PolicyWatch

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

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CAS or Chaos?

Conditional Access System (CAS) has become quite a hot topic, with the Prime Minister and the Deputy Prime Minister getting involved with the refrain, "consumer interest should be kept in mind." They fear this might become an election issue.

What is all this brouhaha about and is it really worth it? CAS, or enabling consumers to select only those cable TV channels they wish to see, is arguably about promoting consumer interest. But, frankly, there are some vested interests, which have made a mountain of a molehill.

CAS involves something that is popular in many other countries. When consumers get a huge number of TV channels, they may not want to see all. Especially, if channels are paid for, then consumers will select only the ones they want to see.

BUSINESSWORLD

The way it works is, a set top box (STB) is installed over the TV set, which regulates all the channels that are aired through the cable. An STB can cost anything between Rs. 2000 and Rs. 5000 and is a one-time investment. Though currently imported, STBs can be manufactured indigenously, given sufficient demand. Once the system is in place, consumers of cable TV could end up paying much less than they now do. Undoubtedly, CAS favours consumers, but much needs to be done before it can be made foolproof.

To begin with, the Government proposes to introduce the CAS in the four metro cities, Kolkata, Chennai, Mumbai and Delhi, from 15th July. Once they see how it behaves, it could be introduced in other parts of the country.

Under the prevailing situation, the Government's announcement to set up an autonomous regulatory body to oversee the electronic media is most welcome. This step comes at the right time, when the CAS is in complete chaos. The proposed body would monitor the broadcast industry and regulate it through price-capping, performance standards and resolve inter-industry disputes.

Some people opine that the introduction of CAS is a hasty decision, without either the infrastructure or consumer base for such a change. This is true to some extent, but it does not make the adoption of CAS prohibitive. In fact, the Information & Broadcasting Ministry has already initiated steps in this direction, e.g., creating awareness through the media. In addition, the Government may provide valuable information like the type of channels, pay or free to air (FTA), price for pay channels, STB prices, relative advantages of different types of STB, etc.

While the Government has identified the FTA package, broadcasters will fix the prices of the pay channels. The FTA package includes more than 70 channels and will cost Rs. 72 plus taxes. Besides, one does not need an STB to view them.

CAS benefits not only consumers but also other stakeholders. It offers broadcasters and Multi-System Operators (MSOs) a new system that would reduce revenue leakage from current subscribers. The Government would also benefit from this by collecting higher revenues from entertainment and service tax.

Further, the Government is addressing the fear that consumers' right to choose will be restricted by pay channels' strategy to offer single channels at very high prices and making a bundle just about a little more expensive on a cumulative basis. The Government is insisting on "unbundling of channels in the real sense", which "allows real choice to the consumers".

According to the Cable Television Networks (Regulation) Amendment Act, 2002, every cable operator will have to publicise, in the prescribed manner, the subscription rates and the intervals at which such subscriptions are payable for receiving each pay channel provided by the cable operator. Thus, even as the advertisers adopt a wait-and-watch policy till CAS arrives, broadcasters will not be able to make good their revenue deficits by either bundling popular channels with less popular ones or charging high premiums on popular ones, while charging a notional one for others.

Given the intervention of the Prime Minister's Office and other steps being taken by the Government, consumers have little to worry about. We strongly recommend that consumers and consumer organisations should give their full support to the Government and help in bringing about a complete and comprehensive regime which is in the interest of all: broadcasters, MSOs, cable operators and consumers.

HIGHLIGHTS

"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*

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Alternate Tariff Package

The Bharat Sanchar Nigam Ltd (BSNL) has announced the new tariffs for fixed-line phones, in accordance with the Telecom Regulatory Authority of India's (TRAI) new telecom tariff order.

As per the alternate tariff package, the Corporation has not changed the rentals for rural and urban customers. The local call charges from fixed to fixed-line telephones have been retained at a three-minute pulse.

However, for local calls, tariffs for fixed to wireless-in-local-loop (WLL) mobile calls as well as fixed to cellular calls have been increased by bringing about a change in the pulse rates. The fixed to WLL mobile calls would be charged at a 90-second pulse, where as the fixed to cellular calls would be charged at a 30-seconds pulse.

While the urban customers would get 30 free calls per month, instead of the present 60 free calls, the rural customers would get 50 free calls, instead of the present 75 calls.

The intra-circle long distance calls beyond 200 kms have become cheaper. They have been brought down to Rs. 2.40 per minute, from the earlier levels of Rs. 4.80 per minute.

(FE, 10.04.03)

Finally you might end up paying much more, but let me assure you, Sir, these new tariff options are designed to benefit you!

TRAI Re-looks at IUC Regime

In view of the total confusion among the telecom operators and subscribers, the TRAI announced its decision to review the interconnect usage charge (IUC) regime.

For the next three months (June-August), the operators would be allowed to offer any tariff schemes, which they feel are complaint with the IUC principle.

"In view of the fact that the IUC regime would itself be the subject of review and large number of tariff packages that require examination, the authority has decided that it would allow a longer period for the service providers to implement tariffs after conducting a self-check regarding the consistency of those tariffs with relevant regulatory principles," said the TRAI statement.

Meanwhile, the TRAI will begin the process of IUC review through consultation. In the consultation, the Authority would also look at the desirability of withdrawing forbearance that is presently given to the tariffs for cellular mobile and WLL mobility.

(ET, 10.05.03)

New Tariffs, Death Knell for PCOs

The drastic reduction in the national long distance telephony rates has affected the cosy arrangement that exists between the STD/ISD PCO operators and their corporate customers. Further, the increase in fixed-to-mobile tariffs has made STD/PCO operations unviable, as a standalone business.

Several corporate customers have been utilising the conference STD facility of STD booth operators, rather than their own STD lines. This enables the corporate customers to keep track of calls, thus ensuring that they are made for official purposes, as well as keep a tight leash on expenses.

Officials of BSNL and MTNL used to wonder how the corporate customers found this arrangement more profitable, when STD booths commonly charge a service fee. Based on a survey, it was found that the corporate customers are sharing 20 percent of the operator's commission (given by the service provider to the booth owner).

However, the long distance tariff reduction has rendered commission-sharing a much less attractive proposition, with corporate customers now more inclined towards using their own STD lines.

(BL, 13.05.03)

Multiple Licences Allowed

The Department of Telecommunications (DoT) proposes to alter the cellular licence conditions that stand in the way of mergers and acquisitions in the cellular industry. It plans to allow a cellular operator to acquire more than one licence in a circle, paving the way for consolidation in the industry.

As per the existing conditions, if an investor or a company has more than a 10-percent stake in one cellular operator in a circle, it is not allowed to acquire more than 10-percent equity in another cellular company in the same circle.

The proposed move would bring great relief to two sets of economic agents: small players, who would get an exit route; and telecom investors, who would be able to cut their losses and have, in general, more options to redeploy their funds.

(ET, 11.05.03 & 13.05.03)

TRAI asks to Roll Back Tariffs

Following the Reliance gauntlet, the cellular industry planned to offer STD calls at 35 paise per minute. The industry expected to offer the new pricing structure before the Reliance's commercial roll out.

However, the TRAI has asked Reliance Infocomm and Tata Teleservices to revise their tariffs, as they were not compliant with the new interconnect charge norms. The TRAI had raised objections to the low STD tariff offered by the two operators. While Reliance was offering long-distance calls at 40 paise a minute, Tata Teleservices had announced a 55 paise STD rate.

While this is bad news for the consumers, it may come as a blessing for the operators whose bottom lines were being eroded due to steep cuts in tariffs.

(ET, 06.04.03 & BS, 05.05.03)

USO Fund Bill

The DoT will introduce a Bill in the Parliament to set up a Universal Service Obligation (USO) fund, instead of creating it through an administrative order.

The setting up of the USO fund will make it necessary for the telecom policy of 1999 to be amended.

FUND BASICS

- Corpus of fund expected to touch Rs. 1400 crore within this fiscal
- To be financed by gathering 5 percent of revenues from telecom service providers
- To be created through a Bill, not an administrative order, as demanded earlier by department of telecommunications
- Setting up of the fund will necessitate amendment to 1999 telecom policy

The corpus of the USO fund is expected to touch Rs. 1400 crore within this fiscal year, 2003-04. The fund was set up to expand the telecom network to non-urban areas. It is financed by gathering 5 percent of the annual revenues of telecom service providers.

The DoT has promised that the fund will cover a large part of the expenses incurred by the telecom companies in meeting this social obligation.

(BS, 10.04.03)

Big Energy Savings

A study funded by the Asian Development Bank found that India could save billions of rupees in energy bills, if appropriate energy-saving projects were implemented.

The Study found that energy-saving projects in nine industrial facilities operated by the Central and Municipal Governments could reduce the nation's power demand by over 9000 MW, which is equivalent to the power generated by nine large plants.

"The study has concluded that significant savings are possible through the implementation of energy-saving projects in industrial enterprises as well as Central and Municipal Governments. The total investment in the energy-saving projects would come to Rs. 4200 crore, but the money saved will be many multiples of that amount," said Lance Hoch, the Vice-President of the Australia-based Charles River Associates (Asia Pacific). *(BS, 22.05.03)*

Electricity Bill Passed

The Economic Times

The Electricity Bill 2001 was approved by the Lok Sabha on 10 April 2003. The Bill makes the continued existence of unbundled state electricity boards conditional on the concurrence of the Centre, mandates open access in distribution, apart from allowing parallel distribution systems to be set up where required, and extends the scope of captive generation to co-operative groups and associations.

The open access system will be based on the guidelines of the regulatory commission, which will give detailed programmes for the phased entry of players and the tariffs for the distribution system within a state.

The Bill seeks consolidation of laws on generation, transmission and distribution of power as also rationalisation of tariffs. The Bill also allows the distribution companies to set up parallel lines within one zone. This will allow the consumers to select their distributor, based on the efficiency and services they provide, and the generating company to find the best distributor company to sell the power to.

The objective of the Bill has been elaborated to include development of electricity industry, promotion of competition, large-scale privatisation in the sector, protecting the interest of consumers and supply electricity to all areas.

