# PolicyWatch

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

Volume 4, No.3

कट्स CUTS
1984 to 2003 Twenty Years of Social Change

2003


# Right to Protest: At What Cost?

Two recent court judgements that relate to the Right to Protest have resulted in a raging public debate in the country. On September 29, 2003, the Calcutta High Court banned rallies and processions in the city during weekdays between 8 am and 8 pm. In another judgement in August, the Supreme Court ruled that government employees had no fundamental, legal, moral or equitable rights to go on strike. Both the judgements are under review by the same courts.

Predictably, while the average citizen has welcomed the judgements, politicians and political parties, by and large, are not comfortable with them.

In fact, in a democracy, a total ban on rallies and processions may not be a solution. After all, it is a form of protest that is practised even in many developed countries, like the US and the UK. Moreover, it is not only the political outfits that organise rallies and processions, but by many non-political groups also do the same. Several religious as well as marriage processions, and other such events, organised by private individuals, cause immense inconvenience to the public. Indeed, many of such rallies and processions are part of our cultural traditions, but the disturbance caused by them in cities cannot be altogether overlooked. We must change our attitude towards such processions, as they may not be in consonance with the standards of the city life.


We definitely need to give a serious thought to the issue. The Right to Protest or the Right to Freedom of Expression has become a public-interest issue today. There are instances when victims of violence could not reach the hospital in time due to road blockades by protesters, thereby resulting in loss of several precious lives. Undoubtedly, we have gone too far with our sense of rights, but ignored our responsibilities, thus forcing the High Court to be so restrictive.

The moot question remains: should such processions be banned altogether? Since the people of Calcutta are fed up with rallies and processions, they might have been happy with the court order; but, at the same time, they are unlikely to have appreciated the court order from the core of their hearts. At times, rallies, processions and road blockades are organised spontaneously, in response to some outrageous event. Thus, an outright ban may not be the first-best solution. People may even ignore such a ban.

One may recall that such rallies were banned in China, and it was enforcement of the ban order, which had led to the infamous Tiananmen Square massacre in 1989. Actually, instead of imposing a total ban, a proper regulatory mechanism should be evolved, so that such rallies and processions do not disrupt the city life.

The ban on strike by government employees is another complex issue. The issue has, probably, not been understood by many in its proper perspective. Many trade union leaders, unsurprisingly, observed that this would lead to a totalitarian regime. However, it must be noted that the Supreme Court judgement pertains to government employees only; it does not relate to the workers in general, who are covered by the Industrial Disputes Act and have a right to strike.

Government employees, compared to the average working standards in the country, are actually a pampered lot. One does not hear of any action against government employees on the ground of non-performance. Moreover, they are employed not by profit-seeking and exploitative businessmen. If the governments are not able to do justice to its own employees, then one may very well argue that they cannot do justice to the people as well. Moreover, they have a number of channels for redressal of their grievances. However, sometimes they go on a strike even for petty reasons, putting public interest at stake.

The Supreme Court observation is, however, not tantamount to imposing a blanket ban on strike. It has just interpreted the existing legal provisions. Denial of the right to strike as a fundamental right does not necessarily mean that they cannot go on strike. However, it allows the governments to take penal action against the striking employees. One may, of course, argue that the government should not take harsh actions, like dismissal for going on strike. The government decision can, however, be challenged in a court of law.

Both issues need to be debated widely before reaching any conclusion, as they are not simply legal or judicial issues. It is also important to raise awareness among all the stakeholders on these issues. Government employees must recognise that their job is to serve the people of the country, who are paying their salaries, and not to maximise benefits from the governments. People at large also must keep in mind that their right to protest or celebrate through rallies and processions should not disrupt the public life.

HIGHLIGHTS



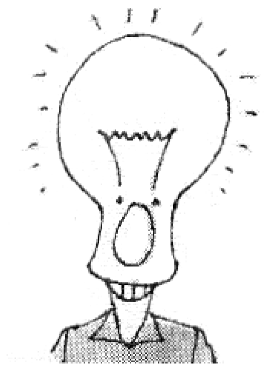
*"The reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new."* Machiavelli in *The Prince*


Published by Consumer Unity & Trust Society (CUTS), D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India
Phone: 91.141.220 7482, Fax: 91.141.220 7486 Email: cuts@cuts.org, Website: www.cuts.org
Printed by: Jaipur Printers P. Ltd., M.I. Road, Jaipur 302 001, India. Annual Subscription Rs. 150 p.a./US$30

# Taskforce on Power

The Union Power Minister, Anant Geete, after the enactment of the Electricity Act 2003, constituted a high-powered task force, headed by the Planning Commission member N.K. Singh, on "power sector investments and reforms".

The terms of reference include analysing the existing investment climate and suggesting measures to promote private investment, both domestic and foreign, recommending steps for bringing in the required fiscal regime for securing investments in the power sector and suggesting the ways and means to augment/ mobilise resources for meeting the goal of power to all by 2012.



The Economic Times

The appointment of the task force was a step forward, when the Ministry had taken various initiatives, including accelerated power development and reform programme, accelerated generation programme, capacity addition through hydro sources and, above all, enactment of Electricity Act 2003, says Geete. *(FE, 19.08.03)*

### States Get More Say

In a rare instance of cutting down bureaucratic red tape, the Planning Commission has decided to dissociate itself from the process of granting approvals to power projects at the state level. These projects will require only environmental clearances from the Centre.

Earlier, the States had to first approach the Planning Commission for project approvals, after which they could approach financial institutions (FIs) for additional funding. However, Central power projects and hydroelectric projects involving inter-state issues will still have to go to the Plan body for clearance.

The States will also be given the freedom to lay transmission lines without any limits on the power load carrier. They should also have the freedom to clear flood control schemes with inter-state or international ramifications up to Rs. 7.5 crore, as against the earlier limit of Rs. 3 crore. The decisions were taken at a core group meeting on administrative reforms.

*(BS & ET, 04.09.03)*

## *Snippets*. . . . . . . . . . . .

### Dabhol Plea

The Supreme Court allowed the Centre to intervene in the dispute between the Dabhol Power Corporation and the Maharashtra State Electricity Board. The Court further allowed the financial institution, IDBI, to submit its stand on the arguments of Dabhol. *(BS, 01.09.03)*

### Subsidised Power

The Madhya Pradesh Government has set up electricity management committees to distribute additional power generated by the State at a subsidised rate to villages. The State Government has extended special concessions to provide electricity to the consumers in the rural areas. *(BS, 09.07.03)*

### Ministry May Miss the Target

The Power Ministry seems to repeat its dismal record of meeting capacity addition targets in the current Plan period. In the last two Plan periods, it had managed to achieve just 50 percent of its targets.

Nearly half the ambitious capacity addition target of 41,110 megawatts, set for the current Plan period, is scheduled to come up only in the last year of the Plan period. The Ministry's data shows that while 23,050 megawatts is to be added during the first four years of the tenth Plan, a massive 18,060 megawatts is to be added in 2006-07, the last year of the Plan period. Of this, projects totalling 10,323 megawatts were still to get approvals and were most likely to spill over into the Eleventh Plan period, government officials said. *(BS, 13.07.03)*

### Renewable Energy as Major Source

The Ministry of Non-conventional Energy Sources has formalised a road map to create a total capacity of 5000 MW of wind energy in the country by 2007. The country currently has an installed wind energy capacity of 1,870 MW, with the highest capacity of 990.3 MW in Rajasthan. The State of Maharashtra, with a wind-energy capacity of 401, follows next.

