There is a growing concern among the Chief Executive Officers (CEOs) of the Indian industry over the burgeoning fiscal deficit of the Government.

A snap poll conducted by the Confederation of Indian Industry (CII) shows that 75 percent of the respondents feel the urgent need for the Fiscal Responsibility Bill to be passed during the current budget session, with fixed caps restored.

It is noteworthy that the fiscal deficit for the financial year 2003-04 has been pegged at 5.6 percent, while it was about 6.4 percent in the fiscal 2002-03. Debt-servicing alone accounts for nearly 50 percent of government revenue, while another 20 percent is spent on subsidies. *(FE, 13.03.03 & BL, 09.03.03)*

### India not Attractive Enough

More than a decade has passed since economic reforms began, but FDI levels are still nowhere near the country's potential. The cumulative FDI till October 2002 was \$31.4bn or \$2.6bn annually, which is way below the Tenth Plan target of \$8bn every year.

In a recent AMCHAM-Gallup survey on American multinational corporations (MNCs) operating in India, it emerged that, though American MNCs view India as an important market, they are not convinced about its suitability as an investment destination.

One of the top reasons mentioned for India failing to attract FDI is a better investment climate in competing economies such as China and South-East Asia.

In manufacturing, the MNCs pointed out the disenchantment with the purchasing power of the Indian middle class and the sluggish Indian economy as other reasons for low FDI to India.

(FE, 08.02.03 & ET, 16.01.03)

### Control over Co-operatives

The Government is planning to introduce a bill to amend certain provisions of the Banking Regulations Act, in order to strengthen the Reserve Bank of India's (RBI's) control over co-operative banks.

Putatively, the amendment is aimed at bringing about parity in the regulation of scheduled commercial banks and co-operative banks, though it would not end the system of dual control in the regulation of co-operative banks.

Meanwhile, in Maharashtra, the Registrar of Co-operative Societies has asked the state co-operative banks to reduce interest rates on term deposits to a maximum of eight percent, as against the current 10-11 percent, which is totally out of sync with the scheduled commercial banks.

(BS, 26.02.03 & 07.02.03)

### Primary Market Brightens

The initial public offer (IPO) market in India has shown some signs of picking up in the last one year. The market has not only attracted small investors but also provided good returns.

At the beginning of 2002, the primary market had eight IPOs listed on the stock exchanges. Of these, seven provided positive returns, ranging between 17 percent and upwards of 200 percent. Only in one public issue did investors lose money.

The positive returns from initial offers over the last one year assume greater importance once it is noted that during this period the secondary market moved into a narrow range and business confidence suffered setbacks owing to factors such as the attacks on the twin towers of the World Trade Centre in New York.

(BL, 15.03.03)

### Ceiling to be Raised

The ceiling on investment in plant and machinery, for being treated as a small-scale industry (SSI), is slated to be raised soon from Rs. 1 crore (\$10mn) to Rs. 5 crore (\$50mn) in the case of 23 products – 13 stationary items and 10 drugs.

The proposal by the SSI Ministry to raise the investment ceiling in these product categories has been awaiting parliamentary assent. As per the Industrial Development and Regulation Act, a proposal to raise the investment limit for SSI classification has to be considered and vetted by Parliament during 40 consecutive days of sitting.

At present, for most products, the SSI investment ceiling is Rs. 1 crore (\$10mn), while it is Rs. 5 crore (\$50mn) for hand tools and knitwear. While most of the incentives intended for SSI units are available to units termed SSI, as per the investment norms, some like excise duty exemption are based on the criterion of turnover.

(ET, 14.02.03)

### Regional Hurts Multilateral

India and China, the two major textile-exporting countries, have been adversely affected by a large number of preferential trade agreements (PTAs) signed among World Trade Organisation (WTO) members during the past few years.

The agreements are believed to pose a real threat to the functioning of the WTO, as regionalism takes precedence over multilateralism.

In the context of textile trade, the threat emerges from the quota-free and duty-free access facility envisaged in some of these agreements among participating countries. Such arrangements would definitely mean a loss of competitive edge for exporters, especially those, like India, that are saddled with huge costs, low fabric base and poor productivity.

(FE, 07.02.03)

### Ticklish T-Issues

Trade issues have, doubtlessly, become the bedrock of economic and foreign policy of India. Realising this, the Institute of Chartered Accountants of India (ICAI) has recommended a separate ministry for WTO issues. The Institute has identified the concerns and a possible road map for the WTO regime.

ICAI and other experts are of the view that a separate ministry would be better equipped to negotiate at the WTO. For example, there are 160 services spanning 12 sectors which have to formulate their responses to the various trade-related negotiable issues. Administratively, this would mean dealing with nearly 26 ministries.

The negotiations are currently being carried out by a trade-negotiation committee that has adopted a special-groups structure to conduct the negotiations. Each special group has a chairperson who reports to the committee on a regular basis.

(FE, 19.02.03)

## Convertibility Catches up

The rupee has taken a big leap towards full convertibility on capital account, with the Finance Minister announcing major relaxations in capital controls. Now, Indian residents – individuals, corporations and mutual funds – can invest in the equity of companies listed on recognised foreign exchanges, provided these companies have at least a 10 percent stake in a company listed on an Indian stock exchange.

While there is no limit on individual investments, corporate investments have been capped at 25 percent of the net worth of the investing company and mutual funds face a collective ceiling of \$1bn.

Moreover, Indian companies with branches and offices abroad can acquire immovable property overseas for their business/staff residential purposes and can retain ADR and GDR proceeds abroad without limit for future foreign exchange requirements. The current limit is \$10,000.

The move is widely expected to facilitate easier foreign exchange transactions and greater two-way flows.

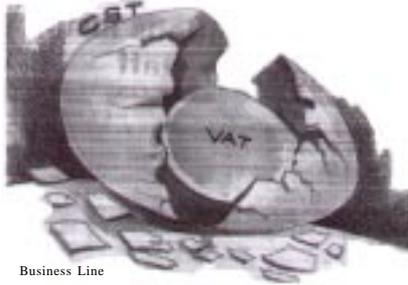
(ET, 10.01.03 & BL, 10.01.03)



## Set Anomalies Right

Small scale industrialists and traders have urged the Union Government to defer the introduction of the value added tax (VAT) till corrections in the existing sales tax and entry tax systems are made. K. B. Agarwal, the Senior Vice-President of Merchants' Chamber of Commerce, made this suggestion.