(FE, 10.04.03 & ET, 11.04.03)

Jump in Power Exports

The Eastern Region, which exported 9.6 billion units of power to other regions in 2002-03, as against 9.3 billion units in 2001-02, is looking at a 33-percent jump in exports this fiscal year. This would mean an export of an average of 40 million units every day.

Besides the availability of surplus power, this level of exports would also need matching transmission network which was untill now available with the expansion of the transmission and distribution network, under which nearly 5000 MW of power can move freely between the Eastern, Northern, Western and the Southern regions.

Sources said that in 2002-03, the Southern Region bought 4.6 billion units, followed by the Western Region with 2.7 billion units, the Northern Region with 1.6 billion units and the North-Eastern Region that bought 0.7 billion units of power. The average price of power from this region is Rs. 2 per unit for bulk buyers. *(BL, 02.04.03)*

Financial Assistance to SEBs

Keeping in mind the seriousness of the weak situation of the State Electricity Boards (SEBs), the Union Cabinet has approved a six-level intervention reforms process. The Cabinet has decided to give financial assistance up to Rs. 40,000 crore to the SEBs in the next five years, to usher in power sector distribution reforms.

The reforms process will focus on accountability, 'deliverability' and performance at all levels, to rejuvenate the distribution sector, where the maximum interface with the ultimate consumer exists, the highest value-addition accrues and 80 percent of total transmission and distribution losses take place. *(BL, 01.04.03)*

State Briefs

Power Crisis in MP

In an unprecedented development, the Madhya Pradesh (MP) High Court has ordered an inquiry by the Central Bureau of Investigation (CBI) into the power crisis in the State. The inquiry comes on the heels of the State Government and the MP State Electricity Board (MPSEB) maintaining in the Court that it is impossible for them to comply with the Court's directive that there should be no night power cuts.

They have argued in the Court that they are trying their best and it is impossible to arrange for the extra power that is required to bridge the gap between the demand and supply during the peak hours.

The MPSEB has been under sharp criticism for power cuts and it has increased after Chattisgarh was carved out of the State. This has created a surplus of nearly Rs. 1000 crore for the Chattisgarh State Electricity Board. Whereas it has created not just an energy deficit of nearly 1500-2000 MW for MP, it has also increased the operating losses of the MPSEB. *(ET, 04.04.03)*

AP Units Top in Plant Load

The Thermal Power Stations of the Andhra Pradesh Power Generation Corporation (APGenco) have secured the top three slots in plant load factor (PLF) in 2002-03. The 420-MW Rayalaseema plant recorded the highest PLF of 94.83 percent, followed by the 1260 MW Vijayawada Thermal Power Station's 93.17 percent, and the 500 MW Kothagudem Thermal Power Station's 93.16 percent.

These power plants have qualified for the productivity awards and gold medals instituted by the Ministry of Power.

APGenco met 56 percent of the State's demand for power, with a capacity of 6397 MW, thereby becoming the third-largest power generating utility in the country in terms of capacity. *(BS, 07.04.03)*

Power Thefts in Bengal

West Bengal Government has raided 2019 premises, lodged 312 first information reports (FIRs) and arrested 73 people under the provisions of its anti-theft law since July 2002. It has also earned the distinction of having enforced the most "draconian" measure against defaulters, with provision for imprisonment of up to five years.

As a result of these stringent actions, there has been a reduction in power thefts in the State. This has lead to a reduction in purchase of power and that, coupled with the increased sale of energy has helped the WB State Electricity Board (WBSEB) increase its revenue to Rs. 2900 crore in 2002-2003.

(BL, 09.04.03 & BS, 10.04.03)

Activists Criticise River-Linking

Criticising the Government's plan of inter-linking rivers, social activists from different states carried out a *Padyatra* to protest inadequate water supply and government's apathy towards the hilly areas.

The main aim of the 15-day *Padyatra*, as a part of a larger *Jal Andolan* (Water Movement), is to highlight the neglect of hilly areas in the National Water Policy declared last year and also create awareness among the masses about the imbalances which can be caused by inter-linking rivers in the context of the Himalayan Region.

According to one activist, people of the Himalayan region, from where most of the rivers originate, are being deprived of water resources owing to the National Water Policy of the Central Government. He has also termed inter-linking of rivers an "ecological disaster" and said that this move would jack up the water tables causing water logging and soil erosion.

(TH, 14.04.03)

Water Shortage Acute

According to a World Health Organisation and UNICEF sponsored study on water supply and sanitation in the country, the per capita water requirement in India will outstrip the current utilisable resources by 31 percent by the middle of the current century.

According to the report, the per capita annual requirement of water would be 1,422 billion cubic metres (BCM) by 2050. As against this, the per capita total utilisable average water resources, estimated on the basis of conventional technology, would be 1,086 BCM. The total available water resources per capita per year, a lot of which would not be utilisable, is estimated at 2,384 BCM.

Availability apart, water in many parts of the country is not fit enough for human consumption. The report notes that the country may face a tough task increasing the availability of water to the level required in 2050. *(ET, 22.04.03)*

Experts Question River-Linking

As many as 60 eminent persons have expressed doubts over the Government's plans to link the major river basins. The inter-linking of the major rivers is estimated to cost a whopping Rs. 560,000 crore.

In a memorandum to the Prime Minister, Atal Bihari Vajpayee, they have requested him to follow up the normal planning process and stressed the need to subject each of the proposed links to a rigorous examination and evaluation. All the costs and benefits, direct and indirect, immediate and ultimate, should be taken into account, the memorandum says.

A few months back, the Government had constituted a task force under former Power Minister, Suresh Prabhu, to work out the modalities for implementing the ambitious plan. The task force has recognised three main difficulties – the time frame, the finances required, and the problem of bringing about political consensus on the transfers involved.

(FE, 28.04.03)

A Water Regulator Required

Concerns over water in India have taken on a serious note, given that the country is home to 16 percent of world population with only 4 percent of global fresh water resources. A study undertaken by the Confederation of Indian Industry (CII) stresses the importance of greater private participation in the sector as well as the need for a regulatory body.

According to the study, an independent regulatory body is imperative for the development of water services in India. This would de-politicise the tariff decisions and enable better cost recovery. Further, the role of the regulatory body would essentially be that of a watchdog to monitor and enforce standards for water availability, water quality and implement fair tariff structures.

The report sees the need for good water governance as an imperative for sustainable, integrated and effective water management. It outlines the possible areas of greater private-sector participation, such as conducting technical studies to evolve more technology intensive approaches to monitoring water quality and distribution as well as wastewater management. *(BL, 19.05.03 & ET, 23.05.03)*

State Plans on Water

The Centre has asked the states to prepare detailed plans for transportation of potable water by road and rail to deal with water scarcity in rural areas. The states with severely drought hit rural belts have been asked to come out with definite action plans to exploit and further augment local water resources.

The states have also been asked to submit weekly reports to the Centre on the gravity of the situation, alternative methods for transportation of drinking water in rural areas, and the requirement of funds for this purpose.

The government has set apart 5 percent of the funds for the Accelerated Rural Water Supply Programme to deal with contingencies. The rural development ministry released Rs. 3 crore from this fund to Rajasthan as additional central assistance to meet the drinking water needs of the rural belt. *(BS, 28.04.03)*

Close to a Solution?

The demand for creating a nodal ministry to look after every aspect of water management in the country is gaining momentum, as the water resources ministry itself is now pressuring the government to streamline water-related activities, now distributed among six different government ministries.

In an interview, the Minister of State for Water Resources, Bijoya Chakravarty, disclosed that the crux of today's massive water mismanagement in the country is rooted to the handing over of many key water-related subjects to other ministries like environment, agriculture, urban development, rural development and shipping despite water resources ministry alone having the expertise and manpower to manage water effectively.

Hence, demand has been made to set up a nodal ministry to correct the water position of the country. *(ET, 08.06.03)*

State Brief . . . . . .

Jalnidhi in Kerala

There is a perennial shortage of drinking water in the rural areas of Palakkad district in Kerala, according to a local NGO called *Maitri*. The catchment area of Gayatri River is denuded and sand mining has caused reverse flow from ground to stream affecting groundwater. Also, open wells are contaminated by fertilisers.

The Kerala Rural Water Supply and Sanitation Agency has designed its own *Jalnidhi* project. The World Bank has chipped in with Rs. 300 crore.

The scheme includes installation of combined rainwater harvesting and pumping systems, 1000 litre ferro-cement tanks and rainwater collecting equipment for each household and private connection at homes. Support for this community driven project is from women. *(ET, 03.04.03)*

Regulator in Infrastructure

Regulators in infrastructure do not seem to be out of favour and there is still a fear of 'unbridled competition' among the cognoscenti. That is the lesson one can draw from the result of the great debate, "Infrastructure needs Competition not Regulators", organised by the Confederation of Indian Industry and the Bar Association of India in New Delhi.

The discussants opposing the motion said that the absence of regulators would lead to a lawless society. Hence, it needs to be considered what is more damaging, imperfect competition or defective regulation. Without regulation there will be disasters. Regulation is essential for sustained competition.

However, those in favour of the motion held the view that regulators do not make things happen but competition does. The moderator summed up the debate saying that nobody supported unbridled competition. *(FE, 03.05.03)*

Road Project Crawls

Four years after the Prime Minister, Atal Bihari Vajpayee, launched the National Highways Authority of India (NHAI) project at Devanhalli in Karnataka, the NHAI has completed only 1,327 km of the total 5,846 km long Golden Quadrilateral. With the monsoon season ahead, the NHAI has effectively only four to five months to fulfil the task by the deadline of December 2003 fixed by the Minister of State for Road Transport

The acquisition of land, demolition of structures, uprooting of trees, removal of encroachers and relocation of electrical poles are posing difficult problems. The NHAI has not been able to acquire land in most of the states, particularly in Uttar Pradesh, Orissa, Tamil Nadu and Karnataka.

One of the silver linings in this golden dream is the stretch from Delhi to Mumbai. By December, nearly 80 percent of all the four lanes will be ready. And by June 2004, all four lanes will be open for traffic, cutting down travelling time between two metros by 30 percent.

(FE, 10.05.03)

Merger of HPCL and BPCL

The parliamentary Standing Committee on petroleum and chemicals has recommended the merger of Hindustan Petroleum Corporation Ltd. (HPCL) and Bharat Petroleum Corporation Ltd. (BPCL), and their ultimate merger with the Oil and Natural Gas Corporation (ONGC).