Renewable energy will become a major source of power by 2050, when it is expected to account for 50 percent of all energy sources, says S. P. Gon Chaudhuri, winner of the 2003 Green Oscar award.

In respect of rural electrification, renewable energy has a special potential, since stand-alone systems were possible with this energy form. The new Electricity Act 2003 would give a special fillip to the cause of this energy form, mainly through the open access that it provides, especially for setting up captive sources.

*(BL, 08.07.03 & ET, 03.08.03)*

### Competition in Distribution

The Maharashtra Electricity Regulatory Commission (MERC) has brought two rivals – Tata Power Company (TPC) and Reliance Energy (RE) – together for carrying out a comprehensive study on the introduction of competition in the electricity distribution, as envisaged in the newly-notified Electricity Act (EA) 2003.

The MERC has called upon TPC and RE to file the terms of reference for engaging a consultancy firm to study the issues relating to Sections 42 and 14 of the EA 2003, which deal with duties of distribution licensees and open access and grant of licence. TPC and RE have been asked to select consultancy firm/s for this purpose and the cost of the proposed study be equally shared by both parties.

The ultimate objective is to afford the opportunity to the consumers to buy power from the source of their choice.

*(FE, 06.07.03)*

## States not Consulted

The draft tariff policy prepared by the Union Power Ministry, in consultation with Crisil, is aimed at promotion of efficiency, introduction of competition, rationalisation of electricity tariff and transparency in subsidy administration.

However, at least nine States have written letters of dissent to the Centre against its draft power tariff policy, floated in August this year. A couple of States have suggested that the Centre should consider dismantling the State Electricity Regulatory Commissions (SERCs), if the tariff policy is to be retained in its present form.

The State Government Officials said that the draft policy undermines the jurisdiction of their power regulators. They were ignored while the policy was worked out, though Section 3 (1) of the Electricity Act 2003 said that they should be part of the consultation process. The States also feel that their power to spell out policy guidelines under Section 108 of the Electricity Act has been taken away. *(ET, 28.07.03 & BS, 31.08.03)*

**States Say**

- They were ignored during policy formulation.
- The draft policy breaches the jurisdiction of state regulators.
- Their powers to spell out policy guidelines under the Electricity Act have been taken away.

### Task Force on Telecom

The Government is planning to set up a ministerial task force on telecommunications to chart out a coherent and effective policy that will sort the persistent wrangling between cellular and basic service providers.

> **What's the War About?**
>
> **WLL-based Mobility**
> - Basic operators, Reliance and Tata Tele among others, want mobility.
> - Cell firms oppose it, say the New Telecom Policy 1999 does not allow it.
>
> **Unified Licence**
> - Shourie and basic operators believe that unified licence could be the panacea.
> - Cellular service providers oppose it on the ground that Reliance and Tata Tele will get full mobility.
>
> **Other Issues**
> - Cell firms demand intra-circle mergers, 74 percent FDI cap, long-distance licences and compensation to small operators.

The idea of setting up a task force was proposed with a view to resolving the differences between the cellular and wireless in local loop (WLL) operators.

The government sources said that the task force could be assigned to conduct a detailed study and issue guidelines. This task force will be similar to the one set up earlier on telecom and information technology. *(BS, 07.09.03)*

### Cellular Firms Unhappy

Cellular service firms have threatened to take the government and Telecom Regulatory Authority of India (TRAI) to court, if they pursue the concept of Unified Licence Policy. A senior industry official said that the TRAI consultation paper on the Unified Licence has given only the benefits of such a regime and not addressed the dangers of converging basic and cellular service licence.

The cellular operators hold the view that the TRAI is repeating the mistake made three years ago in allowing WLL limited mobility, wherein policies were made to cater to the interest of a single company, leaving the entire cellular industry at bay.

The operators said the TRAI was once again attempting to bail out WLL operators, by restricting licence unification to cellular and basic operators. *(BS, 17.07.03)*

### Basic Operators Support Policy

The private basic operators have indicated that they will give their "wholehearted" support to the proposal for a unified licence regime that has been proposed by the TRAI.

They have pointed out that if the infrastructure is not used to provide all the services, which it is capable of providing, due to licensing restrictions, it leads to less than optimum use of the infrastructure and waste of national resources.

The Government and the regulator have to be flexible in their approach to ensure that competition is encouraged and the policy constraints do not come in the way of giving benefits of technology to the subscribers.

The only aspect to be ensured in any consultation process is to see that the activities of the regulator are in the interest of the consumers, competition and ensuring smooth development of the telecom industry. *(BL, 04.08.03)*

### Growth in Cellular Industry

Revenues from the Indian cellular industry are expected to touch Rs. 36,600 crore by the end of 2007, according to international research firm Gartner. Revenue from the industry at the current stage is Rs. 6900 crore.

In a release, Gartner has cautioned the service providers against the increasing 'commoditisation' of voice services and the falling average revenue per user. It points out that operators will eventually move on from billing per second to value-based billing.

Commenting on the issue of regulation, Gartner Vice-President and Research Director, Geoff Johnson, said a clear set of rules is required to bring in investments in the industry. Significantly, the TRAI is examining a proposal to have a unified licence for telecom companies. *(FE, 18.07.03)*

### Tariff Format for Service Providers

The TRAI has issued a set of guidelines for all service providers, specifying that the customer has to be informed of the exit and migration options for all the new tariff plans that are sought to be introduced.

The TRAI has also spelt out a tariff format for consumer information, which should be published/advertised by the telecom service providers for tariff plans.

According to an official statement, the new set of guidelines mandate that the publication/advertisement of tariffs should include the tariff information in the specified format, which includes, among others, information on the entry level cost *viz.* security deposit, advance, etc., rental and other monthly recurring charges such as plan fee, membership fee, commitment charges, monthly free call allowance taxes and the financial implication for the customer in terms of rupees per month for minutes of usage.

These guidelines are intended to help the consumer to be better aware of the overall financial expenditure incurred under any particular tariff package. *(BL, 01.08.03)*

### DoT to Study GramPhone

The DoT has appointed a three-member committee to study a unique telecom project, GramPhone, implemented in the remote and backward Kalleda Village of Andhra Pradesh.

The Rural Telecom Foundation (RTF), a non-profit organisation, which has taken up the project, welcomes the appraisal by the DoT team. The committee has requested the RTF to provide the background for the scheme, its role in implementing the project and the day-to-day operations involved.

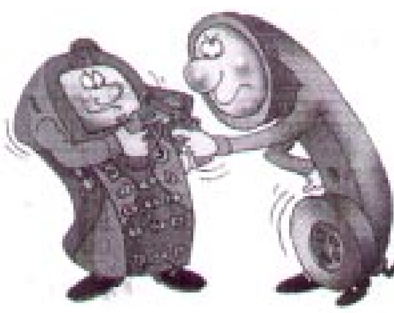
Under the GramPhone project, a network of phones was set up in Kalleda, where four households can use a single connection with extensions. At a given time, only one household can access the service and the households using the service share the monthly rental.