He felt that the entry tax, which is currently being levied by Maharashtra, Kerala and Assam, was not 'VAT-able'. Hence, there would be a price-cascading effect. Moreover, under the VAT mechanism, Central Sales Tax would be continued at two percent in 2003-04 and was likely to be reduced to zero percent in 2005-06. Hence, the consuming states would continue to suffer both in terms of trade diversion and higher cost.



Business Line

Further, the Union Government's decision to transfer certain services to the state for the purpose of levying service tax would create complications and additional tax burden unless state service tax was made 'VAT-able'.

In this context, he felt corrections were necessary in the state VAT mechanism. The states have been told to get the laws enacted by the last week of March so that they can switch to the new regime by April 1.

Apprehensions of a delay in the implementation schedule stem from reports that most states are not geared to enact their VAT laws. (BL, 11.02.03)

states strongly opposed this move and called for its phase-out once the VAT was stabilised after a year.

However, the Centre has called for the abolition of VAT by two percent in a year, one percent in the second year and zero percent in the third year. (FE, 08.02.03)

### VAT to Raise Drug Prices

Drug prices across the country are set to go up after the nationwide VAT comes into force. Pharmaceutical companies expect that 12.5 percent VAT on drugs will raise overall drug prices by around six percent.

The impact will differ across states, depending on the existing tax structure in each. In Maharashtra, for example, the increase in drug prices will be over six percent, if the VAT rate is 12.5 percent, as is widely expected.

At least three leading pharmaceutical companies, in addition to an association of retailers, have said that the increased prices will be passed on to customers. (BS, 25.02.03)

### States Agree on 12.5%

In a major breakthrough, all states have agreed to levying a single VAT rate of 12.5 percent on all items instead of two rates on which they were given an option. This will put an end to the inter-state tax rivalry aimed at attracting business.

The states have also decided against imposing entry tax on goods following implementation of VAT.

The earlier proposal was to give states an option to levy a general VAT rate of 10 percent or 12.5 percent. Several exceptions, however, remain; industrial inputs will be taxed at four percent, bullion and precious stones at one percent and demerit goods at 20 percent. (BS, 11.02.03)

### 2000-2001 as Base Year

The empowered committee of state finance ministers gave its consent to the

Centre's formula to compensate their revenue loss after the launch of VAT. These states unanimously decided that the base year of 2000-01 be fixed for the compensation of 100 percent for the first year, 75 percent for the second year and 50 percent for the third year.

These states also expressed their resolve to launch the VAT regime from 1<sup>st</sup> April 2003.

The shortfall in the revenue would be compensated after taking into account the five-year growth before 2000-01 and the projected growth after five years.

The states have demanded that the compensation should be at least monthly. The Centre has assured 100-percent compensation for the proposed revenue loss in the wake of abolition of VAT.

On abolition of Central Sales Tax, along with the introduction of VAT, various

### VAT's the Fuss Now?

The standing committee of finance has asked for a detailed report on the meetings of state finance ministers, which decided on the implementation of VAT with effect from April 1.

The first meeting of state finance ministers was held in 1994 and discussions pertaining to compensation for states held up the process till 1999. It was agreed to implement VAT by April 2001 but was deferred further till April this year with different states framing their legislation on the new tax regime.

Political opposition both from the ruling party and the main opposition party have emerged close to the implementation of VAT despite an agreement of the Union government with the state finance ministers. Sources said this was election year and no party wanted to upset the trading community. (FE, 27.03.03)

## State Briefs

### Loss of 500 Crore Post-VAT

The Rajasthan Government will lose approximately Rs. 500 crore, following the introduction of VAT, despite the Centre assuring compensation of the full amount in the first year.

According to official sources, a major portion of the loss will be on account of surcharge on sales tax, tax on raw material, which will be abolished in the form of set-off, and a cut in Central Sales Tax. The Commercial Taxes Department has estimated that the total loss will roughly add up to Rs. 700-800 crore, of which Rs. 300 crore will be compensated by way of value addition. This will leave a gap of approximately Rs. 500 crore in the next financial year.

However, the Rajasthan Government took a leading role in the computerisation of VAT in the country. (ET, 22.01.03)

### Not Prepared for VAT

A World Bank Study on Maharashtra indicates that the State is not fully prepared to switch over to the VAT system. Incidentally, the Bank had last year advised Maharashtra to improve its market-monitoring intelligence to beef up its sales tax collection instead of rushing into a new system.

The State still has to fine-tune its administrative machinery for the new regime and the absence of proper implementation timetable poses serious risks to successful VAT implementation.

The Bank feels that the State should undertake functional reorganisation of the Sales Tax Department before the VAT launch. The current pace of implementation of VAT administration is a cause for serious concern, it notes.

Another serious issue is of pending cases. An overhang of pending assessments will seriously hamper a smooth VAT transition. (ET, 28.01.03)

## The ABC of VAT

### Q. What is Value Added Tax (VAT)?

A. VAT is a simple transparent tax collected on sale of goods. The states and the Union Territories have decided to introduce VAT in place of sales tax and related state taxes.

### Q. How is VAT different from Sales Tax?

A. VAT will have only four rates instead of the large number of rates of sales tax. With offsetting of tax on inputs against that on outputs, VAT does away with tax on tax. Claiming input tax credit under VAT ensures proper invoicing. Overall, these features of VAT encourage disclosure of complete information on business turnover.

### Q. Who will be covered by VAT?

A. All business transactions carried out within a state by individuals, partnership firms, companies etc., will be covered by VAT.

### Q. Who will not be covered by VAT?

A. Vat will not cover small businesses with a turnover below a certain limit which will be decided by each state. Medium size businesses, again decided by the state, can opt for VAT or a composition system of tax on turnover.

### Q. What are the rates of VAT?

A. There are just four rates of taxes under VAT – the zero rate, one percent, four percent and a general rate of 12.5 percent. These rates will be uniform in all the states across the country. The same set of goods will be charged at same rates in all states. Most of the essential commodities are exempt from VAT, or fall in the four percent category.