In its 42nd report presented to the Lok Sabha, the Standing Committee reiterated its earlier recommendation asking the Government to seek approval of Parliament before disinvesting from HPCL and BPCL. It also said that the national security scenario demanded that both should be retained as public sector undertakings.

The Committee further recommended that Indian Oil Corporation should be given more functional autonomy to enable it to compete with international companies. *(BS, 08.05.03)*

"Show Tangible Results"

The Standing Committee on Railways has asked Indian Railways to "show some tangible results on the physical plane" as its "credibility will be at stake" in view of the fact that its physical performance during the Ninth Five-Year Plan (1997-2002) under important heads such as new lines, gauge conversion and doubling has not been commensurate with the financial allocations made.

The Committee has cautioned the Railways against excessive borrowing through the Indian Railway Finance Corporation to meet the growing demand for investment in rolling stock, maintenance of plant machinery and replacement of average assets.

Business Standard

Instead, it should make all-out efforts to enhance internal generation of funds through prioritisation of projects and by completing near completion/last-mile projects so that it may start getting returns and reduce its dependency on costly market borrowings. *(BL, 13.04.03)*

State Briefs

Call for Regulatory Body

Following the recent major finding of natural gas off Andhra Pradesh coast in the Krishna-Godavari basin, an expert committee constituted to study and suggest ways to attract investments, utilise the gas reserves and develop downstream projects, has suggested a complementary hydrocarbon highway, a regulatory authority and a state gas grid that would link up the major points in the State.

According to the expert committee, a concerted and a coordinated effort by the Centre and the State governments is required to make India self-sufficient in energy by producing and supplying gas at appropriate prices and thereby making domestic companies globally competitive.

The Krishna-Godavari basin gas scenario is currently hazy but is rapidly evolving and a clearer picture may be available in the next couple of years.

While observing that a consistent long-term policy framework is necessary, the committee has suggested establishing a regulatory authority at national and state levels and evolving a national policy on gas pipelines, gas pricing and in building the requisite infrastructure for more effective utilisation of natural gas in Andhra Pradesh and in the country.

(BL, 26.05.03)

Plans to Upgrade Infrastructure

Punjab has decided to go for infrastructure upgrade in a big way. The state plans to spend Rs.1500 crore during 2003-04 on a slew of projects to be completed by October 2005.

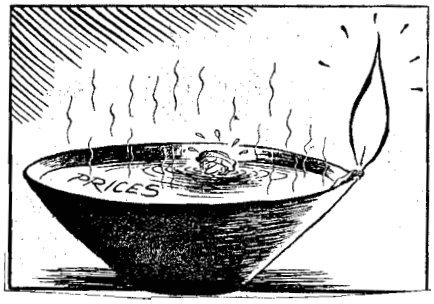
The projects would be handled by the Punjab Infrastructure Development Board (PIDB) and also involve the private sector. Soon an upgrade of 12 high-traffic corridors, with a total length of 880 km will be started involving an investment of Rs. 975 crore.

The Punjab Chief Minister has said that the investment burden on the state government would be reduced to Rs. 350 crore by building these projects on a Build Operate Transfer (BOT) or least grant/ subsidy basis. PIDB would meet the cost from an infrastructure fee. The operation and maintenance of these roads along with the upgrade would be the responsibility of the BOT operator, so that the subsequent operation and maintenance costs and overlays are taken care of through imposing toll tax.

The government has also decided to take up construction of about 20 rail flyovers, where the Railways has agreed to share the cost. *(ET, 29.04.03)*

Prices Soar

The rate of inflation measured by the Wholesale Price Index (WPI) has risen consistently this quarter. During April, the point-to-point rate of inflation touched a two-year high of 6.24 percent.



The rise has largely been ascribed to higher prices of primary goods and manufactured products in the initial stages. The war in Iraq and the truckers' strike have come as two shock factors inducing the spike.

In food articles group, prices increased for coffee, mutton, ragi, eggs, gram, fruits and vegetables. In non-food articles group, rapeseed, mustard and raw cotton have become dearer.

In the manufactured goods, the indices rose for food products, beverages and tobacco, chemicals and chemical products, non-metallic mineral products, paper and paper products and transport equipment. *(BS, 13.04.03)*

...and so do Reserves

Thanks to the steady spate of dollar inflows, the country's foreign exchange reserves have risen by $235mn to breach the $75bn mark. Foreign exchange trades have attributed the rise to the central bank's mopping-up of excess dollar liquidity from the market in order to prevent the domestic currency from rising too much.

Inflows have risen on account of both institutional and direct investments, besides exporters bringing in their receivables. Further, speculators have been bringing in dollars to benefit from the stronger rupee, in conjunction with the high interest rates, still among the highest in the world.

The greenback has also flowed in to meet the demand of some domestic companies like the Gas Authority of India Limited willing to prepay their foreign currency liabilities, in anticipation of which some banks have built up long dollar positions. *(BL, 12.04.03)*

Growth Outlook Brightens

Various agencies have forecast a better economic performance for India in the fiscal year 2003. The Asian Development Bank has stated that India will maintain a six-percent rate of GDP growth, despite the Iraq war, the Severe Acute Respiratory Syndrome (SARS) and the Centre's postponement of fiscal correction till the forthcoming general elections.

The Confederation of Indian Industry (CII) too has forecast a six-percent growth, primarily on account of an increase in exports, though the appreciation of the rupee could make that a bit difficult. The CII expects the buoyancy in industry and services to continue and agricultural growth to rebound with a normal Monsoon.

Lastly, a UN survey has also predicted growth improvement for India, but stopped short of giving a precise figure, as that would depend on the recovery of the global economy.

(BS, 28.04.03 & ET, 17.04.03)

On a Lowering Binge

Indicating a strong bias towards a soft interest rate regime, the Reserve Bank of India has cut the bank rate – the rate at which the RBI provides funds to commercial banks – by 25 basis points, reducing it to six percent in its Monetary and Credit Policy for the year 2003-04. The bank rate has been reduced from 11 percent by 500 basis points to six percent during the last five years, the sharpest reduction since independence.

The central bank has also lowered the cash reserve ratio (CRR) – the amount of cash kept by individual banks with the RBI – by another 25 basis points to 4.5 percent effective from June 14, 2003.

However, there are enough indications in the policy announcement that interest rates have bottomed out and, given the current inflationary conditions, any further downward movement of interest rates is not feasible. Moreover, since there is already substantial liquidity in the system, injecting some more may not have much impact on the investment sentiment, feel analysts. *(TH, 29.04.03 & 05.05.03)*

Small Savings Unaffected

Despite a reduction in interest rates, small savings have continued to grow. According to the Finance Ministry estimates, the accruals towards the schemes have grown at 30 percent. The Ministry had earlier predicted that the fall in interest rates would limit the increase in small savings accruals to around 10 percent in 2002-03.

Although interest rates on small savings have come down from about 12 percent a few years ago to 8.5 percent, they have grown because of the collapse of the mutual fund sector, according to Dr B. B. Bhattacharya, Head of the Institute of Economic Growth. Since investor confidence has eroded, there is reluctance to invest even in the bonds and debentures of public sector companies.

Also, small-saving schemes still give a higher return on instruments of the banking sector, like fixed-deposit schemes.

(FE, 20.05.03)

FDI Looks Up

India's bid to make foreign direct investment (FDI) estimation compliant with IMF norms is set to make a substantial difference in the country's official FDI figures. The figure has risen from about $3.9bn in 2001-02 to $5.4bn in 2002-03, reflecting a spurt of about 40 percent.

The enhancement of the FDI data is due to the incorporation of more items like earning reinvested by multinational corporations operating in India and intra-corporate debt transactions. Partial capturing of these two modes of inflow has added roughly $400mn to the FDI estimation.

Meanwhile, some people are ascribing this rise to greater investor-confidence in India, notable among them is the Minister for Commerce and Industry, Arun Jaitley.

(ET, 01.05.03 & BL, 01.04.03)

Privatisation Puffs Ahead

The Union Government has been working towards completing the ongoing divestment in various public sector units, like National Fertilisers, Engineering India, Shipping Corporation of India, Hindustan Copper, Balmer Lawrie, State Trading Corporation and Hindustan Organics. The Government aims to finish the work in the next three to four months.

Further, the domestic and overseas offering in the aluminium-maker, National Aluminium Company (NALCO), is also likely to be completed in the next six months. No deadline, however, has been set for the strategic sale of equity. Notably, NALCO is 87-percent owned by the Government.

Also, the Disinvestment Minister has kicked off road shows for the initial public offer in Maruti, from which the Government is offloading 25 percent stake through the book-building route. *(ET, 30.05.03)*

What with VAT?

There is little hope for the sanguine would-be implementers of the value-added tax, or VAT. Quite apart from the traders' strikes, it has now become a matter of political maladjustment, thanks to the forthcoming general elections next year.

It is obvious that, in the initial stages, VAT will be inflationary, as the average effective tax incidence will rise to as much as 12.5 percent from the current 4-6 percent. It is precisely such prospects that populism spurns most vehemently, especially when the nation is nearing the hustings.

Hence, a nationwide implementation of the VAT regime is likely to materialise only in 2005, after there is a new government at the Centre. More particularly, as the Finance Ministry has discovered, a slew of disparities exist in the states' VAT legislation vis-à-vis the Centre's model VAT Bill. *(BS, 01.05.03)*

The Economic Times

Government Sets Targets

The Government has set an export growth target of 12 percent for 2003-04. What this means is that exports have been projected to rise to $57.8bn by the end of 2003-04, up from $51.7bn during 2002-03. The target is in line with the 11.9 percent compound annual growth rate for 2002-07 prescribed by the medium-term export strategy for achieving a one-percent share in global exports.

According to an official press release, the projection has taken into account weakening global economic activity and the appreciation of the rupee against the dollar. Notably, in sectors like textiles, exporters are reporting higher orders due to shift in business from China and some other South-East-Asian economies hit by the Severe Acute Respiratory Syndrome (SARS).

Meanwhile, the Government has decided, for the first time ever, to set a target for export of commercial services. The move comes at a time when the Reserve Bank of India and the Ministry of Commerce are defining the scope of service exports and the Centre is devising a data-collection mechanism.