*(BL, 20.07.03)*

## DoT Rejects Basic Licences Plan

The Department of Telecommunications (DoT) may not accept the recommendation of the TRAI to issue an amendment to the basic service licence seeking to bar operators from offering call-forwarding as well as multiple registration facility to their limited mobility (WLL) subscribers.

It had stated that, although the basic operators can legally offer these facilities, it violates the motive and the spirit of the Government's decision to keep the WLL services distinct from the cellular services.



The Economic Times

Following the judgement of the Telecom Dispute Settlement Tribunal (TDSAT) on WLL, the TRAI had written to the DoT, recommending the amendments to the basic licences.

According to official sources, any move to amend the basic licences now may lead to further litigations by the operators, something that the Department is keen to avoid.

*(BL, 18.08.03 & ET, 20.08.03)*

# Water under Food Category

The Government is likely to come out with an ordinance to bring drinking water under the food category of the Prevention of Food Adulteration (PFA) Act.

Until now, drinking water was not defined as food and, hence, there were no norms. Significantly, bottled drinking water has already been defined as food under the PFA by the Health Ministry through a notification two years ago, making it mandatory for all packaged drinking water to sport the ISI mark from March 2001.


The effort to lay down norms for drinking water and groundwater comes as an aftermath of the controversy about pesticide residue in soft drinks, when both Cola majors pointed out that soft drinks contained pesticides since its raw material, groundwater contained pesticides.

After the warning of pesticide content in bottled water and soft drinks, the Centre for Science and Environment (CSE), in a petition before the Supreme Court, said that the Government should frame appropriate guidelines to fix standards for drinking water to rid it of pesticides and other harmful chemicals. *(ET, 25.08.03 & BL, 27.08.03)*

### Proposed River-linking

The mega Project on interlinking the rivers envisages ushering in a second 'Green Revolution', apart from solving the country's problem of droughts and floods. Besides tackling the drinking water problems of scores of drought-affected areas, there would be enough water available for irrigation.

In its Action Plan II, submitted to the Union Government, the task force on Interlinking Rivers has recommended fund mobilisation through a combination of private funding, public-private partnership and pure public funding. The cost of the Project is expected to cost much more than the estimated Rs. 5.6 lakh crores.

The Centre is trying to evolve a consensus on the national river-linking scheme and has already initiated a dialogue with the State Governments to allay their apprehensions about the Project. Extra care is being taken to ensure that the Project encounters minimal obstacles in the field of resettlement and rehabilitation. *(TH, 09.09.03 & BL, 28.08.03, 01.09.03)*

### Drop River-linking Project

Kerala has protested against the proposed Pampa-Achenkovil-Vaippar Link Project, with two separate groups urging the Prime Minister to abandon it. The issue was also raised in the Lok Sabha.

Under the leadership of the Water Resources Minister, T. Jacob, 16 MPs from the State met the Prime Minister to press for abandoning the linking proposal, which is a part of the National River-linking Project.

The delegation submitted a memorandum, according to which the State alone has the power to decide on waters of the Pampa and the Achenkovil, as both rivers flow within Kerala. The memorandum also seeks to draw the attention of the Prime Minister to the fact that diverting water to Tamil Nadu would cause water shortage and environmental problems in Kerala. *(TH, 21.08.03)*

### Prices to Go Up

At a time when the prices of soft drinks have taken an unprecedented dip, the prices of packaged water, both in bulk and retail segments, are witnessing just the reverse. Coca-Cola recently made the first move within the fast growing bulk water segment by hiking the prices of its 20-litre bottle by Rs. 5. Ramesh Chauhan's PARLE Bisleri too has increased the prices.

Chauhan maintains that the household bulk water segment will drive the packaged water business. Within five years, bulk water will account for 80 percent of the branded water business, double of what it is today. Scarcity of water, inferior quality supply of tap water and reducing costs will lead to this, said Chauhan. *(BL, 06.07.03)*

### To Fight Water Scarcity

The Union Minister for Rural Development, Kashiram Rana, has said that the Centre would soon take up a Rs.1000-crore water-harvesting project. The likely duration of the project would be three years and is scheduled to be rolled out shortly by the Prime Minster. It has been christened the *Pradhan Mantri Jal Samvardhan Yojana*.

Apart from this, applications have been invited for installing hand pumps and renovating water resources under the recently launched *Swajaldhara* Scheme for villages and hamlets. Under the scheme, villagers would have to pay a nominal amount to install a hand pump or renovate water sources in their village. *(BL, 08.09.03 & HT, 09.09.03)*

## *State Briefs*. . . . . . . . . .

### Projects in Pipe-Line

The Rs. 3539.17 crore Omkareshwar Hydro-electric Project on the Narmada river in Madhya Pradesh will, on completion, generate 520 MW of power and irrigate 1.47 lakh hectare of land in 529 villages, spread across Khargone, Khandwa and Dhar districts of Madhya Pradesh.

According to the State Government, this Project will greatly help in augmenting agricultural production. The other major Narmada Valley projects presently under different stages of construction include the Rs. 3496 crore Indira Sagar Project, the Rs. 769 crore Maan Project and the Rs. 1554 crore Bargi Diversion Project.

Besides, the State would also get its share of 826 MW power from the inter-state Sardar Sarovar Project.

Among the other States, the Kerala Government plans to provide safe drinking water to all residents by 2010 AD. The Rs. 1787.5 crore Kerala Water Supply Project, assisted by the Japan Bank for International Cooperation, would provide safe drinking water to 43 lakh people in the State. *(TH, 17.08.03 & 29.08.03)*

### Survey on Water Supply

To ensure supply of safe drinking water, the Himachal Pradesh Government has undertaken a survey, covering all the villages, to find out the status of water supply at present.

The participation of people at the grass-roots level will be encouraged to ascertain ground realities in a proper way.

The survey will be the basis for developing future strategies for drinking water supply in the State, besides helping to identify the existing water sources required, as per norms and quality testing of the water sources. *(BL, 17.08.03)*

## *Snippet*. . . . . . . . . . . . .

### Drinking Water from Air

The US-based company, Technology Inc., has come up with a technology to produce drinking water from atmospheric air. The machine completes the distillation process by capturing water vapour before it even touches the Earth. The system includes water plant, filtration panel, holding tank and dispenser. *(FE, 09.09.03)*

### Policy on Natural Gas

The Government has announced a draft policy under which any producer can sell gas within 100 km to consumers directly and lay pipeline for this purpose. The pipeline beyond 100 km will be governed by the common carrier principle.

The policy also envisages setting up a national gas grid for which the Gas Authority of India Ltd. (GAIL) has been designated as the nodal agency. The gas grid will consists of a 7000-km-long network, built at a cost of around Rs. 18,000 crore over the next five-six years.

The policy envisages the appointment of a regulator under the Petroleum Regulatory Board Bill 2002 for regulating the transmission, distribution, supply and storage system for natural gas/LNG and to promote development of the sector. The Regulator will ensure access to gas pipelines on non-discriminatory common carrier principle for all users.

Announcing the details, the Petroleum Minister, Ram Naik, said that the policy would be finalised by December 2003, after taking into consideration suggestions by experts and stakeholders. *(FE, 29.09.03)*

### Need of a Regulator

Opposing the recommendation by the committee of ministers to increase natural gas prices by Rs. 350 per 1000 cubic meters from the current level of Rs. 2850, the Andhra Pradesh Chief Minister, N. Chandrababu Naidu, has made an appeal to the Prime Minister, Atal Bihari Vajpayee, to set up a market regulator to oversee the pricing of natural gas.