### Q. How does VAT work?

A. Most business purchases will carry a VAT charge. VAT paid as input tax can be adjusted against VAT on output. This will include VAT paid on purchase of raw materials or goods purchased for resale. The original copy of the VAT invoice is needed to claim input tax credit.

### Q. How does VAT help trade?

A. Uniform rates of VAT will boost fair trade. Hundred percent self-assessment will reduce the taxpayers' need to visit the tax department offices.

### Q. How does VAT help the industry?

A. The system of input tax credit will promote production efficiency of investments. Investment decisions will not, therefore, be based on tax differentials, tax holidays, etc.

### Q. How does VAT help exports?

A. With zero rating of exports, the rate of tax on export goods will be zero and yet credit will be given on tax paid on inputs. This will make our exports more competitive.

### Q. How does VAT affect the consumer?

A. VAT should not lead to price rise, as there will be no tax on tax. (BS, 31.03.03)



## Highlights of the Kelkar Recommendations on VAT

### Introduction

Value Added Tax (VAT) is unanimously acknowledged to be a major reform in the indirect taxation system for the following reasons:

- (i) It eliminates the cascading effect of taxes;
- (ii) It promotes competitiveness of exports;
- (iii) It has a simple and transparent structure; and
- (iv) It improves compliance.

### Recommendations

(A) As regards preparedness for State VAT, the report recommends that a publicity awareness programme should be started jointly by the Central Government and the State Governments and the former should extend financial support for this, if required. Since the State VAT is expected to be implemented from 1 April 2003, it is also necessary that the publicity awareness

programme should be implemented at the earliest.

- (B) Regarding uniformity of definitions, it recommends that an attempt should be made towards uniformity of all State legislations, procedures and documentation relating to VAT.
- (C) With reference to compensation to States, it recommends that issue of compensation, if it arises, must be primarily tackled through mutually acceptable mechanism of additional resource mobilisation through Service Tax and not through Budgetary support.
- (D) The report also recommends that with the introduction of VAT, all other local taxes be discontinued, and the same should be taken into account in determining the RNR.

(E) Regarding the Additional Duties of Excise (AED), it recommends that whereas AED may continue for textiles up to 2005, it may continue even thereafter for cigarettes which should not be subjected to VAT.

(F) On the subject of credit on Inter-state transactions, it recommends that the VAT scheme should provide for grant of credit of duty by the importing State for the duty paid in the exporting State, in the course of inter-State movement of goods.

(G) Regarding stability and continuity of the VAT regime, it recommends that for the stability and continuity of VAT, a VAT Council or a permanent suitable alternative vested with adequate powers to take steps against discriminatory taxes and practices and eliminate barriers to free flow of trade and commerce across the country should be explored.

## Quest for Utopian India

How to revitalise rural India? For starters, we must begin by ending our culture of dependency. When people gain control over the resources they have created, they can do wonders. But, the empowerment of our people is a frightening prospect for the politico-bureaucratic nexus that thrives on allocating limited resources in return for money and votes.

Then, we must liberate resources, which must be diverted from such unproductive areas as Government salaries, subsidies and even the military. The best government is the one that governs the least. We can make a start in this area by slashing the number of ministries and departments at the Centre and in the States.

Our government is over-staffed at the bottom and under-qualified at the top. Besides, our IAS officers are engaged in building empires, not building a nation.

Removal of subsidies is another

Dr. Verghese Kurien\*

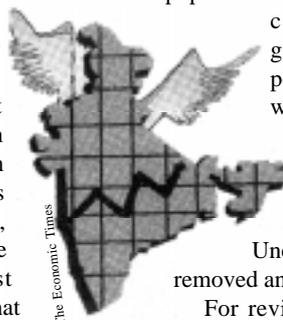
urgent action to be taken, with immediate effect. It is a well-known fact that wherever in the world subsidies are made available, those who need them the least corner them. The only way to roll back populist subsidies is to make those who can afford to pay. The government should pay for power, health, education and water and ensure food, shelter and education for the poor people.

We have too many laws and little enforcement.

Unenforceable laws should be removed and replaced with new laws.

For revitalising India, we should make autonomous bodies truly autonomous, ensure transparency in the conduct of elected representatives and in governance generally. We should pay greater attention to the quality of extension services and curbing population growth.

(\*The Chairman of the National Dairy Development Board; BL, 13.01.03)



percent increase in the total number of industrial units between 1991-92 and 1999-2000. However, in Bihar and Madhya Pradesh, the numbers declined, whereas Uttar Pradesh registered a marginal rise.

Among the southern states, Andhra Pradesh witnessed a sizeable fall, while Karnataka, Kerala and Tamil Nadu recorded an increase in the total number of industrial units. Relatively, the northern states have fared better, with Haryana, Himachal Pradesh, Jammu & Kashmir, Delhi, Rajasthan and Uttar Pradesh recording a rise in the number of units.

(BS, 05.01.03 & BL, 05.01.03)

### Still India is Less Global

Despite the problems that greater openness may have been creating, India is less global than even countries like Pakistan and Bangladesh. India has slipped on a scale of globalisation in the past year, according to a joint report by AT Kearney and the magazine Foreign Policy.

India's ranking, according to a globalisation index prepared by the two firms, has slipped from 49 in 2002 to 56 in 2003. Over the same period, Pakistan has improved its ranking from 56 to 50. Although Bangladesh has slipped from 48 to 54, it is still higher than India.

The globalisation index measures economic, social, political and technological integration in 62 countries representing 85 percent of the world's population and more than 95 percent of the world's economic output.

Further, Ireland has retained its position as the most globalised country of the world, followed by Switzerland, Sweden, Singapore and the Netherlands.

(BS, 09.01.03)

### E-Governance at the Forefront

The e-governance market size in India is estimated to have grown by 18 percent in 2001-02, according to a study conducted by the National Association of Software and Services Companies (NASSCOM). Kerala and Andhra Pradesh (AP) have been leading other states in terms of their share of total e-governance.

In all, there are seven states with interest in e-governance, including AP, Karnataka, Tamil Nadu, Kerala, Gujarat, Maharashtra and Madhya Pradesh. Big states like Bihar and Orissa are still lagging behind in e-governance initiatives.