(BS, 04.05.03 & 22.05.03)

Deficit Doldrums

Hopes for a significant reduction in the fiscal deficit are dim during the fiscal year 2003-04, according to the National Council of Applied Economic Research (NCAER). The NCAER feels that the combined deficit of the Centre and the states is unlikely to fall below 10 percent, a level it has been at since 1998-99.

This is despite the Government's efforts at fiscal consolidation that include premature payment of costly loans from the World Bank and the Asian Development Bank, totalling $3bn. The Government has offered to buy back the debt of banks' holding central debt contracted during the high interest-rate regimes. It has also introduced a debt-swap scheme for the states.

The deficit situation has worsened with the recent economic slowdown, pulling down states' tax and non-tax revenues and jacking up the outstanding debt of state governments. It is noteworthy that gross interest payments required for debt-servicing increased by 20.1 percent annually, between 1990-91 and 2001-02. *(BS, 13.04.03)*

Reform Panels

The Government has set up four empowered sub-committees to facilitate trade, governance and investment.

The Committee on Barriers to Trade will look into the repeal of the Essential Commodities Act, 1955, and its replacement by the Emergency Act. It will also identify and remove barriers to inter- and intra-state movement of commercial vehicles, including those arising from municipal jurisdictions.

The Sub-committee on Governance will conceptualise strategies to reform the revenue administration, encourage public-private partnerships and implement judicial and urban reforms. It will also suggest a framework for linking the flow of funds and central assistance to the implementation of mutually agreed governance reforms.

Lastly, the Committee set up to promote an Investor-friendly Climate will identify the controls and procedures that discourage investment, provide a time-bound action plan to dismantle such barriers, simplify the interface between investors and regulatory agencies and lay down the major milestones to be achieved.

(BS, 02.04.03)

State Briefs

Revenue Loss in Punjab

Revenue Loss of Rs. 190 crore relating to 4070 cases of non levy or short levy of taxes, duties, interest and penalty has been detected as per test checks conducted during 2001-02 in Punjab, as reported in the Comptroller and Auditor General (CAG) report tabled in the Punjab *Vidhan Sabha*.

These test checks related to taxes on sales, trade, taxes on vehicles, state excise, stamp duty and registration fees, land revenue and other departmental offices.

The CAG commercial report for 2001-02 indicates that account of 15 working companies and 27 non-working companies and two statutory corporations were in arrears for the period ranging from one year to 28 years as on September 30, 2002. This indicates that only six companies and three corporations had been able to finalise their accounts for 2001-02, the rest were in arrears for more than one year. *(ET, 01.04.03)*

Sickness on the Rise

The number of units declared sick in Madhya Pradesh has steadily been on the rise. Moreover, registration of new units has declined by about 30 percent.

Notably, between 1991 and 1994, the state attracted 18,000 units every year. According to the State Government, 21,000 units with an investment of Rs 117 crore were set up in the last two years. At the moment, however, there are 11,965 sick units, of which only six have been revived.

The Confederation of Indian Industry has blamed the lack of financial support from public sector banks for the growing sickness of the units and the state's complicated land allotment policies for the decline in investment. *(BS, 30.03.03)*

Plight of TN PSUs

The total investments in working public sector undertakings (PSUs) in Tamil Nadu (TN) have increased from Rs. 9694.57 crore during 2001 to Rs. 10,661.42 crore. Similarly, the total investment in non-working PSUs have also gone up from Rs. 48.91 crore to Rs. 56.51 crore, according to the CAG's report for the year ended March 31, 2002.

Out of 66 working companies, only 50 finalised their accounts for 2001-02 by September 30, 2002. Of these, 28 companies earned a total profit of Rs. 190.82 crore and only four companies declared dividend aggregating Rs. 2.29 crore. The remaining 24 profit-making companies did not declare any dividend. One company though incurred loss for the year, also declared dividend of Rs. 35 lakh.

The total capital employed in the 66 working companies worked out to Rs. 7994.60 crore and the total return on it amounted to Rs. 205.27 crore. *(FE, 11.05.03)*

Government to set Regulatory Body

Following the chaos surrounding the roll out of the conditional access system (CAS), the Government has decided to form an autonomous regulatory body to oversee the electronic media. Tentatively entitled the Broadcast Regulatory Authority of India (BRAI), it will be on the lines of the Telecom Regulatory Authority of India

The BRAI will have under its aegis the Rs. 20,000 crore broadcast industry – cable and satellite television, private radio distribution, television and radio advertising and broadcast software producers.

The Government had earlier toyed around with two other proposed models of regulatory bodies – an overarching media council to regulate both print and electronic media and a convergence commission to regulate information and broadcasting, information technology and telecommunications. However, both the ideas were rejected.

(HT, 04.06.03)

Rates to be Announced

The Government has taken yet another step to make the CAS consumer-friendly. Maintaining its stand on individual pricing and unbundling of channels, it issued a second notification for the pay channels. The earlier notification was on FTA channels.

New rules related to the pay channels have been included in the Cable Television Networks (Regulation) Rules, 1994.

The Government is making an effort to cap the monthly cable bill at Rs. 200, post-CAS. Briefing the media, Information & Broadcasting (I&B) Minister, Ravi Shankar Prasad, said that the broadcasters would have to declare their pay and FTA channels by June 15. Broadcasters appear to have decided to co-operate with the government in a successful roll out of CAS, however they have demanded a couple of days to announce the prices of individual channels.

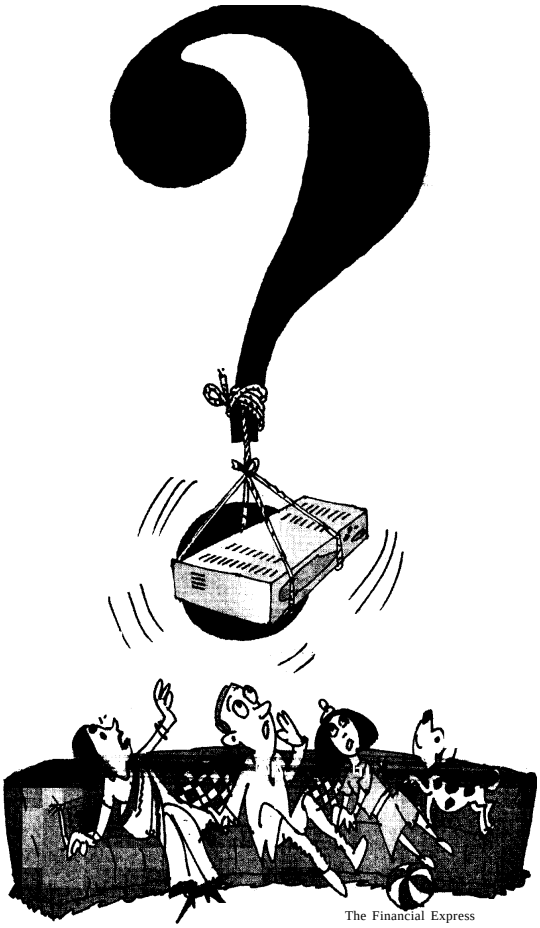
The government has allowed the same but the broadcasters would have to declare individual channel subscription rates and the discounts they intend to offer. If they fail to conform to these directives, cable networks have been told not to carry their channels post-CAS.

(FE, 06.06.03 & ET, 10.06.03)

CAS(e) Still Undecided

While the Government has chosen to implement the CAS, it is the consumer who will decide the success or failure of this initiative. An action group representing 50 consumer outfits said that the CAS should be implemented only after key consumer issues are solved. They threatened to file public interest litigation unless these conditions were met.

To find out consumer awareness on the CAS, Starcom India and Hansa Research Group have recently released a study. The Study, in which 400 respondents were interviewed across the four metros, reveals that almost 80 percent of the sample had some awareness of the CAS and 60 percent of the sample feels that this is a sudden burden imposed on them.



The Financial Express

Over 50 percent of the respondents in each of the cities have not decided whether they would buy the Set Top Box before the launch of the CAS. Not surprisingly, consumers are extremely sensitive to the price of the STBs. If priced at Rs. 2000, 56 percent of the consumers say that they might go in for a box. The number drops to 16 percent for a price of Rs. 4000 and 2 percent at Rs. 8000. *(ET, 06.06.03 & FE, 11.06.03)*

Duty on STBs Cut to 5 Percent

The Government slashed the basic customs duty on STBs to 5 percent, from 25 percent. However, these concessions will be available up to 31 July only.

The duty changes would result in the price reduction of the STBs by around 45 percent, thereby making them more affordable to a wider section of the population. The digital STBs would be available at Rs. 2700.

The decision to reduce import duty is to make the CAS consumer-friendly. The Government claimed that the concessions have been given for a short time to ensure smooth roll out of the CAS. However, the Consumer Electronics and TV Manufacturers Association (CETMA) expressed unhappiness, as this would harm the indigenous industry and investments made by some manufacturers.

(BL, 29.05.03 & TH, 11.06.03)

Zee to Launch New Channels

Zee Telefilms will be launching three new channels on business news, women's programmes and comedy shows, as a part of its bouquet for the CAS.

The three new channels planned by the company will be free-to-air (FTA), taking the total number of FTA Channels in the Zee-Turner bouquet to six. The Zee-Turner bouquet is priced at Rs. 50 and offers 17 channels, including the Zee channels and channels like CNN, among others. As per the Company's plans regarding the CAS, its distribution company, Siti Cable, will be offering 55 FTA channels.

The Company has moved its application to the Information and Broadcasting Ministry and is waiting for the approval. *(BS, 05.06.03)*

New Frontier for Hackers

With the CAS about to become a reality, hacking will mean much more to pay television viewers in India than it ever did before.

A TAM (the agency responsible for measuring the popularity of TV programmes across the country) Media study provides horrific data showing that the channels that were supposed to be off the air in the Hindujas' INCable network in Mumbai in May were openly stolen from other networks by local franchisees.