Naidu felt such a mechanism would be helpful in arriving at an optimal price in a transparent manner, like the tariff fixation in the power sector, as the regulatory mechanism would consider all the parameters for the pricing of natural gas.

Naidu also felt that the existing price for natural gas was reasonable. Any increase in the prices will cause unbearable burden on consumers and go against the prime objective of power sector reforms, to provide quality power at reasonable and affordable prices. *(BS, 11.08.03)*

### Road Project Cleared

The Union Rural Development Minister, Kashiram Rana, said the Government has cleared proposals for laying 67,000 kms of rural roads at an estimated cost of Rs. 9000 crore. This will benefit nearly 40,000 habitations that were so far not connected to main roads.

The Rs. 60,000 crore rural connectivity programme, called the *Pradhan Mantri Gramin Sadak Yojana*, aims to provide road connections to all the habitations of over 1000 persons by the end of the year 2003 and those with a population of over 500 persons by the end of the year 2007.

External funding avenues were being explored to meet the programme's cost, the Minister said.

To ensure quality standards, the Government is emphasising on using new techniques like soil stabilisation and construction materials like cement, concrete, modified bitumen and fly ash. *(BS, 02.08.03)*

### East-West Corridor Opposed

The East-West Corridor in the "Golden Quadrilateral" has hit a roadblock, as it would cut through a large tract of north Bengal's fast depleting forest area. A few NGOs are already opposing the idea. The Left Front also seems to be divided on the issue.

The 3,460-km east-west corridor would traverse through North Bengal for 279 kms. B. Das, General-Secretary, Federation of Chambers of Commerce and Industries of North Bengal, said, "This will open up a new trade horizon in North Bengal, resulting in greater economic growth. It will also add to the local economy during its construction period."

However, M. N. Majhi, Chief Conservator of Forests, said, "The project is likely to eat up more than 2000 hectares of already depleted forest land, and this will be a great loss." *(ET, 29.07.03)*

### Dispute Unresolved

The Law Ministry has washed its hands off the dispute between Reliance Industries Ltd. (RIL) and the public sector oil marketing companies with regard to the price at which LPG and kerosene was purchased by the oil PSUs from RIL's 27-million-tonne refinery at Jamnagar in Gujarat.

The dispute relates to the purchases made during the period November 2002 to June 2003 and RIL has claimed that the oil marketing PSUs owe it an additional Rs. 600 crore.

The petro-marketing companies have argued their case on the basis of a clause in the purchase contract, which makes payment to RIL contingent on the subsidy scheme for LPG and kerosene approved by the Government. The subsidy scheme computes flat rate of subsidy based on the product prices on April 1, 2002, and the relevant clause in the contract states that should the product prices rise, the marketing companies can pay the increased costs to the producers or refiners through hikes in consumer prices.

The public sector oil PSUs have, however, argued that since the Government has not allowed any hike in prices, they need not honour RIL's claim. *(BL, 16.08.03)*

### Major Share to Five States

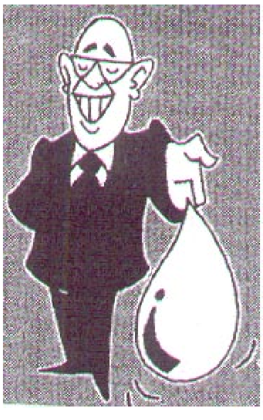
Northern and western states seem to have an distinct advantage with respect to their National Highway infrastructure. Over 62 percent of the country's 3,134 km four-lane National Highways are in just five states – Gujarat, Maharashtra, Haryana, Uttar Pradesh and Rajasthan.

In fact, Gujarat alone accounts for around 20 percent of the total four-lane National Highways. These five states make-up for-over half the four-lane National Highways network of the country. National Highways are designated by the Centre and their upkeep is the responsibility of the National Highways Authority of India (NHAI), under the supervision of the road transport and highways ministry.

The share of four/six lane highways is, however, set to go up with the ongoing Rs. 58,000 crore National Highways Development Project (NHDP). Under the project, over 13,000 km of National Highways is being four/six laned and refurbished. *(BS, 13.08.03)*

## *International Brief*

# Oil from Garbage


Business Standard

Changing World Technologies has built a pilot plant in a Philadelphia Navy Yard warehouse that uses a process called thermal depolymerisation to mimic and speed up the natural process of turning everyday garbage into oil that can be used to heat homes and turned into fuel to power car engines.

The machine loudly grinds the waste into a slurry mixture, which is then fed through an intense heating and pressuring process that separates out oil. The oil is then refined.

The Company has already turned personal computers, old tyres and even turkey bones and feathers to oil. The advantage of the process is that it controls waste, while also reducing dependence on foreign oil and slowing global warming.

However, not everyone is convinced. The critics question the technology's ability to move from small-scale production to a large-scale production.

The US Department of Energy and the Environmental Protection Agency have given Changing World Technologies $21mn in grants. The Company has also raised another $50mn from other investors. *(BS, 17.07.03)*

# States' Rising Debt

The trend of the rising debt of the States could lead to further deterioration of their credit quality. The combined debt of all the States is expected to double from Rs. 12,00,000 crore by 2007, from the present Rs. 5,89,200 crore, according to a Crisil report on state finances. The report predicts that the indebtedness (debt plus guarantees) of the States, in relation to their revenue receipts, will increase from 2.8 times in 2002 to 3.6 times in 2007.

The pressure on the fiscal position of the States is due to the large and growing revenue and fiscal deficits in recent years. The rising revenue deficit, which accounts for 60 percent of the States' gross fiscal deficit, has been the largest contributor to the increase in debt. The Finance Minister, Jaswant Singh, said earlier this year that the rising burden of the States had reached an unsustainable 35 percent of the GDP and development was not possible with bankruptcy. *(BS, 16.07.03 & 17.07.03)*

**Jaswantspeak**

- States should avoid restoring to competitive structuring of their annual plans to get higher allocation of funds.
- A mechanism needs to be developed to help states facing financial difficulties, without affecting those who have conducted their affairs well.
- The government has advised the Reserve Bank of India to issue instructions restraining states from issuing guarantees for co-operative banks.

### RBI Gung-Ho on GDP Growth

After three years of caution and a bearish outlook, the ex-Governor of the Reserve Bank of India (RBI), Bimal Jalan's last report card on the Indian economy bubbles with bullishness. The gross domestic product (GDP) growth could exceed 6-6.5 percent in the following years. 'Monsoon is good, inflation is not expected to be turbulent…the numbers need to be relooked.' said the former Governor in August.

He said that a recovery in agricultural output, coupled with the continuance of the upturn in the industrial and services sectors, should help in achieving the projected growth. The soft interest rate stance should continue and the rising bond yields in Japan and USA should not be a concern. The International Monetary Fund (IMF) has projected the economy growth at 5.5 percent for the years 2003-04. *(BS, 27.08.03 & ET, 22.08.03)*

### India's Trade Restrictiveness

Despite India's trade openness doubling since the late eighties by 30 percent to 2002, the IMF believes that India is less open to trade than other Asian economies. According to a Fund paper, the IMF conceded that the economic reforms, which began in the early nineties, have led to greater trade and financial flows, and trade shares and asset market shares have grown substantially in the past decade.