E-governance involves aligning multiple services and not just computerisation, according to the President of Information Systems Audit and Control Association of Singapore, Abdul Hamid bin Abdullah.

(FE, 17.01.03 & BL, 26.02.03)

### Liberalisation Hurts Farmers

The first phase of the millennium study on the state of the Indian Farmer, compiled by the Institute of Economic Growth, New Delhi, has concluded that economic liberalisation has impeded agricultural growth, in the absence of investment in rural infrastructure. Liberalisation has focused mainly on price-related issues, even as public investment in agriculture has continued to drop.

The broad inference drawn from the 26 studies comprising the millennium study is that small and marginal farmers and landless labourers need to be involved in capitalising on the increased export opportunities.

The second phase of the study, called the Situation Assessment Survey (SAS), has been launched in February and is expected to be completed by the year-end. The SAS is expected to complete the millennium study, which is sponsored by the Ministry of Agriculture and conducted by the National Sample Survey Organisation. (ET, 05.02.03 & BS, 04.02.03)

### TUs Fight for Rights

Half-a-million employees representing all trade unions, except the *Bhartiya Mazdoor Sangh* (BMS), marched towards the Parliament on February 26 to protest

the "endless misery" that the working class has been subjected to in the context of "reckless implementation" of liberalisation by the Centre.

Further, the All India Trade Union Congress has warned of prolonged agitations in all core sectors, including coal, oil and banking, if the Centre continued with its "anti-labour policies". Notably, almost ten million workers have been thrown out of jobs from both private and public sectors during the past four years.

Meanwhile, academics, like A. K. Bagchi, the Director of the Institute of Development Studies, Calcutta, feel that economic reforms have historically contributed to greater inequality, with many people losing their jobs. Workers, therefore, have a responsibility to play their due role in fighting such reforms.

(BL, 02.02.03 & 12.02.03)

### BIMARU Bypassed

According to an analysis by the Associated Chambers of Commerce and Industry of India, the policy of economic liberalisation seems to have bypassed the BIMARU states of Bihar, Madhya Pradesh and Uttar Pradesh, though Rajasthan could be an exception.

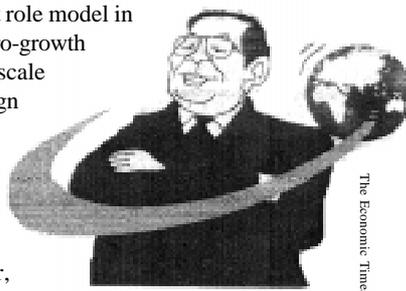
The Study shows that the liberalisation policy, based on free trade and competition, has resulted in a 17-

## In Search of a Role Model

India has been asked to follow China with regard to the implementation of its economic reforms. First, it was the Minister for Disinvestment, Arun Shourie, who wanted the focus of reforms to shift to the states and the locked-up government expenditure in unproductive areas freed for pro-growth activities.

The Minister finds China the right role model in terms of having impeccably executed pro-growth policies, giving due importance to the scale of operations and attracting higher foreign investment by facilitating the reallocation of industries to the home economy.

Meanwhile, McKinsey and Company has recommended initiatives to revive the manufacturing sector, similar to those taken by the Chinese Government since 1990. This would include simplifying indirect taxes on manufacturing, reducing import duties to a single rate, simplifying labour laws and allowing flexibility to use contract labour and complete de-reservation of the small-scale sector.



(BS, 04.02.03 & BL, 21.02.03)

### IRDA Advocates and Governs

Calling inconsistent the present tax treatment of contractual savings, the Insurance Regulatory and Development Authority (IRDA) has asked the Government to consider extending significant tax sops to encourage savings, especially since the Kelkar Committee has not budged much on tax incentives for savings.

Further, the IRDA has entered into an agreement with TV channels to launch a three-month ad campaign to educate the masses about what insurance means.

In another move, showing its commitment to developmental objectives, the IRDA has slapped notices on five life and two non-life insurers belonging to both public and private sectors for failing to meet the stipulated levels of obligations in rural and social sectors. The failure was more in meeting social sector obligations.

And, showing as much concern for efficiency as for equity, the regulator has asked all the four public sector life insurance companies – New India Assurance, Oriental Insurance, United India Insurance and National Insurance – to curb their management expenses.

(BL, 08.01.03 & BS, 07.01.03)

### Pains of Privatisation

The Minister for Disinvestment, Communications and Information Technology, Arun Shourie, has hinted at the extension of privatisation to more arenas, never mind the controversies surrounding the already lingering proposals.

Further, the Minister feels that disinvestment should be done when prices are high, especially when organisations like the VSNL still enjoy monopoly status, since the returns to the government would then be high. On the other side of the fence

lie interest groups like the *Swadeshi Jagaran Manch* (SJM) that are steadfastly opposed to the programme of disinvestment. Recently, the SJM called for the Disinvestment Ministry to be scrapped, soon after the announcement of oil PSUs' disinvestment, and threatened the government with a political offensive, if the decision was not taken back.

(BL, 01.02.03 & BS, 04.02.03)

### Plan Projects and Private Play

Various economic and social ministries have been directed through a directive issued by the Prime Minister's Office (PMO) to take up the implementation of Plan projects and schemes in partnership with the private sector for the optimal utilisation of scarce funds.

According to the plan envisaged by the PMO, while the onus of making the investments for providing various services will be on the private sector, the Government's responsibility will be to buy the services from them to benefit a larger section of the population.

Meanwhile, the budgetary allocation for Plan projects to several ministries has been delayed, owing to the stand-off between the Finance Ministry and the Planning Commission over the level of financial support to Plan projects.

(BL, 14.01.03 & ET, 28.01.03)

### Independent Pharma Regulation

The Tenth Five-Year Plan has suggested the setting up of an independent pharmaceutical regulatory authority dealing with major issues such as drug pricing, quality control and licensing of drugs. The Plan, however, advises against the deregulation of prices of essential drugs in the next few years.

The Plan document, recently approved by the National Development

Council, has pointed out a wide gap between regulation and implementation regarding the quality of drugs.

Meanwhile, the Organisation of Pharmaceutical Producers of India has been complaining about "growth barriers" like the rigid administrative price controls, weak intellectual property rights, outdated and restrictive labour laws, high import tariffs and taxes and slow pace of economic reforms.