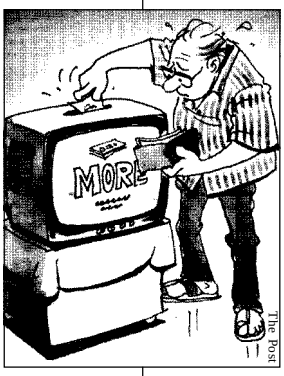
Interestingly, both digital and analogue systems are hackable, but it is getting tough, with new and improved technology boxes. However, the analogue boxes can be hacked with greater ease than the digital boxes.

Even as there are many views on the subject, industry sources also point that initially the proportion of hacking may be very limited, given the low volume of subscribers. *(FE, 03.06.03 & ET, 06.06.03)*

Are we Ready for CAS?

M. Mohanan, *Hyderabad based Government Servant*

The rights and obligations of broadcasters, cable operators and consumers must be defined first. The conditional access system (CAS) should, essentially, empower the consumer with the choice of viewing. Any system that negates this basic requirement must be discarded. A consumer today pays about Rs. 100-150 per month to watch a basket of channels provided at the discretion of the cable operator. But, when he has to pay for the channels he wants to view, he needs to be very selective. Therefore, big channels should not be allowed to thrust a package deal by clubbing some of the poor channels with the popular ones to make it appear that subscription fee per channel is low. Every channel should be treated as a separate entity and priced accordingly. In this way, some of the 'bonus channels' will die a natural death, paving the way for healthy competition and improved content quality.



The Pioneer

Once CAS is introduced, consumer should be able to access any satellite channel of his choice, operating within the country with government approval. The subscription fee for channels is a major issue and initially a regulatory mechanism should be in place to protect the interests of the consumer, until consumer preferences drive market conditions. Broadcasters and cable operators should not be allowed to hold viewers to ransom on the eve of cricket matches or live telecast of big events.

Only digital set-top boxes (STBs) should be allowed, as analogue ones are outdated. The introduction of the CAS should be kept in abeyance until the Government can ensure easy availability of good quality STBs at reasonable prices. And, finally, the CAS should be introduced only if it offers a real choice to consumers at reasonable costs and not to promote commercial interests of broadcasters or STB manufacturers.

Chinki Balani*, Officer, ICICI Bank*

If the conditional access system (CAS) is put in place in a planned way, television viewers can look forward to an end to the incessant hike in the monthly charges by cable operators. Also, for the first time, viewers would have the freedom to access the channel of their choice and pay for only the selected ones. So, the monthly charges for a viewer will vary according to his/her selection.

With the Government announcing concessions, the price of set-top boxes is also expected to decline drastically. Moreover, viewers would also have the option of taking set-top boxes on rent. This should take care of the anxiety on account of high initial expenditure.

Because of the transparency in the system, the broadcasters would get the true picture of the number of subscribers. This would enable them to recover their rightful dues from cable operators. So, this would put an end to the long-standing antagonism between the cable operators and the broadcasters.

Media planners will, finally, have an access to subscription data and will help them place their advertisements more effectively. As the advertisement revenues contribute around 65-70 percent of a broadcaster's total revenue, the CAS may bring about a major change in the revenue contribution from advertisements.

Therefore, the CAS is in the interest of all the stakeholders – viewers, broadcasters, advertisers and cable operators. Since the infrastructure, technical specifications related to STBs and the regulatory framework for the industry is already in place, we are ready for the implementation of the CAS.

Now, the only thing the Government needs to do is to educate the viewers about the benefits of the CAS. The consumers have to be told that the new system is in their long-term interest, for which they have to make an investment now. *(ET, 04.06.03)*

One Bridge to Cross

V. Rishi Kumar

CAS, or the Conditional Access System, is the buzzword in the cable industry, with time ticking away for its roll out. With the phased introduction of the CAS in the country, there is a growing feeling that the necessary infrastructure is yet to be created to make the transition smooth.

Several issues need to be addressed before the introduction of the system. But, the good thing about the whole issue is that a deadline has been set and this means all the players in the industry will work towards it, say some.

Gerard Meijer, senior consultant and Vice President, Zintec Holding, told eWorld there is a general feeling among experts that the CAS is most suited for a country like India, as it will enable the authorities to regulate the cable service industry.

The Financial Express

"If you look at channels such as Sony, Star, they will have to take a call on whether to go in for the standard package offered under the Rs. 72 per-month scheme under the new regime and forego some income and continue to garner advertisement revenues or go in for the pay TV mode. This will mean narrowing numbers and, in turn, cutting down on revenues.

The other model that I see would do a world of good is to offer about 10 channels under the analogue system and the rest 20 channels under the digital system with decoders, at the same time. This will ensure that the channels will be able to get additional revenues", says Meijer.

The proposal to provide a bouquet of 30 channels for a monthly rental of Rs. 72 seems to be the problem area for the cable industry. Typically, if the Government decides to offer this package, which is extremely cheap with so much on offer, then how will channels take on the challenge of being pay channels?

The other major issue is that of the STBs. If one takes a look at the boxes, they range between $50 and $70. The good quality boxes cost about $80 to $90, plus duties, which is high in India. "I believe the best way out is to make it attractive for a domestic player to manufacture so that as volumes go up, they will get cheaper", says Meijer. *(BL, 04.06.03)*

New Pension Scheme

In a bid to restrict the exchequer's future liabilities, while bringing more people into the fold of pension schemes, the Government is contemplating to come out with a comprehensive pension plan.

The road map includes introduction of contributory pension schemes for the Central Government in the first phase. If the first phase is successful, then it is to be cloned by state government employees and armed forces, allowing private insurance companies and using the existing network of post office and bank branches for collection of premium.

In the new scheme, employees would be entitled to have retirement pension benefits, to the extent of their contributions. However, to maintain a minimum amount of retirement benefits, a minimum contribution will be stipulated. The aim is to cater to a larger part of the working population, which is nearly 35 crore. *(HT, 29.04.03)*

Advocacy Forum Formed

In support of the Government's proposed Tobacco Control Bill, a coalition of health professionals, officers from non-governmental organisations, scientists and corporates have formed the Advocacy Forum for Tobacco Control.

The Bill is designed to control tobacco supply and demand, consumption and advertising and is being implemented to curtail the life-threatening effects of tobacco usage on the society.

The Bill seeks to put a total ban on advertising and prohibits sponsorship of sports and cultural events, besides prohibiting the sale to minors and specifies that the new warning on cigarette packs should be more prominent in terms of liability, language, colour and display. *(FE, 09.04.03)*

Eliminating Revenue Deficit

The Lok Sabha has passed the Fiscal Responsibility and Management Bill that seeks to put a legislative mandate on the Government to eliminate revenue deficit by 2007-08 and to, subsequently, build a revenue surplus.

The Bill provides for greater transparency in fiscal operations, quarterly review of fiscal situation and regulating direct borrowing from the Reserve Bank of India (RBI), in a bid to check borrowing and control expenditure to effect fiscal discipline.

It also provides for responsibility of the Union Government to ensure inter-generational equity in fiscal management and long-term macroeconomic stability by achieving sufficient revenue surplus. It aims to remove fiscal impediments in the effective control of monetary policy. It provides for prudential debt management, consistent with fiscal sustainability through limits on government borrowings, debt, deficits and transparency in fiscal operation. *(BL, 08.05.03)*

Regulating Courier Companies

The Government will introduce a Bill on regulating courier service firms during the forthcoming Parliament session, said the Minister of State for Communications and Information Technology (IT), Su Thirunavukkarasar.

According to him, "At present, the Government does not have any control on courier service companies. It even doesn't know how many firms are working, how much and on what basis are they charging. First, the Government wants to regulate these firms. And at the same time, it is looking for some revenue from these firms".

The Government is also planning various steps to upgrade the public postal services. "After the 11 September 2001 incidents, there has been a slowdown in IT. Due to this, software exports are not touching the expected level. However, the Government is confident of reaching the targets by the end of the 10th Plan. In the hardware sector too, the Government envisages considerable exports in the coming years," the Minister said. *(BS, 15.04.03)*

Bill Proposes Strict Norms

The Companies (Amendment) Bill 2003 has proposed to tighten several provisions of the Companies Act, 1956, to ensure that corporate governance practices are improved and investor's rights are protected.

The Bill has proposed to allow the Central Government to attach the bank accounts of persons associated with the securities market for a period of one month for violations of the Act. It has introduced provisions to cap circular trading by entities engaged in share-broking, by introducing restrictions on inter-corporate loans to be made and received by share-broking companies.

The Bill will also include a clause on the reservation of minimum number of professionally qualified women on a corporate company's board. *(BL, 13.04.03 & ET, 08.05.03)*

Scope for Job Generation

A report presented by the All India Management Association (AIMA) to the Prime Minister, Atal Bihari Vajpayee, suggested a blue-print for action so that the country can create 40 million jobs annually by 2020 and boost the country's GDP by up to $200bn. The consulting partner for the project was The Boston Consulting Group (BCG) while the implementing partner was Confederation of Indian Industry.

To fully utilise various opportunities that India has, the report has identified three areas which needed to be tackled including strengthening professional education and vocational training, improving connectivity and marketing India as the world's best source for services.

The country's huge population could actually be its most important asset in making India the global service capital for knowledge-based services in the years to come. *(BL, 18.04.03)*

Women's Reservation Bill

The all-party meeting being called by the Prime Minister to try and evolve a consensus on reservation for women in Parliament and State Assemblies has been re-scheduled for 7 March 2003, informed the Parliamentary Affairs Minister, Sushma Swaraj.

The Minister said that she had already begun the process of talking to party leaders, especially women, individually. The list includes AIADMK leader and Tamil Nadu Chief Minister, Jayalalitha, Bahujan Samaj Party leader and Uttar Pradesh Chief Minister, Mayawati, Rashtriya Janta Dal leader and Bihar Chief Minister, Rabri Devi, Samta Party's Jaya Jaitly and Trinamool Congress's Mamta Banerjee.

The meeting will discuss the Women's Reservation Bill, which would give 33-percent reservation to women in the Lok Sabha and the State Assemblies, by declaring that one-third of all seats be reserved for women. *(TH, 04.03.03)*

Globally Competitive Exports

The Centre took on the Congress Party on its statement that Chinese products were flooding Indian markets. "They talk about Chinese goods flooding our markets. If you want our goods to flood their markets, let the exporters have the same labour laws as China and don't obstruct labour reforms," said the Commerce and Industry Minister, Arun Jaitely.