Exports have grown rapidly, mainly because of India's comparative advantage in IT-related services. But, India still lags behind, in comparison to its Asian counterparts. This reflects restrictive and capital account regimes, despite considerable liberalisation in recent years. India's index of trade restrictiveness measured eight in 2001, on a scale of 10, compared to an average of 4.4 percent for Asian countries. Thus, India has the potential to gain from further trade liberalisation. *(BL, 26.08.03)*

### Patent Act Amendments

The Centre is planning to table the final set of amendments to the Patent Act of 1970 during the winter session of the Parliament. The final touches to the amendments will be given after consulting the stakeholders, such as industry, chambers of commerce, lawyers and non-governmental organisations (NGOs), and accepting written submissions from them.

The Centre was firm on meeting the World Trade Organisation (WTO)/Trade Related Intellectual Property Rights (TRIPs) obligation, but, at the same time, ensuring enough protection to domestic concerns. Following the two sets of amendments in the Patent Act, India is fully in compliance with its international obligation. *(BL, 19.08.03)*

### Difference in Figures

In the latest figures released by the Comptroller and Auditor General (CAG) of India, the fiscal deficit of India is significantly more than what the Budget documents reveal. According to the 2001-2002 CAG audit, the fiscal deficit for the year is Rs.14,878 crore higher at Rs. 155,833 crore, against the 'actuals' of Rs. 140,955 crore, disclosed in the 2003-04 Budget.

The fiscal deficit of the Union Government, according to the CAG, indicates the excess of its total expenditure consisting of revenue and capital expenditures and loans and advances, over its non-debt receipts. But the budget documents define it as the difference between the total expenditure of the government by way of revenue, capital and loans and repayments on the one hand, and revenue and capital receipts on the other, which are not in the nature of borrowings, but finally accrue to the government and constitute the gross fiscal deficit. *(ET, 15.07.03)*

### Accelerated Financial Reforms

The erstwhile Governor of RBI, Bimal Jalan, said earlier this year, that the country's strong macro-economic fundamentals had occasioned the accelerated pace of financial sector reforms. The high forex reserves, soft interest rates and stable inflation have contributed to increasing the growth by 2-3 percent in the medium-term. There was no merit to the view that the current inflow of foreign funds into the country was entirely on account of the interest rate differentials between Indian and overseas markets.

The World Bank's first India Development Policy Review said that, without the economic reforms programme, the country would not be able to sustain the growth witnessed in the past decade. Economic growth has been the key driver of poverty reduction in the country and its slowing down would be a cause for concern. *(BL, 05.07.03 & FE, 19.07.03)*

## India Topper in FDI List

The United Nations Conference on Trade and Development's (UNCTAD) World Investment Report suggests that India's prospects as foreign direct investment (FDI) host are better than most other developing countries. Other Asian countries in the list of the top-30 FDI recipients are China, Hong Kong, Japan, Singapore and Malaysia. Thailand and Taiwan are among the sufferers.

Business Standard

The Report also confirms that, in 2002, India witnessed a 1.35-percent growth in FDI inflows, despite there being a 40-percent slump in FDI worldwide. India's market potential, its competitiveness in information technology (IT) and the continuing process of liberalisation are major FDI attractors. The Report stressed that the focus should now be on attracting more value-adding investments, research and development (R&D) and internalising the fruits of the FDI process. *(ET, 05.09.03)*

### Trade Bodies to Merge

India is revamping its import protection mechanism by merging the Directorate of Safeguards with the Directorate-General of Anti-Dumping and Allied Activities (DGAD). An Additional Secretary-level officer is likely to head the combined entity, which would also deal with countervailing and anti-subsidy cases. The Finance Ministry's suggestions of the DGAD handling issues, like calculation of dumping margins only, has met with objections from the Commerce Ministry.

The DGAD has initiated steps to monitor the dumping cases faced by Indian companies in foreign markets. Presently, the Directorate General of Foreign Trade is the nodal agency entrusted with this task.

The role of the Tariff Commission will also be redefined. However, winding up of the Tariff Commission has met with some resistance from the Finance Ministry.

*(BS, 28.08.03)*

### Tenth-Plan Agenda

In an effort to accelerate the economic growth rate to eight percent in the Tenth-Plan period , the Cabinet Committee on Economic Reform (CCER) will monitor the implementation of the Tenth-Plan agenda. They will do so by pushing a set of policy agenda to expedite reforms in critical sectors like labour, foreign direct investment and exports. The Prime Minister, Atal Bihari Vajpayee, will personally oversee the implementation of identified policy initiatives, while the Cabinet Secretariat will supervise all other schemes and projects to be implemented.

As per the Planning Commission proposal, the time-bound implementation of the agenda on the policy front would be monitored by the CCER, while the Committee of Secretaries will facilitate implementation of schemes/programmes. The National Development Council (NDC) also identified four major areas of reform and decided to set up four empowered sub-committees, comprising Union Ministers concerned and some State Chief Ministers. *(FE, 22.07.03)*

### FRBM Bill Passed

Earlier this year, the long-awaited Fiscal Responsibility and Budget Management (FRBM) Bill was passed by the Parliament. This puts India in the list of select countries having fiscal responsibility legislation in place. The Bill commits the Union Government to completely eliminating its revenue deficit by the year 2008.

The Finance Minister, Jaswant Singh, promised that there would be no lowering of developmental expenditure and that the Finance Ministry would come out with a quarterly review of the economy before the end of the monsoon session of the Parliament.

The Bill is a small step in containing the fiscal deficit, as the Parliamentary Standing Committee had diluted some stringent provisions. The FRBM stipulates that the revenue deficit would be brought down to zero-level and fiscal deficit to two percent in five years by 2008, to bring fiscal consolidation.

*(FE, 29.07.03 & BL, 29.07.03)*

### India-China Trade Pact

With the top Indian and Chinese leadership deciding to tap the full potential of trade and economic cooperation, efforts are on to sign a bilateral investment protection agreement that would further step up business links and help reach the targeted $10-bn trade figure by 2005. Official sources say both sides are working on the investment protection agreement, a long-term demand of the business communities of both the countries.

The two sticking points are national treatment of investment and repatriation of profits. While India has signed several such investment protection agreements, the language of these differed considerably from those signed by China with other countries.

Investment made by Chinese companies in India and Indian companies in China have been growing in recent years, though the net investment is nowhere near their full potential. A total of 97 proposals for foreign collaborations have been approved by India, mainly in telecom, metallurgical, transportation, electrical equipment and financial sector.

*(FE,13.07.03)*

### States should have a Say

The Chief Minister, A.K. Antony, asked the Centre to finalise its stand at the coming WTO meeting at Cancun after close consultation with state governments on the issues expected to dominate the talks. Antony called for evolving a new system of economic federalism as the Centre and the states were faced with increasing challenges from the global economy.

Saying that economic policy decisions could no longer be taken casually based on the requests of one or two States without assessing their implication for others, he referred particularly to the decisions taken regarding reduction of customs duty for import of palm oil and natural rubber.