(FE, 09.01.03 & 10.02.03)

### Swelling Subsidies

The share of subsidies in Central Government expenditure has gone up to 9.5 percent, the highest since 1993. This excludes the burden of petroleum subsidy. The major subsidies financed through the Union Budget include food subsidy, fertiliser subsidy, export/import subsidy, petroleum subsidy, interest subsidies and debt relief to farmers.

Especially since 1999, there has been a creeping increase in subsidies, with food, fertiliser and petroleum subsidies rising. Moreover, the ratio of subsidies to government expenditure has risen to 9.5 percent, up from an average of 7.4 percent during 1994-95 to 1996-97 and, given the provisions made in the latest Union Budget, this may well go up to 17 percent during 2003-04.

Meanwhile, Nobel Laureate Amartya Sen has called for subsidising food buyers, rather than making rich farmers richer. He has pointed to studies that show that reallocating Rs. 21,000 crore (\$4,375mn) in favour of consumers would benefit the Indian poor far more than the current policy of subsidising the producers.

(FE, 07.03.03 & BS, 28.02.03)

### Drop in Poverty Levels

The 56<sup>th</sup> round of the National Sample Survey Organisations' household consumption-expenditure survey indicates a drop in poverty levels in the country. The percentage of population below poverty line has declined from 26.2 percent in 1999-2000 to almost 24.4 percent in 2000-01, as per the survey.

While not strictly comparable, the two sets of surveys indicate about two crore people have moved above the poverty line between the years. While poverty levels in rural areas have fallen, those in urban areas have risen marginally. The two sets are not strictly comparable because the 55<sup>th</sup> round was a large sample round, while the 56<sup>th</sup> round covered only selected households across the country.

Further, various state government's estimates of the number of below poverty line (BPL) families in rural areas is likely to go down sharply as the rural development ministry has changed the rules for identification of BPL families.

(BS, 09.03.03)

**Employment on the Rise**

Employment opportunities are on the rise in the unorganised manufacturing sector, after the losses suffered during the decade from 1884-85 and 1994-95. More specifically, people in rural and urban areas are again exploring self-employment avenues to earn a living.

According to the National Sample Survey's 56<sup>th</sup> round report, the number of units in the unorganised manufacturing sector, as well as number of jobs in this sector, has increased in 2000-01 both in rural and urban areas.

Liberalised labour legislations, a lid on the growing finances and a new tax structure, is what the manufacturing sector needs. However, the policy-makers are under the wrong notion that, if liberalised, the country will be left with scores of unemployed people. On the other hand, removing this wrong notion will lure more MNCs to enter the country; consequently the job opportunities will grow.

*(ET, 25.03.03 & BL, 28.03.03)*

**GM Food Rejected**

The Government has disallowed shipment of food aid from the US, suspecting it of having genetically modified (GM) contents in it.

The Genetic Engineering Approval Committee (GEAC), while denying permission, said that the agencies concerned had failed to submit an authenticated certificate that the consignment containing Soya corn blend as food aid under ICDS programme does not contain the Starlink corn, a variety of corn banned for human consumption.

However, the US wants India to reconsider its decision, as it could have negative implications for the commercial development of GM crops in India.

Interestingly, India and the US had agreed to sign an MoU on a tie-up between

**India Vision 2020**

India will have to generate 200mn new jobs, or at least 10mn jobs, each year in the next 18 years, if the country hopes to achieve full employment by 2020, says the India Vision 2020 document. The document also suggests that access to employment should be a constitutionally guaranteed fundamental human right.

The country's labour force is estimated at 375mn people and, by 2020, it is expected to increase to 545mn people, assuming that the labour force will expand at the rate of 7-8.5mn people per annum, in the first decade of this century.

Total unemployment in the country, including under-employment and seasonal variations of availability of work, stands at 35mn. More importantly, about 75 percent of the unemployed are in rural areas and 60 percent of the unemployed are educated.

Of the above-mentioned targeted figures, Prime Minister, Atal Bihari Vajpayee, claims that about 80 lakh fresh jobs/self-employments have been generated during this fiscal.

*(ET, 22.01.03 & FE, 14.03.03)*



the US-based Donald Danforth Plant Science Centre, the Bangalore Agriculture University and an Indian company for developing pest and disease resistant crop variety using biotechnological methods.

The tie-up is being interpreted as a calculated effort by the US to make India accept GM foods.

*(BL, 05.01.03 & 07.03.03)*

**Consumer Movement Strengthened**

The Consumer Protection Act, 1986, was enacted to better protect the interests of consumers. With globalisation of economy and enhancement of consumerism, the importance of the Act has multiplied manifold.

Under the Act, Consumer Forums at District (570), State (35) and National level are established to provide simple, inexpensive and time bound justice to consumer complaints against any defect in goods or deficiency in services including unfair/restrictive trade practices adopted by any person.

The Act was amended in 1991 and 1993. To make the Consumer Protection Act more functional and purposeful, a comprehensive amendment was carried out recently by the Government and brought into force from 15 March 2003. The Amendment Act is expected to greatly strengthen the consumer movement in the country.

*(FE, 18.03.03)*

**State Brief**

**Delay in Funds' Release**

The Maharashtra government, which is striving hard to overcome its debt burden of Rs. 83,000 crore, is also worried over the worsening drought situation and the severe damage to crops caused by hailstorm in certain districts. The state government has urged the Centre to release funds for carrying out relief and rehabilitation works.

In view of the present situation of water scarcity, the state government would be compelled to deploy as many as 2,225 water tankers in May this year, said the Minister for Rural Development and Water Supply, R. R. Patil. The recent hailstorm in Vidarbha and Marathwada has added fuel to the fire. The standing Rabi crops have been badly hit. The state government would now have to shell out additional funds for providing relief to the affected farmers.

The state government also needs to increase the number of works under the employment guarantee scheme in order to avoid migration of drought affected people. For this, the government will have to reallocate funds, and if required, discontinue other development works.

*(FE, 10.02.03)*

**International Brief**

**China to End Lifetime Jobs**

China is to make a break from its communist past by proposing a formal end to the guarantee of Jobs-For-Life for 30 mn civil servants. The announcement by the Ministry of Personnel sounds the death knell for a lifelong tenure system that guaranteed most government officials a salary, pension, medical insurance, education for their children and other perks – regardless of their performance.