The Minister said the high transaction costs had been proving to be a major hindrance for the trading community, till now. He further said there was a need to address two other issues, infrastructure bottlenecks and cheaper sources of capital, to make India's exports more competitive.

Stating that the Finance Minister had already identified service sectors like healthcare as priority areas, he said the country could emerge as a major health care destination globally, with support from the Government. *(BS, 02.04.03)*

Push for Reforms

In an effort to push reforms, the Government has prepared a list of agenda that includes setting up an asset management company for handling divestments, a disinvestment proceeds fund, a company law tribunal and a competition commission.

The Prime Minister's Office had issued guidelines for formulating the agenda and implementation of the reform proposal. These included using the recommendations of the Govindarajan Committee Report on government regulations, identifying areas for public-private partnerships and focusing on e-governance.

The Centre will also encourage state governments to speed up urban reforms in areas such as computerisation of municipal bodies, streamlining property tax and enhancement of collection efficiencies. The Minister of State for Urban Development and Poverty Alleviation, Pon Radhakrishnan, said public-private participation in all activities affecting the citizens should be the new '*mantra*' for good urban governance. *(BL, 08.04.03 & BS, 09.04.03)*

Civil Services Reforms

Promotions within the Indian Administrative Services, Indian Police Services and Indian Forest Services will be linked to performance, and not only on seniority. Work allocation in civil services will also not be arbitrary any longer and will depend on specialisation.

The Surinder Nath Committee, appointed by the Government in December 2002 to suggest reform measures for the civil services, is set to recommend a rational system of performance evaluation for the officers. The Centre and the states, together, employ over eight million in civil services and, according to independent estimates, spend almost 3.5 percent of the gross domestic product on them.

The recommendations will not strictly address concerns of an oversized bureaucracy, but will aim at improving the quality of work by signalling the importance of better qualifications and specialisation to the officers. *(BS, 09.04.03)*

New Powers to IRDA

The Insurance Regulatory and Development Authority (IRDA) said it had inadequate penal powers and sought higher penalties for errant insurance companies. According to the Authority's Chairman, N. Rangachary, "The Insurance Act of 1938 lacks sufficient penal machinery to take action against defaulters".

IRDA's demands come close on the heels of higher powers given to the Securities and Exchange Board of India (SEBI) and the proposed scheme in penalties for errant companies coming under the purview of the Department of Company Affairs.

The IRDA could soon be armed with powers of adjudication, to enable it to directly intervene in disputes and enforce its penal powers. The move to arm the regulator with the new powers is set to be part of the recommendations of the Law Commission that is giving final touches to its report on revamping the present insurance laws. *(BL, 23.04.03 & BS, 24.05.03)*

NGOs can Represent Consumers

In a significant ruling that will benefit consumers, the National Consumer Disputes Redressal Commission has held that consumer associations and organisations can represent and argue for consumers before consumer courts.

The Commission said that the composition of consumer courts was such that it included not only judicial but also non-judicial members from the field of administration and social work. And this work envisaged a new approach, "which is to be shorn of the shackled of procedural law so that the access to justice is easy and simple."

"To say that a consumer association cannot plead the case of the consumer or an association cannot appear before a consumer court will be to defeat the purposes of the Consumer Protection Act itself," it said. *(TH, 12.04.03)*

International Briefs

CALPERS Probes Glaxo

California Public Employees' Retirement System (CALPERS), the most powerful fund for public employees in California, is sending a letter to GlaxoSmithKline Plc, questioning the British drug-maker's policies on AIDS.

CALPERS is urging the company to evaluate whether it is offering its AIDS drugs at the lowest possible price, according to the AIDS Healthcare Foundation. The AIDS Healthcare Foundation said CALPERS holds nearly $760mn in Glaxo stock.

CALPERS will continue to invest in the Philippines, while staying out of India, Malaysia and Morocco, based on recommendations from its consultant, Wilshire Associates. The analysis is based on factors including political stability, labour practices, market liquidity and regulation. *(WSJ, 10.04.03 & FE, 16.04.03)*

Settlement Costs $3bn

Visa and MasterCard will pay a combined $3bn to Wal-Mart Stores Inc and other retailers to settle a lawsuit over debit card fees. The suit argued that Visa and MasterCard rules, requiring merchants to accept their signature-verified debit cards, imposed higher costs that are eventually passed on to consumers and stifle competition from smaller rivals whose systems use personal identification numbers (PINs).

Debit cards verified with a signature incur fees of $1.50 per $100 transaction, compared with about ten cents for purchases using PIN systems, retailers said.

Starting August 1, Visa and MasterCard will lower debit fees by a total of $1bn, in accordance with their market share. In addition, after 2003 ends, they will no longer be able to require retailers who accept their credit cards to accept their debit cards as well. This so-called "honour all cards" policy was at the centre of the dispute. Visa and MasterCard both hailed the settlement. *(BS, 02.05.03)*

New Economic Policy

The Himachal Pradesh Government will shortly come out with a new economic policy to tackle the problem of huge debts of Rs. 15,000 crore, said the Chief Minister, Virbhadra Singh. The contours of the policy would be delineated in the annual budget for this fiscal.

Describing the MoU signed by the previous Government for the execution of 2051 MW Parvati Hydel Project and 800 MW Kol Dam Project as a "complete sell out," he said, besides 12 percent free power, equity share of the State should also have been retained in these Projects.

He alleged that the BJP Government had "saffronised" the bureaucracy and the educational institutions and the jobs were given on the basis of political ideology. He reviewed the progress of the ongoing water supply and sewerage scheme under execution in Kangra and directed that the pace of work be accelerated for early completion of the projects. *(TH, 17.04.03)*

WB Backs Projects

The Karnataka Government's much-debated *Bhoomi* Project has received overwhelming support and admiration from the World Bank. The Project involves computerisation of 20 million land records of seven million farmers. According to Karnataka's Additional Secretary, E-Governance, Rajeev Chawla the Government which had spent Rs. 20 crore on this project, has already collected Rs. 18 crore. The opportunities are enormous and the implementation of the *Bhoomi* Project has brought in efficiency and reduction in corruption.

The Bank is also supporting some other projects aiming at improvement in hospital services, turning around of the Karnataka State Road Transport Corporation (KSRTC) and transport regulatory service reforms, etc. World Bank's Vikram Chand said that implementation of these projects was a success due to active support from political executives and civil servants. However, he felt that these projects should not only be restricted to urban areas but also taken to rural areas so as to make them sustainable. *(FE, 24.05.03)*

White Paper on Finances

The Jammu and Kashmir (J&K) Government is drafting a detailed white paper on the state of its finances. The State will submit the papers to the Central Government to get some relief to reduce its debt burden, especially the overdraft (OD) from the JK Bank. It has been demanding a waiver of Rs. 1,000 crore in the swelling central debts and low-cost OD from the Reserve Bank of India (RBI).

RBI guidelines prevent OD to government's beyond Rs. 10 crore. However, in the case of JK Bank, the OD limit has been fixed at Rs. 1,000 crore. The bank official says, "From January 1, 2003, we have mutually agreed on a new pattern. We charge the Government 12 percent for its sanctioned limit of Rs. 1, 000 crore. Beyond this, it goes to 13.50 percent. And the committed charges on unavailable portion stand waived".

The Bank Chairman, Mohammed Yusuf Khan, insists that the OD has been a problem for them and the Bank has been a loser. According to him, "The OD is not being viewed positively by our investors. We expect better rating without OD". *(ET, 04.04.03)*

Poor Public Services

The quality of public services in Orissa is bad. The users are unhappy with the behaviour of doctors, paramedics and school teachers, as also the quality and quantity of water and rations. This was disclosed by a recent survey report entitled 'The State of Orissa's Public Services: Benchmarks for the New Millenium', prepared by the Public Affairs Centre (PAC), a Bangalore-based organisation.

The PAC conducted a survey to provide a citizen's assessment on five basic services in Orissa, namely drinking water, health, primary education, public distribution system (PDS) and road transport.

The key finding that cuts across all the services is the level of satisfaction with the quality of service, only a small portion of residents are fully satisfied with what they get. What needs attention is the relatively lower level of satisfaction with regard to services, such as hospitals and PDS, where human interaction is integral to service. *(FE, 07.04.03)*

Setting Up Farmers' Bazaars

The Maharashtra Government has taken a stand to help horticulturists get better prices by selling their produce directly to consumers.

Harshvardhan Patil, the Minister for Marketing and Employment Guarantee Scheme, Government of Maharashtra, said the State Government is concerned over the fact that the growers do not get remunerative prices for their produce, while consumers pay high prices for goods that may not be of uniform quality. Hence, it has already helped set up 42 farmer's bazaars. It also proposes to set up 400 more bazaars over the next two years.

Each of the proposed farmer's bazaars will be set up with an investment of Rs. 25 lakh. The Agricultural Produce Marketing Committee and the farmers will each contribute Rs. 10 lakh, while the balance Rs. 5 lakh will be a grant from the Agriculture Department. *(ET, 30.04.03)*

Job Crisis in Rajasthan

Though rural unemployment is a recurrent feature in Rajasthan, visited by drought regularly, the State Administration, under Chief Minister, Ashok Gehlot, did not adopt any short-term or long-term strategies to tackle the problem.

As per the special group report of the Centre, unemployment in Rajasthan on current daily status (CDS) basis in 1993-94 was 1.31 percent. It increased to 3.13 percent in 1999-2000. The unemployment rate among the youths in Rajasthan was 4.4 percent for rural areas and 8.8 percent for urban areas in 1999-2000.

As there are fluctuations in the unemployment situation every year, more particularly in the rural areas, due to recurring droughts, famines and scarcities, the statistics of a single year should not guide the policy-makers, says the noted economist, Prof. L. N. Nathuramka. *(ET, 30.05.03)*

Mid-day Meal in Guinness Book

The Andhra mid-day meal scheme may soon find an entry in the Guinness Book of World Records. The scheme, being implemented by the Naandi Foundation, is one of the pet projects designed by the Chief Minister, N. Chandrababu Naidu.