Antony wanted the Centre to constitute a sub-committee of the ISC with a brief to monitor the implementation of the unanimous recommendations of the ISC and to bring those that were not implemented, to the notice of the Prime Minister for appropriate action. *(BL,28.08.03)*

## *State Brief* . . . . . . . . . .

### VAT a Mess

Industry in Haryana, the only State to have switched over to value-added tax (VAT), is still grappling with the procedural technicalities to be followed in the new tax regime. The industrial sector is complaining of cumbersome procedures and price increases in some commodity groups under the new tax structure, as under VAT these commodities have been subjected to higher tax rate than before.

Since the Central Sales Tax (CST) has not been phased out, manufacturers in the State say they have been saddled with incremental costs. Under VAT, the State now has six rate slabs. The traders have to file a nine-page return, instead of the two-page return filed earlier. The list of details to be specified has been made even more exhaustive. Industry representatives have suggested proper training of government officials to make the transition to the VAT system smooth. *(BS, 17.08.03)*

# Policy for Ailing PSUs

A disinvestment policy for loss-making public sector undertakings (PSUs) will be formulated by the Government. The Disinvestment Ministry, in consultation with the Finance Ministry, will chalk out the policy. A loss-making PSU would be given financial support only if it is to be privatised. Otherwise, it would be allowed to close down. The Government is already following the practice, which links revival packages with privatisation. The practice will be formalised by backing it up with a policy mechanism.

Business Standard

According to the Ministry, more than Rs. 35,000 crore have been lost in the attempted revival of a number of PSUs, with little positive effect. The question is, would the new disinvestment policy on loss-making PSUs help expedite the sale of such entities? Officials from the Ministry of Disinvestment said that a number of PSUs have the potential of revival, but that is possible if the public sector culture changes and more fresh capital and superior technology are made available to them. This can happen only by the way of privatisation. *(FE, 20.08.03)*

# India's International Sector

- Kaushik Basu

It is time for India to go for another major round of lowering of import tariffs and, in general, taking steps to integrate more with the global economy. When trade was liberalised, slowly in 1991 and then sharply in 1992 and 1993, there was apprehension in many quarters that India would run into a major balance of payments (BoP) crisis.

In retrospect, it is clear that these were among the best policy moves India has made in many decades. The nineties turned out to be the best decade for India, in terms of the international sector.

Far from having a BoP crisis, India has seen a build-up of foreign exchange reserves, like never before, a creditable growth performance and a boom in the information technology sector that is making the world take note of the country and promises to launch the Indian economy into being a player of some significance in the world.

There are several reasons why the time is right for another round of trade liberalisation. There has been a lot of soul-searching about India's steadily rising foreign exchange balance. On 29 August, this stood at $86.3bn, up from $82.7bn, at the end of June and $52bn in April 2002.

But, so much foreign exchange is also an opportunity. And, by allowing stocks to build up, are we being over-cautious and not exploiting this window of opportunity? Moreover, the foreign exchange is beginning to have the inevitable effect of causing the rupee to become stronger.

It is not the case that any rise in the value of ones currency needs to be countered. But, in this case, the Reserve Bank of India (RBI) is right in being concerned about a rise, since this can hurt India's exports, which are showing buoyancy for the first time.

Moreover, what is not always appreciated is that the largest factors in the build-up of India's foreign reserves are remittances and inward flows by Non-resident Indians (NRIs) and Indian workers abroad and these flows are extremely sensitive to the exchange rate.

The other big and new source of foreign exchange is its software exports, which have just crossed $10bn a year. This figure is difficult to extricate from the Government of India statistics, which classifies software exports in the category called miscellaneous non-factor services. Now that software is about a quarter of its export earnings, it is time to create a better name for this than miscellaneous.

Hence, to counter the appreciation of the rupee, the standard practice of the Reserve Bank of India has been to buy up dollars and, thereby, shore up the dollar price in rupee terms. But, this has an important fiscal implication.

***Far from having a BoP crisis, India has seen a build-up of foreign exchange reserves, like never before.The nineties turned out to be the best decade for India, in terms of the international sector***

Business Standard

***To integrate more with the global economy, an another round of trade liberlisation is required, which, at this juncture, means basically cutting import tariff***

The rupees released in the market by such action can cause inflationary pressures and, more importantly, can result in a decline in India's savings and investment rates. The way to counter this is, in turn, for the Government to cut back on other expenditures.

So, what should be done, given that we do not want the rupee to appreciate by a significant amount and do not want to increase fiscal strain in the country? The answer is, go for another round of trade liberalisation, which, at this juncture, means basically cutting import tariff.

Given its success in slashing tariffs in the early nineties, it is easy to forget that India is still one of the highest tariff nations in the world. India's average tariff rate is currently above 30 percent.

Moreover, a lowering of tariffs is essential for the country to give further boost to its exports. The way to achieve this export boost is to cut back on all import tariffs.

Of course, some indigenous, intermediate goods producers will go out of business. But, to keep them in business by hurting the export industry was never a good idea. Further, we have always had a tendency to exaggerate the vulnerability of Indian industries.

Two years ago, when quantity restrictions on the imports of a variety of goods were removed under WTO insistence, there was fear that there will be a surge of imports into India. But, a study of 300 especially sensitive items by an inter-ministerial group shows that, in the year following the removal of the quantity restrictions, imports rose by only 2.8 percent.

A tariff cut will increase the demand for foreign goods and hence, typically, for hard currencies, and amount to a natural defence against a hardening rupee. Indeed, a part of the current tendency of the rupee to appreciate is artificial and caused by its high tariff structure.

What about the argument that this will hurt foreign direct investment (FDI) into India, since a high tariff creates incentives among multinational companies (MNCs) to jump the tariff by starting up production inside the nation with high tariffs?

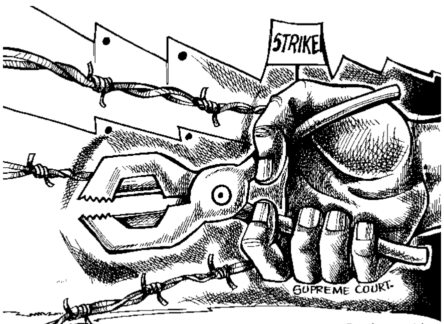
In India's case, the tariff-jumping argument does not hold much water. Note that there are different kinds of FDI. No multinational company planning a deep investment will be lured by the current tariff rate. It is transparent to all that it takes very little for a government to lower its tariff rate. Hence, this is a bait that an MNC is unlikely to fall into. This is especially true for India, where it is clear that the country is now on the trajectory of global integration.

Hence, if we want large and deep investments that come here to stay for at least a decade or two, then the high tariff rate is of no consequence. *(BS, 10.09.03)*

*(The writer is Professor of Economics and Director of the Programme on Comparative Economic Development at Cornell University)*

# No Right to go on Strike

In a 21-page judgement of far reaching implications, the Supreme Court of India said that the government employees have "no fundamental, legal, moral or equitable right " to go on strike.



Business Line

This ruling was given while disposing of petitions pertaining to the dismissal of nearly two lakh employees by the Tamil Nadu Government for going on strike. Holding that there were no statutory provisions empowering the employees to go on strike, the apex Court said, "Apart from the statutory rights, government employees cannot claim that they can hold the society to ransom by going on strike. Trade unions have a guaranteed right for collective bargaining on behalf of the employees, but they too have no right to go on strike".