Over the next five years, the government will put into place a system under which civil servants will work according to contracts and can be dismissed if they fail to perform in line with a set of transparent goals.

Introducing a contract system is expected to improve the quality and efficiency of the red-tape bound bureaucracy, which has held sway in China for centuries, and will affect all levels of government.

*(FE, 08.01.03 & FT, 08.01.03)*

# Business is Not Government Business

P. N. Vijay\*

One significant distortion of the reforms is the purchase of public sector units (PSUs). This first happened in the case of IBP, which was bought by the government-owned Indian Oil Corporation at a fancy price far beyond the value that the market had placed on IBP. Even at that time, most right-thinking people were critical of this sale of a PSU to another, since it was the case of a company being shifted from the right hand of the government to the left, but hoped it was an aberration.

Now, the problem has cropped up on a much bigger scale and a debate is on whether oil companies like ONGC and IOC should bid for the government stake in HPCL, and this is where we need to go back to the blackboard and renew our commitment to economic reforms.

In my view, making one public sector company buy another makes a mockery of not only privatisation but of the reforms as well. Firstly, the role of the government remains that of a producer and distributor and, in this particular case, a monopoly at that. The 'noble concept' of the government becoming a facilitator remains only in theory.

Under liberalisation, the biggest winner is the consumer, since he would be getting all the benefits of competition. If public oil companies buy other oil companies, we will continue to see the pseudo competition that we see in the sector today. The loser will be only the common man.

It is regrettable that even after the Administered Price Mechanism (APM) was dismantled with much fanfare, the three government-owned oil companies behave like a single entity. The retail prices of all petro products are the same down to the last paisa. Furthermore, such is the hold of the government on this 'deregulated' sector that the international price of oil has no relation to retail prices.

There are some who are against the sale of profitable units. These include not only marginal but articulate entities, like the communists, but also those who swear by reforms. Their argument is that if a PSU is profitable, there is no need to sell it. This is a very dangerous argument and is entirely incorrect.

To say that the profit of a PSU is a measure of efficiency is to be ignorant of how these profits are made. Take MTNL for instance. It enjoyed, till recently, a near monopoly status in running the telephone business in two of India's largest cities – New Delhi and Mumbai. It just kept raking in money because there was no choice. It did not have to do any marketing for a product where there was a waiting list running into years.

On the pricing front, while in many parts of the world, local calls are either free or absurdly cheap, MTNL, in the absence of any competition, charged the consumer exorbitantly. It is worth noting that when MTNL went into the really competitive segment of cellular phone services, it was unable to stand the heat of private enterprise.

**Making one public sector company buy another makes a mockery of not only privatisation but of the reforms as well. The role of government remains that of a producer and distributor and in this particular case a monopoly at that.**



But, why sell the profitable ones as long as they make profits is another question that one is asked. We need to sell them for the simple reason that very soon they will not be profitable!

By liberalising the economy and throwing open every sector to private competition, we are taking away one by one the props on which these PSUs have walked and it is only a matter of time before these PSUs get into the red. Having lost their monopoly status, they will have to live with the burden of over-staffing, slow decision-making, frequent changes in management and, last but not least, political and bureaucratic interference at every level (remember the Prime Minister himself had to write to his ministers not to fill PSU boards with cronies!).

The people who run PSUs are good. But unfortunately the concept of a PSU is not a good economic concept.

"Why is this whole PSU sale such an important issue? We can push reforms in other areas and let the PSUs remain in government hands," many well-meaning friends ask me. That would be wrong for two reasons.

Firstly, all over the globe – whether it was the UK or Chile or Poland – sale of government companies has been the litmus test of reforms. Secondly, by selling PSUs we are achieving two of the most important goals of reforms – reducing corruption and improving the fiscal position of the country.

The decision to get the government out of businesses, except where there is a strategic consideration involved, is a well-thought-out and sound one. Government has many things to do. It needs to improve the infrastructure in terms of power, roads, bridges, ports and railways.

More importantly, it needs to improve the social infrastructure by making hospitals work better, by providing proper roof and textbooks to schools.

These are gigantic tasks and will lead to the benefits of reforms percolating through. It should not waste its precious time doing things which are best done by the private sector.

(\*Investment Banker and Convenor of the BJP Central Economic Cell; ET, 25.01.03)

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**Maiden Sentence**

For the first time in the history of the Indian power sector, a state electricity board has been punished for violating the grid discipline. The maiden axe has fallen on the Madhya Pradesh State Electricity Board (MPSEB), was fined by the Central Electricity Regulatory Commission (CERC) for non-observance of the grid code. This led to the collapse of the western grid in July last year.

The Commission has also issued show cause notices to the Gujarat State Electricity Board (GSEB) and the Maharashtra State Electricity Board (MSEB) to explain why similar action should not be taken against them for their failure to comply with the specified grid code.

CERC has passed this order on a petition filed by the Western Regional Load Despatch Centre against nine respondents including MPSEB, MSEB, GSEB, Chattisgarh Electricity Board, Goa Electricity Board and the National Thermal Power Corporation (NTPC) in the matter of overdrawal of power from the grid below 49hz and non-compliance with the code. *(FE, 28.01.03)*

**Serious Frauds Office**

The Serious Frauds Investigation Office (SFIO) has become operational after earning cabinet approval in January. The agency will investigate major corporate frauds, including cheating of shareholders, depositors and investors. Further, it may also cover institutions such as statutory authorities, mutual funds and collective investment schemes if such institutions are involved in any fraud, violating the Companies Act.

The Office, which will be set up in the Department of Company Affairs, has been conceived as a multi-disciplinary body to investigate corporate white-collar frauds having inter-departmental and multi-disciplinary ramifications, involving the public interest in terms of monetary misappropriation or persons affected. It will have search and seizure powers available to the Department under the Companies Act, 1956. *(BS, 13.01.03 & BL, 17.01.03)*

**PDS Leakages Rampant**

A study conducted by the National Institute of Rural Development has found that of the foodgrains meant for the public distribution system only 55 percent of rice and 39 percent of wheat are reaching the cardholders in Tamil Nadu, Maharashtra and Madhya Pradesh.