Naandi Foundation, a non-profit, autonomous organisation run by four leading corporates, Dr. Reddy's Laboratories, Satyam Computer Services Ltd, Global Trust Bank and Nagarjuna groups, claims to have designed the world's biggest kitchen, specially for preparing 22,000 kg of rice and 30,000 litres of *sambhar*, catering to nearly two lakh children in 880 schools.

The project cost for the scheme is put at Rs. 2.5 crore. Other costs are Rs. 60 lakh on food and Rs. 13 lakh on transportation, involving 62 trucks. The central kitchen, with a built-up area of 14,000 sq. ft., spread over two acres, is located at Uppal. Over 160 people are employed in the kitchen, including ten cooks. *(FE, 02.04.03)*

Reform Holidays

Subhir Gokarn*

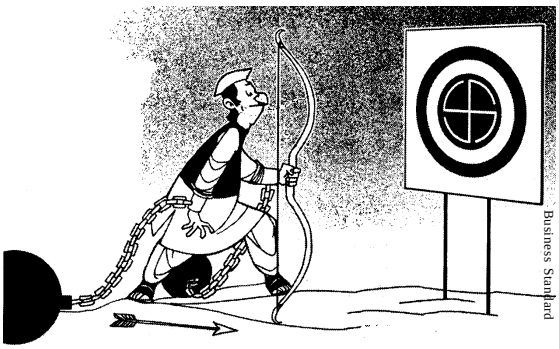
Many people believe that we have way too many holidays in India. To add to all the holidays in the regular course of each year, we have probably pioneered some extensions of the concept.

We had a three-year 'plan holiday' in the late 1960s; we regularly grant businesses 'tax holidays'. Now, increasingly, the granting of holidays has been used to appease one or another vocal minority. During the last few days, we seem to be on the verge of yet another break of this nature – a reform holiday.

The government has backtracked or stood down on a series of rather significant reform measures. The privatisation of the oil companies, which seesawed between September and December last year, before the government finally came down in favour of letting go, has once again been pushed aside. The effort to raise sectoral limits on foreign investment has been successfully resisted. Lowering the interest rate is proving to be an impossible task. The wedge between what funds have to pay their subscribers and what they can earn on their investments is clearly unsustainable and has 'bailout' written all over it. And, perhaps most significant, state governments, which themselves had drawn up the transition plan to the Value Added tax, are abandoning it in droves. The Centre does not seem to have any leverage over their compliance with the roadmap.

In different electoral settings, the weight attached to national and local factors may vary, but both do play a role in the outcome.

To be fair, one could characterise the second half of the last Congress regime of 1991-96 as a reform holiday as well. Two factors contributed to the loss of momentum of the reform process. One, since it had been launched at a time of extreme and obvious crisis, it came to be closely associated with the crisis and lost support the moment the crisis ended. Two, the party's own uneasiness with the scope of the reforms was apparently vindicated by electoral losses in major states. This effectively forced the reformist message off the party's platform and brought in ambivalence about the economic policies that the party itself had initiated.



But, in hindsight, these forces were largely based on perceptions at the time. Particularly with respect to political outcomes, it is difficult to separate out the relative roles of national level factors and more localised ones. In different electoral settings, the weight attached to national and local factors may vary, but both do play a role in the outcome.

Political short-termism does inevitably lead to economic short-termism, to the cost of everybody. Perhaps what we need is a politics holiday.

The recent pussyfooting by the central government on the issues mentioned above is unquestionably driven by the four state elections later this year, where it goes head-to-head against the congress and, for good reason, is being billed as the 'semi-final' before the general elections due next year. The thinking behind this is obviously that these reforms will raise the hackles of a lot of powerful, even if they are unrepresentative, groups of people, who can potentially make the campaign a lot more difficult. Better to minimise the friction now and worry about the costs of delay later.

This may be commonsense and compelling political logic. But is it fully consistent with the outcomes over the 1990s, when the link between economics and politics in this country entered a new phase? Let's remember that the Congress backtracked, even disowned the reform process in the run-up to the 1996 general election and still lost. Did it lose because of what it had done to the economy in the first couple of years? Obviously, a lot of people didn't quite accept this explanation, because all the governments that followed did not abandon reformism, either in rhetoric or in action. Or, did they lose because of dithering?

This is a far more difficult proposition to validate or reject, but the fact that cannot be challenged is this. The Congress was the last full-term government to espouse reforms and later, dissociate from them. It lost the general election. It has had its share of success at state level, but since that defeat, has really never thrown a serious challenge to the Centre. Should this consideration not enter the ruling coalition's thinking? What is different now that makes a mid or late term distancing from reforms a winning strategy?

Two factors are important here. One is the sequencing of the state and general elections. Many of the groups who are being pandered to with the recent reform holiday are likely to provide significant resources for campaigns. They have to be kept on board because they are important locally. One way of doing this is to accommodate their national agendas, even though these may not have much significance at local level.

The second is the degree of association with reforms that the ruling coalition has. Whether by circumstance or by design, it never had to deal with a crisis of the magnitude of 1991. Even while the government has implemented many reforms, it would be fair to say that there has not been a single big-ticket on the list. There have been many small changes. The most ambitious of the announced reforms, for example, relaxing job-security regulations, which could be interpreted as major paradigm shifts, have not materialised. Since it has never been closely associated with a pro-active and broad-based reform-agenda, its distancing from its own agenda may not be seen as a significant change of course and therefore, not invite political retribution.

We will find out in time whether this reasoning is sound or not. But to see the whole process becoming completely enmeshed into such complex political calculations is distressing. Nobody can take any government's commitment to a policy regime, whatever it is, for granted. Political short-termism does inevitably lead to economic short-termism, to the cost of everybody. Perhaps what we need is a politics holiday.

*(*Chief Economist, Credit Rating Information Services of India Ltd.*

BS, 28.04.03)

Tehelka II in FinMin

A weapons-grade embarrassment exploded on the Vajpayee Government's face, when the Central Bureau of Investigation (CBI) nabbed a personal assistant (PA) to the Minister of State for Finance, Gingee N. Ramachandran, for accepting a Rs. 4 lakh bribe from a revenue official for a posting of his choice.

A raid conducted at the residence of Anurag Vardhan, Deputy Commissioner of Income Tax in New Delhi, led to the seizure of Rs. 3.05 lakh, while searches at the Chennai office of the Chartered Accountant of the Minister's PA, Perumal Swamy, led to a seizure of Rs. 69 lakh in cash and blank cheques worth Rs. 85 lakh.

The Economic Times

The Minister has been asked to quit or face expulsion from the Ministry in a fallout of the bribery scandal. The decision was conveyed to him, rejecting his professions of innocence and in the light of the assessment of the CBI that the bribery trail extends beyond the Minister's PA. *(ET, 23.05.03 & 24.05.03)*

Sloppy Execution – Costly Overruns

The delay in implementation of projects will involve a cost over-run of Rs. 41, 307 crore, or a whopping 24 percent, to the Government.

As monitored by the Ministry of Planning and Programme Implementation, 542 projects have been delayed in 15 sectors, ranging from health to energy. The reasons for the delay pertain to problems related to funds, contracts, equipment supply, execution of civil works, land acquisition, finalising design/technology and law and order.

The Government has initiated corrective action to control costs, which includes setting up empowered committees in the administrative ministries, monthly reviews, appointment of nodal officers, guidelines for standardisation of bidding documents, taking up of projects only after funds have been fully tied up and stricter project appraisal before investment approval.

(ET, 14.04.03 & FE, 16.04.03)

Checking Population Growth

The Government will soon initiate talks with political parties to ascertain their views on the 79th Constitutional Amendment Bill, which calls for debarring MPs and MLAs with more than two living children from contesting elections from the date the Bill is passed.

The Minister for Health and Family Welfare, Sushma Swaraj, said the Centre favoured the two-child norm, which was in consonance with the stated policy of the Government for achieving a couple replacement level of Total Fertility Rate (TFR) 2.1 by 2010 and population stabilisation by 2045. She added, 11 states are in a position to achieve the TFR by 2010 and 12 states and Union Territories already have a TFR of three.

Ms. Swaraj categorically said that injectable contraceptives would not be brought into the family welfare system, unless it was established beyond doubt that there were no side effects. *(TH, 13.04.03)*

DDA Scam Alleged

At a time when the CBI is investigating the Rs. 1.10 crore bribery scandal in the Delhi Development Authority (DDA), voices are being raised against a scam. This is precisely 100 times bigger and involves a loss of Rs. 1,100 crore to the exchequer, wherein select 11 big companies have been awarded construction contracts at Rs. 7,190 per square metre, as against the going rate of Rs. 5, 400 per square metre.

The job in hand pertained to the construction of around 10,000 middle income group (MIG) and lower income group (LIG) houses.

Wondering what made the DDA construct more LIG flats when many were lying unsold in Narela, Kondli, Sarita Vihar and Rohini, the DDA Builders Association has demanded justification for the construction at Rs. 7,190 per square metre at a time when the DDA was offering 20 percent rebate on its unsold flats in Narela Housing Scheme. *(TH, 14.04.03)*

Corporate Affairs

Against Ethics Law

The Indian corporate sector made it clear that new corporate governance rules are unwelcome and there is a need for tightening the existing laws. Industrialists gathered for the annual general meeting of Confederation of Indian Industry (CII) spoke in one voice against legislation on corporate governance.

Initiating the discussions, Naresh Chandra, Chairman of the Corporate Governance Committee set up by Department of Company Affairs, said, "Indian companies still have some ground to cover in terms of following corporate governance best practices in substance."

On the contrary, Jamshed J. Irani, the Director of Tata Sons, was of the view that setting up committees to look into aspects of corporate governance would not serve any purpose. According to him, "Corporate governance could not be legislated and that it is a mindset, which can be implemented only through belief of the board". *(ET, 30.04.03)*

Code of Conduct for CRAs

The Securities and Exchange Board of India's (SEBI's) new model code of conduct for Credit Rating Agencies (CRAs) has suggested setting up of an internal code of conduct for governing its internal operations.

It has said that the CRAs should lay down standards of appropriate conduct for its employees in carrying out of their duties. Such a code should extend to the maintenance of professional excellence and standards, integrity, confidentiality, objectivity, avoidance of conflict of interests, disclosure of shareholdings and interests. The code has further stated that a CRA will not create false market and disseminate unpublished price-sensitive information for securities rated by it.