The Court said, even if there was injustice to certain extent, as presumed by such employees, they have to resort to the machinery provided under different statutory provisions for redressal of their grievances. *(ET & BL, 06.08.03)*

# Restoration of Right Demanded

As a mark of protest against the Supreme Court judgement banning the right to strike, the central trade unions decided to go on a nationwide strike if the Central Government fails to restore this right.

The resolution called upon the trade unions to unite and actively participate in a massive programme of building up mass awareness of the judgement of Supreme Court. *(TH, 26.09.03)*

***View Point***

# Is the Ban on Strikes Justified?

### Tarun Das

The Supreme Court has made a landmark judgement rendering strikes by government employees as illegal. Strikes by government employees from time to time have affected many state governments over the years. Hence, the decision of the Supreme Court is welcome.

Strikes by doctors, transport and postal employees and teachers are a deterrent for the overall development of the country. The employees can air their grievances, expressing their views through various means, without resorting to stoppage of work. The government is also duty bound to lend an ear to the grievances.

Strikes for any cause cannot be justified. As a weapon, they do more harm and the sufferer is society at large. True, there will be grievances, but in order to redress those grievances, the employees need to work diligently and take up relevant issues with the authorities for redressal, using methods other than strikes.

Slowly, but steadily, India has grown and strengthened its economy and its institutions. At this time, the most important issue is to avoid disruption of work, bring and keep people together and avoid any kind of activity that sets the country back. *(Director General of Confederation of Indian Industry)*

*(BS, 13.08.03)*

### Swadesh Dev Roy

We are deeply disappointed by the Supreme Court judgement. The judgement is anti-democratic and has struck at the roots of the right that the working people have struggled to win not only in India but also all over the world.

The strike of government employees in Tamil Nadu, which instigated this judgement, was not to ask for a new charter of demands but it was a strike in self-defence because the state government was altering the service conditions of government employees and withdrawing many of the rights the employees had been promised. Instead of negotiating, the state government put thousands of people behind bars, issued summary dismissal orders for another few thousand and forwarded these orders as first investigation reports to the state police as endorsement of dismissal.

But why take a one-eyed view of the world? If you don't address the cause and only harp on the effect, your sense of balance gets affected. A strike may be wrong or right. But the right to strike is sacred. As a trade unionist, I have the right of self-defence.

In a sense, the Supreme Court has overstepped its jurisdiction. The right to make laws belongs to Parliament. The right to form associations to protest laws, which hurt people, is guaranteed by the Constitution. The Court is impinging on the rights of the legislature.

We believe all workers must wake up and organise to defeat the kind of observations that the court has made. We have earned the right to strike. We won't let anyone take way that right from us. *(Secretary, Centre for Indian Trade Unions)*

*(BS, 13.08.03)*

### E.M. Rao

The Bench of the Supreme Court has rightly decided the case, by imposing a ban on strikes by the government employees. The criticism levelled against the Supreme Court decision by Soli Sorabjee, the learned Attorney General of India, is without merit.

The right to strike is not a statutory right, much less a fundamental right. The most authoritative piece of legislation touching upon the subject is the Industrial Disputes Act 1947.

Section 22 expressly deals with "prohibition of strikes in public utility services", while Section 23 deals with "general prohibition of strikes". Nowhere does the law stipulate that the employees are free to resort to strike.

The right to freedom of association, or the right to bargain collectively, does not, by any stretch of the imagination include the "right to strike work" with impunity or to hold millions of citizens to ransom. If there is a deadlock in the negotiation process, the law has provided sufficient safeguards to investigate and settle the dispute.

If there is any service in the country which should be placed at the helm of "public utility services", it is the government, which includes its legislative, judicial and executive wings. Any strike by government employees can result in partial, or total, paralysis of civil life and occasion serious inconvenience to the public. The Supreme Court has rightly banned the strikes by government employees. *(Dean (Academics) and Professor, specialising in Labour Law & Industrial Jurisprudence at XLRI, Jamshedpur)* *(FE, 28.08.03)*

### Right to Information

The Government would be bringing in an ordinance for amendment in the Right to Information presently being implemented in Rajasthan as was told by the Secretary to the Chief minister, C. K. Mathew, to the Delegation of the Akal Sangharsh Samiti, Rajasthan. The Government said that it is in a position to bring in an ordinance to effect an amendment in the present structure of the law on Right to Information.

The Sangharsh Samiti delegation met the Secretary to the CM to discuss issues such as an employment guarantee Act, right to information and to stop the displacement of tribals from their lands in south Rajasthan. The Government has, in principle, agreed for right to work and the CM is personally in favour of having an employment guarantee Act for the State.

The Government has also assured an inquiry in the displacement of tribals from their lands in south Rajasthan. *(HT, 19.08.03)*

### Railways Safety Plan

The Railways will set aside nearly Rs. 1600 crores each year for installation of protection systems like "Suraksha Kawach", or Anti-collision Device. This measure comes under the "Railway Corporate Safety plan 2003-2013", the 10-year plan of the Indian Railways to prevent accidents and bring in transparency in the safety mechanisms.

This plan also intends to increase the participation of the state governments in order to update information from the grass root level and take corrective measures to stop accidents because of bad law and order situation.

The plan is said to have a provision of "safety audit", which will do a cost evaluation of many safety tools. It will look into the relevance of manpower and monitor various heads of expenditure. The plan has also fixed accountability and responsibility for accidents and failures at all levels of the Railway organisation.

*(BL, 14.07.03 & ET, 02.08.03)*

### Women's Reservation Bill

There is much dissent between the Government and the Opposition over the Women's Reservation Bill. According to Parliamentary Affairs Minister, Sushma Swaraj, the parliament is willing to pass the Bill, if there is political consensus.

"Double-member constituency" proposal by the Prime Minister, to reserve one-third seats for women, was rejected by women's groups as "insulting". The women felt that no woman elected on the basis of such reservation would have the right to represent her constituency independently if she has to share her seat with another MP.

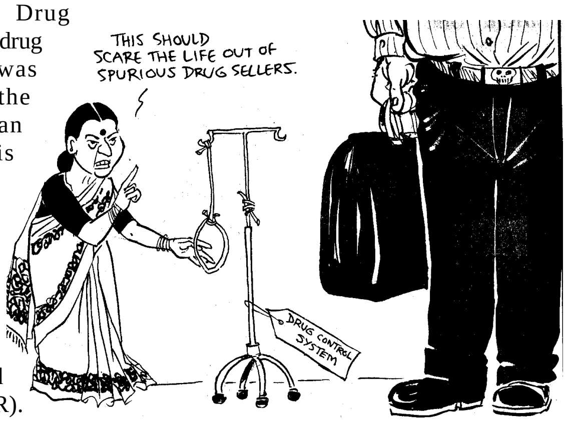
Also, the proposal that all unreserved seats would be single member-constituencies will create two classes within MPs. One class would have the privilege of representing its constituencies independently, unlike the other.

The All India Mahila Congress (AIMC) has also sought the intervention of the President in getting the Women's Reservation Bill passed in the current session of parliament.