The study, which tried to capture leakage at the fair-price-shop (FPS) level, states that 20 to 25 percent of the rice

**India: Runner-up**

A survey of foreign executives conducted by the Hong Kong based Political and Economic Risk Consultancy has found that most of them believe Asia to be growing progressively corrupt. According to the survey, corruption has worsened in seven of the 12 Asian countries covered.

The survey of 1,072 expatriate executives working in Asia found Indonesia as the most corrupt country.

Corruption was seen to be getting worse in India, dubbed the second most corrupt country, followed by China, Hong Kong, Japan, Malaysia, Taiwan and Vietnam. Singapore has maintained its reputation as the least corrupt place.

Corruption in India was seen as affecting people's daily lives in such basic ways as paying fees for admission to better schools and getting electricity installed.

Countries where corruption was seen to be growing less seriously were the Philippines, South Korea and Thailand. *(BS, 13.03.03)*



allotted to the below-poverty-line (BPL) cardholders and 50 percent of the rice earmarked for the above-poverty-line (APL) cardholders is being diverted at the FPS level.

Further, 50 percent of the wheat allotted to BPL families has been diverted in Madhya Pradesh, while APL households did not lift their rationed quotas. In Maharashtra, the diversion was found to be more than 50 percent. *(BL, 03.02.03 & FE, 10.02.03)*

**SEBs Get Reform Minded**

As many as 24 states have signed a tripartite agreement with the Centre and the Reserve Bank of India (RBI) to clear dues worth Rs. 37,400 crore (\$7.8bn) of central power public sector undertakings (PSUs) under a one-time settlement scheme. This amount is the total outstanding liability of the State Electricity Boards (SEBs) towards power PSUs up to 30 September 2001.

The National Thermal Power Corporation (NTPC) will be the biggest beneficiary of the scheme, as it will get about Rs.19,000 crore (\$3.9bn) net of surcharge waiver through the bonds to be issued by states in favour of central power PSUs. Other beneficiaries include the National Hydel Power Corporation (NHPC), Power Generation Corporation of India Limited (PGCIL) and coal PSUs.

As per the one-time settlement scheme, the entire principal amount and

the 40 percent interest on that would be securitised in the form of RBI bonds on behalf of the respective state governments with a tenure of 15 years. There will be a moratorium of five years for redemption of bonds. Further, of the bonds issued in favour of PSUs, only 10 percent can be traded in the market every year. *(FE, 20.03.03 & BS, 20.03.03)*

**State Brief**

**Towards a Corruption-Free State**

The Andhra Pradesh Government has proposed to put in place a Performance Accountability Act aimed at bringing accountability at various levels of the government with a "reward-and-punishment" framework.

The Chief Minister of the State, Chandrababu Naidu, has decided to hold consultations with various employees' associations to elicit their views so that the exercise becomes result oriented and leads to the improvement of not just individual performance, but also the public services as a whole.

Meanwhile, in an effort to "provide corruption-free administration", the State Government has also been working towards creating an integrated call centre that seeks to provide one-stop information and citizen services for the majority of government-to-citizen interfaces and applications. The idea is to have fewer interfaces between the citizen and the government, which would lead to greater transparency. *(BL, 21.01.03 & 12.02.03)*

## Central Issue Is Fiscal Consolidation

M. Govinda Rao\*

The Country has been living with high and persistent fiscal and revenue deficits for far too long. This will affect the macroeconomic environment, through inadequate investments for industrial revival and infrastructure development in the coming years, says the National Institute of Public Finance and Policy Director, M. Govinda Rao.

According to Rao, the country has not had a serious balance of payments problem, largely because capital account convertibility has not been introduced.

But, the persisting fiscal imbalance has impacted savings and investments, as also the economy in the form of reduced growth rate. The economy has failed to grow to its potential because of the high fiscal deficit.

Though there are some “positives”, such as high foreign exchange reserves and a reasonably comfortable food-grains stock, to ensure that the prices do not escalate even in the worst drought year, Rao avers thus: “One should be careful not to be complacent about the positives, mainly because if there is capital account convertibility and no capital control, it does not take much time to wipe out the entire foreign exchange reserves.”

Stating that the central issue for the Finance Minister, Jaswant Singh, is to bring about fiscal consolidation, Rao feels that even as the fiscal deficit needs to be reined in, there is the inevitable need to improve both infrastructure and the industrial climate and revive the sagging economy.



The economy has failed to grow to its potential because of the high fiscal deficit. Fiscal consolidation would not be achieved unless there is a marked increase in the tax-GDP ratio.

Even as the fiscal deficit needs to be reined in, there is the inevitable need to improve both infrastructure and the industrial climate and revive the sagging economy.

On the expenditure front, Rao feels that lower interest rates and the swapping of high interest loans with low interest ones could reduce the interest burden, but the total volume of borrowing for own investments, as well as for lending to states, has been growing steadily.

The crucial issue continues to be the “incapacity of the Government to enhance allocative and technical efficiency of public spending. Unproductive spending continues to crowd out productive expenditure.”

Fiscal consolidation, Rao says, would not be achieved unless there is a marked increase in the tax-GDP ratio, which has declined by almost one percentage point during the last decade.

While the Kelkar Task Force report has made a number of useful and ‘implementable’ recommendations on both direct and indirect taxes, Rao feels that “the proposals on getting rid of all exemptions, savings incentives and housing incentives are extremely important.”

The extant tax saving schemes “erode the tax base, do not push up the savings rate and, more importantly, distort the choice between different saving instruments.”

Stating that it is better to avoid these tax preferences and have slower rates instead, Rao underscored the need to increase the tax relief to cover savings up to Rs. 50,000 in long-term instruments such as pension funds and life insurance. Also, he is not for totally exempting dividends from tax. The justification for exempting dividends is that, when corporate tax rates are brought on a par with the highest marginal personal income-tax rate and when all tax preferences are removed, taxing dividends

results in double taxation. “The truth is that even if the tax rates are so aligned, it would be

impossible to remove all tax preferences and, therefore, significant differences between statutory and effective tax rates will continue,” Rao said, adding that “it is necessary to tax dividends, by including 50 percent in the total income of the taxpayers, as in Germany.”