The initial code of conduct for rating agencies was developed almost three years ago and, in view of the developments in the financial sector the world over, the SEBI has suggested a revised model code of conduct. *(BL, 05.04.03)*

Infy Tops Icra List

Credit-rating agency, Icra, has given the highest rating, 'CGR1', to Infosys Technologies for corporate governance processes and practices followed by the Company.

The Icra Joint Managing Director and Chief Rating Officer, Naresh Takkar, said Infosys was evaluated on several factors and claimed it had a transparent shareholding pattern, sound broad practices, interactive decision-making process, impressive investor-servicing, high level of transparency and disclosure norms, encompassing all important aspects of the Company's operations.

The highest rating was also attributed to the reporting of financial facts and adopting rules related to independent directors in the company, as per the US Generally Accepted Accounting Principles, according to Icra. *(FE, 16.04.03)*

State Finances are Precarious and Need a Rehaul

Despite the steady decline in interest rates, the poor quality of public debt, particularly that of the states, will, sooner or later, impact on the banking system. And, the Reserve Bank of India (RBI) seems to allude to this in the Monetary and Credit Policy for 2003-04.

State governments not only borrowed a net amount of Rs. 13,622 crore in 2002-2003 but resorted to a supplementary amount of Rs. 15,422 crore. Of the last mentioned, Rs. 10,000 crore was for the debt-swap scheme, to retire the high cost of debt of states.

On this point, the RBI notes: "Though repayment of high cost debt is desirable, large borrowings for this purpose, in addition to [the] high level of approved market borrowings for other purposes, put pressure on the interest rates. The timing of issuance and pricing of the securities also becomes difficult, particularly during [the] period when there is a bunching of borrowing requirements for different purposes. These difficulties are compounded if there are periodic defaults by some states or their PSUs in meeting guarantee obligations. It is of utmost importance that overall borrowing requirement guarantees are fully honoured on time."

The RBI, in February, released its *State Finances: A Study of Budgets of 2002-03*. The Study says that the rise in the gross fiscal deficit (GFD) was pronounced in the second-half of the 1990s, with an increasing proportion being accounted for by the rising revenue deficit, implying that a significant proportion of the borrowed funds has been utilised for meeting revenue expenditure.

"The consequential accumulation of debt and debt service obligations has put constraints on the states' ability to undertake developmental activities like the provision of economic and social infrastructure", the Study says.

The fiscal position of the states, after witnessing constant deterioration during the period 1996-97 to 1999-2000, had shown some improvement in 2000-2001, when their GFD declined to Rs. 89,532 crore in 2000-2001, 4.3 percent of GDP, from Rs. 91,480 crore, 4.7 percent of GDP, in 1999-2000. This improvement could not be sustained in 2001-02.

According to the revised estimates for Rs. 2001-02, states' GFD rose to Rs.1,06,595 crore, 4.6 percent of GDP, which was higher than the budget estimate (BE) of Rs. 95,087 crore, 3.8 percent of GDP. The deterioration in the revised estimates from the BE of 2001-02 was largely due to a shortfall in revenue receipts on account of the slowdown in the economy, which affected states' own tax receipts and their share in the Central taxes.

Business Standard

Again, in the revised estimates for 2001-02, revenue receipts were lower by Rs.14,766 crore, -5.2 percent, mainly on account of lower receipts from states' own tax receipts, Rs. 10,581 crore or 7.4 percent, than the BE. Their non-tax receipts were also lower by Rs. 1382 crore, -4.2 percent, in the revised estimates. Similarly, their share in the Central taxes was lower by Rs. 4928 crore, -8.2 percent, than the BE. The share in the Central taxes accounted for 33.4 percent of the shortfall in the total revenue receipts.

This was partly offset by Central grants, which were higher by Rs. 2,124 crore, 4.4 percent, than the BE. Over four-fifths of the shortfall in total revenue receipts was, however, due to lower realisation in the states' own revenue receipts. The aggregate expenditure remained broadly at the budgeted level in 2001-02. The aggregate debt of the states, as a percentage of GDP, rose from 23.7 percent in 2000-01 to 25.7 percent in 2001-02.

As far as the banking system goes, defaults on the state-government-guaranteed bonds are piling up. There are no "official" figures, but the banking industry estimates show these crossed the Rs. 2500 crore mark as on September 2002, from around Rs. 1800 crore as on end-March 2002, as per the data provided by 27 state-owned banks and compiled by the Indian Banks' Association (IBA).

It is opined that the actual defaults could be more than the projected ones, as banks rarely invoke guarantees in such cases and treat them as standard assets. By doing so, they avoid making provisions. Invoking guarantees also leads to unnecessary complications and litigation. Some banks have, apparently, reviewed their exposure to state-guaranteed papers and have decided not to subscribe to these private placement bonds. The RBI has also urged banks to appraise loan applications properly.

As far as state-level policy initiatives go, state budgets for 2002-03 have proposed measures for policy augmentation, expenditure compression, reforms of public sector undertakings, promotion of private investment in crucial sectors and institutional reforms. These measures broadly aim at enhancement of revenue receipts through revision of tax rates, broadening of tax base and improved tax compliance.

Other initiatives relate to the preparatory work for introduction of value-added tax and rationalisation of user charges, mainly relating to power, water, transport, etc. On the expenditure front, many states have proposed containment of revenue expenditure through economy measures, such as restrictions on fresh recruitment and creation of new posts and curbing administrative expenditure. Some have proposed introduction of a new contributory pension scheme for the newly recruited staff.

The institutional reforms proposed in state budgets aim at fiscal stability and sustainability. Karnataka, Kerala, Maharashtra and Punjab have initiated or proposed measures to provide statutory backing to the fiscal reform process. Karnataka enacted the Fiscal Responsibility Bill in August 2002, while Maharashtra and Punjab have introduced Fiscal Responsibility Bills in their legislatures. Kerala, too, has proposed to introduce such a Bill.

The larger point is that the time has come wherein all concerned may have to take a tough decision on fiscal profligacy. The internal debt situation could implode and affect banks. It remains to be seen how the banking system reacts to such "credits", when there is a recovery in the economy. *(FE, 05.05.03)*

FORUM

We have received specimen copies of your publications (Newsletters: Policy Watch, IFD Newsletter and Economiquity). Thank you very much for your copies. We went through all the newsletters. The content was really good. Hence, we would like to subscribe all the four newsletters.

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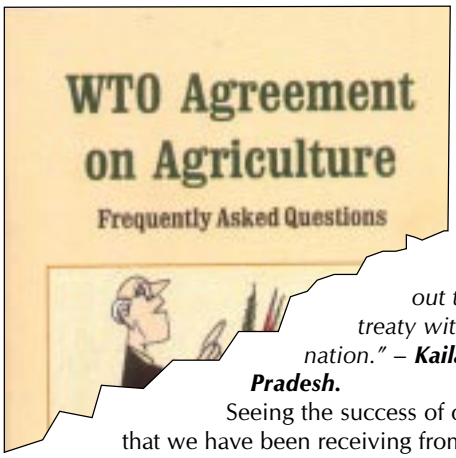
I found Policy Watch useful for my Research. Can you send me each copy by post? What is the yearly contribution? I shall feel obliged if you can kindly enlighten me on the above points.

V. M. Peshwe
Retd. Principal
Yavatmal
Maharashtra, India

PUBLICATIONS

MONOGRAPH



WTO Agreement on Agriculture

Frequently Asked Questions

"Though in recent past many monographs, literatures, etc have been published on Globalisation and Liberalisation but they treated the subject superficially advocating only one-sided views and publishing only half-truths.

However, for the first time the referred monograph, which has been sent to me, has treated the most important subject impartially bringing out the real challenges India is facing from the World Trade Organisation treaty with its factual analysis to take the advantages for the benefit of our beloved nation." – ***Kailash Joshi, Member of Parliament and former Chief Minister of Madhya Pradesh.***

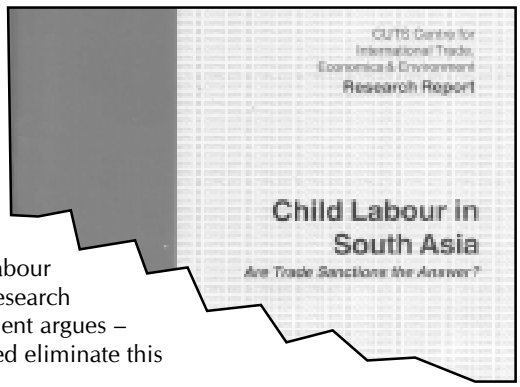
Seeing the success of our earlier three monographs, as is evident by the accolades and demands that we have been receiving from various quarters, we decided to come out with a monograph on WTO Agreement on Agriculture in a simple question-answer format. This is the fourth in our series of monographs on "Globalisation and India – Myths and Realities" which we started in September 2001.

This monograph of CUTS Centre for International Trade, Economics & Environment is an attempt to inform the layperson about the basics of the WTO Agreement on Agriculture and its likely impact on the liberalising economy of India. (*Price: Rs.30/$5*)

RESEARCH REPORT

Child Labour in South Asia

Are Trade Sanctions the Answer?



South Asian Countries have the highest rates of child labour practices in the world.

As a result of the advocacy by political powerful lobbying groups supported by Europe and US, the trade sanction approach to encounter the issue of child labour has gained influence since the nineties.

These sanctions were exercised to alleviate the problem of child labour by US policy-makers and also by some countries in the EU. But, this research report of CUTS Centre for International Trade, Economics & Environment argues – Have the trade sanctions imposed by these countries in any way helped eliminate this problem?

This report has explored the impact of these trade sanctions and finds that these sanctions resulted in the contradiction of the basic objective, elimination of child labour. By banning the import of those goods in the production process of which child labour was used wholly or partly, the developed countries have aggravated the sufferings of child labour and their families.

Besides highlighting the causes of child labour, the report makes some very useful recommendations on how the issue of child labour can be addressed best at the domestic as well as international level. *(Price: Rs.100/US$25)*

SOURCES

ET: The Economic Times, **BS:** Business Standard, **TH:** The Hindu, **BL:** Business Line, **FE:** The Financial Express, **HT:** Hindustan Times, **WSJ:** Wall Street Journal

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.