Referring to corporate tax and on the depreciation rate to be allowed, Rao feels it is neither advisable to alter the depreciation rates nor align the income tax and company law rules.

On the controversial issue of taxing agricultural income, Rao clarified that the Kelkar panel has not, per se, proposed agricultural income-tax, but only taxing those who declare substantial incomes from agriculture – one of the easiest ways to evade tax and convert black money into white – in their returns. The amount so evaded is estimated at over Rs.1,000 crore.

The proposal, therefore, is to have a tax rental arrangement with the states, collect tax on these declared incomes and pass on the revenue to the states. This measure, Rao feels, would “augment revenue, improve horizontal equity and counter tax evasion.”

On service tax, Rao says that the Kelkar Committee has closely followed the recommendations of the Expert Group on service taxation headed by him. One of the major proposals is that the tax should be general, not selective. The difficulty of having selective service tax is that each service will have to be defined, which would create interpretational problems. Service tax is important because the extant excise (Cenvat) is being converted into manufacturing VAT.

The other key recommendation is that the tax should be made concurrent, that is, where both the Centre and the States can levy the same. Rao deplors that much of the proposed VAT levy is shrouded in secrecy and, as such, the time was ripe to lay out the road map for achieving fully-fledged VAT.

(\*Director, National Institute of Public Finance and Policy; BL, 19.02.03)

Thanks for sending PolicyWatch. I gave a serious look at your letter addressed to our finance minister. It appears that you are competing with CII and FICCI.

Your policy response chart is well done. Today, I hear more of CUTS in the government and business circles. This is the result of committed, honest and sustainable work of CUTS.

**Dr. T. P. Bhat**  
Professor  
Institute for Studies in Industrial Development  
New Delhi, India

We consider CUTS to be a source of bundle of information. We would like to continue our association with CUTS, for the well being of industries in Karnataka.

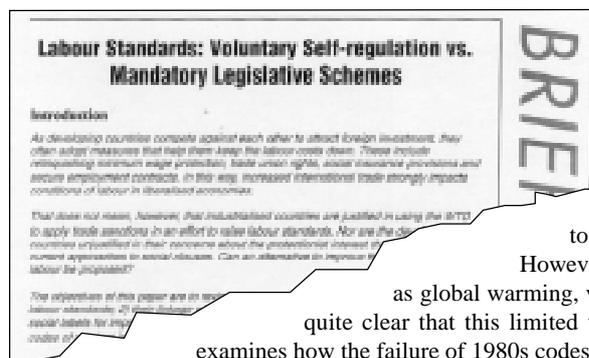
**A. Ramakrishna**  
Managing Director  
Karnataka Council for  
Technological Upgradation  
Bangalore, India

Recently, I received a copy of the CUTS' briefing paper on the Electricity Bill – 2001. The paper is well researched and provides an analytical report of the problem of Electricity in India.

**Prof. Srinivas Narayanswami**  
Director  
Consumers' Voice  
Tamil Nadu, India

**PUBLICATIONS**

**BRIEFING PAPER**



**Labour Standards: Voluntary Self-regulation vs. Mandatory Legislative Schemes**

No 2/2003

In the recent past, businesses seem to be little concerned about social development. The general view is that by following the principle of profit maximisation and giving the highest possible return to their shareholders, businesses can contribute to the good of the society in the best way.

However, some of the challenges currently being faced by the society, such as global warming, violation of core labour standards and human rights have made it quite clear that this limited version of corporate responsibility is not sufficient. This paper examines how the failure of 1980s codes resulted in the proliferation of corporate codes of conduct and an increased emphasis on corporate social responsibility, especially in case of labour standards.

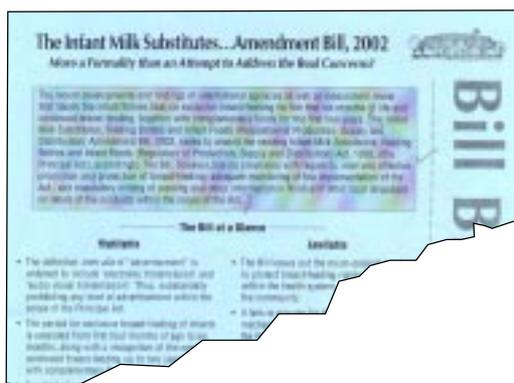
**BILL BLOWUP**

**The Infant Milk Substitutes...Amendment Bill, 2002**

No 1/2003

The Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Amendment Bill, 2002, seeks to amend the existing Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992, (the Principal Act). The Bill, however, has no provisions with regard to, *inter alia*, effective promotion and protection of breast-feeding; adequate monitoring of the implementation of the Act.; and mandatory writing of warning and other information in Hindi and other local languages on labels of the products within the scope of the Act.

It carries highlights and lowlights of the Bill and suggests some action points as well. The purpose is to brief the Parliamentarians on the new legislation to promote understanding and enhance the quality of the debate.



**NEWSLETTERS**

**ECONOMIQUITY** (No. 25, 2003)

"India-EU partnership is crucial for the Cancun meeting," said Pascal Lamy, EU Trade Commissioner, during his visit to India in March 2003. This edition details his India tour as well as his views on a broad range of issues including agriculture, TRIPs, public health and much more.

Among the other highlights of the edition are various articles on the interim steel-tariff rulings in the case between the US and a set of complainants including the EU, Japan and India; stories on the economics of anti-dumping; a look at China's recent growth performance; and an overview of free-trade deals, especially the one between the US and Central America.

**CUTS in Action** (No. 17, 2003)

CUTS celebrated its 20<sup>th</sup> Anniversary at a Partnership Conclave in New Delhi from 12-14 March. Besides carrying an attractive insert on the proceedings of the event, this issue also carries a message of the noted trade theorist, Prof. Jagdish Bhagwati on the successful completion of twenty years of CUTS.

It also covers developments and news related to various programmes and campaigns like the Road Safety Campaign.

**SOURCES**

- ET: The Economic Times    BS: Business Standard
- TH: The Hindu              BL: Business Line
- FE: The Financial Express    HT: Hindustan Times

The news/stories in this Newsletter are compressed from several newspapers. The sources given are to be used as a reference for further information and do not indicate the literal transcript of a particular news/story.