*(TH, 19.08.03 & 20.08.03)*

## An End to Spurious Drugs

In a major development in the health sector reforms, the Health Ministers of all the states have endorsed the Central Government's move to impose death penalty for manufacturers of spurious drugs. A five-pronged approach, including setting up an independent National Drug Authority and attacking the drug distribution chain, was suggested by the Confederation of Indian Industries to tackle this problem.




The Hindu

The Union Health Minister, Sushma Swaraj, agreed with the interim Report submitted by the expert Committee, headed by R. A. Mashelkar of the Council of Scientific and Industrial Research (CISR). The Report states that "the penalty for sale and manufacture of spurious drugs that cause grievous hurt or death be enhanced from life imprisonment to death and a fine of Rs. one lakh or three times the value of drugs seized, whichever is more."

The lack of enforcement of the Drugs and Cosmetics Act, low entry barriers, free entry of the SSI sector into this industry and ineffective punishment are all responsible for a loss of Rs. 4,000 crore to the industry. *(TH, 29.08.03 & BL, 12.08.03)*

### Employment Strategy Task Force

Keeping in mind, the steep decline in employment generation, the Planning Commission has set up a task force for formulation of a state-level employment strategy. The task force will make an indicative assessment of the state-wise distribution of the five-year target of 50 million job opportunities, on the basis of the information provided by the states.

According to the 55th National Sample Survey Organisation (NSSO) on employment and unemployment, the rate of growth of employment has declined from 2.7 percent in 1983-94 to 1.07 percent in 1994-2000.

This task force will be headed by S. P. Gupta, Member of Planning Commission, the Chief Minister of Goa, and the Planning Secretaries representing various regions, among others, will suggest guidelines for preparing the employment policy at the state level, to strengthen the link between vocational training and employment.

The report regarding the employment strategy has to be submitted by March 2004, while the interim report will be submitted by December 2003.

*(FE, 04.08.03)*

### Pro-poor ADB Strategy

The Asian Development Bank (ADB) team, headed by Geert Van Der Linden, Special Advisor to the Bank President, met the Planning Commission, the representatives of voluntary agencies, academia, etc., to discuss the progress of the poverty reduction strategy of the ADB, adopted in 1999.

According to Sudipto Mundle, Bank's India Chief Economist, the Government and other partners support the Bank's poverty reduction strategy, which is based on the three pillars of pro-poor sustainable economic growth, inclusive development and good governance.

Various studies done by the Bank have found a strong linkage between infrastructure, investments, economic growth and the reduction of poverty.

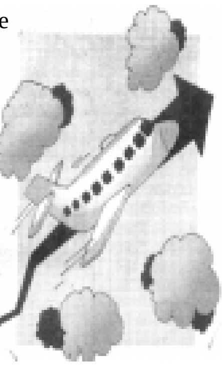
The review also discussed the importance of the rural economy, which continues to sustain 74 percent of the poor in the country, and the central role of good government in addressing the needs of the poor.

The overall review of the Bank's poverty reduction strategy is expected to be completed before the end of the year.

*(FE, 28.07.03)*

# Aviation Road Map Coming

The Civil Aviation Ministry is preparing a comprehensive road map for the aviation sector. The twin objectives of the road map, which may be relevant for a period of five to ten years, will be connectivity and affordability.



The Economic Times

Announcing this at an open house session on the airline industry in India, the Civil Aviation Minister, Rajeev Pratap Rudy, said that the new policy would incorporate suggestions of the Naresh Chandra Committee and National Council of Applied Economic Research (NCAER) on making air travel viable. He also stated that Indian Airlines has shortlisted Airbus Industries for purchase of 43 aircrafts.

The proposal for laying down a comprehensive road map comes in the backdrop of an earlier draft civil aviation policy collecting dust over the past few years. According to the officials, the airline industry is interested in lessening of the government control on all issues.

The road map will also look at issues related to airports. At present, high handling and navigation charges at airports have made most of them financially un-viable. *(FE, 06.08.03 & BL, 25.08.03)*

### MHRD versus DIT

For the second time, a conflict is brewing between Ministry of Human Resource Development (MHRD) and the Department of Information Technology (DIT) over the control of DIT's computer education-related projects.

The MHRD is planning to hijack the Rs. 6,000 crore *Vidya Vahini* Project currently being implemented by DIT. The MHRD recently wrote a letter to the DIT, asking it to hand over the Project, to which the DIT has not responded. According to sources, the Project cannot be transferred, as it would involve setting up technology infrastructure and creating relevant content.

The *Vidya Vahini* is considered one of the high-visibility national-level projects being executed by the DIT. The pilot Project, which is near completion, is being currently executed in the constituencies of the Prime Minister, the deputy Prime Minister and the Foreign Minister. Under the Project, each of the schools would be provided with a computer lab, which will be equipped with Internet, Intranet and various other facilities. *(FE, 30.07.03)*

### Revamping the Educational System

According to the Key Indicators (KI) 2003, an annual statistical data book on economic, financial and other social indicators, brought out by the Asian Development Bank, India has greatly expanded secondary education, but offers relatively limited access to higher education.

The rapidly changing conditions in the world economy require more flexible and easily trainable labour forces that are better able to access and interpret the available information. This, in turn, requires a developed education system that can provide the young people with the skills required.

Today, workers are defined less by the long-term job that they hold than by the knowledge that they acquire through study and work. This change has important implications for education and it is much evident that science-oriented education and problem-solving skills will have the highest returns, according to the KI. *(BL, 22.08.03)*

### Investment Essential

According to the World Bank, more than 50 percent of India's poor live in Uttar Pradesh, Bihar, Madhya Pradesh and Orissa.

Stressing the need for increased investment in human development for reducing poverty, the multi-lateral lending institution said that the quality of expenditure on social services, such as health and education, needs to be improved.

In its latest review, the World Bank said that the present policies need a major re-orientation and that poverty reduction requires investment in human development. The review also called for a reform in the farm sector, which is critical for rural poverty reduction, and other areas such as food grain policy, subsidies, domestic trade and land access. *(ET, 21.07.03)*

### SHGs to Counter Disability

In an effort to promote services for the disabled in the country, the Rehabilitation Council of India (RCI) has announced a programme for re-orienting women self-help group (SHG) leaders on prevention of disability and removal of myths around it, besides creating awareness about the productive potential of people with disability.

The goal of this programme is to promote multi-dimensional community action in dealing with the problems of the disabled people. The trained leaders of voluntary organisations are expected to spread information and awareness in around 200 villages where they are working.

This effort of RCI is part of the overall strategy to promote volunteerism in the disability sector. *(TH, 01.09.03)*

## *State Briefs*

### Powerful Reforms for Punjab

The Chief Minister, Amarinder Singh, has announced the formation of an industrial advisory council for Punjab, to help and advice the Government in monitoring the reform process and identifying new initiatives.

The Council will meet once in six months and will have representatives of major industry associations and participation of successful Punjabis working abroad. Capt. Singh has also called upon the opposition to come forward to fully support the State Government in the implementation of these reforms.

Laying emphasis on the power sector reforms, he said these were aimed at providing adequate and quality power at the right price to all consumers in the State. He admitted that power sector reform was very closely linked to the infrastructure development in the State.

Capt. Singh hoped that the useful deliberations in the July 4, 2003 conference would pave the way for receiving international assistance as well as direct investments for the development of the State. *(ET, 04.07.03)*

### Job Scheme for J&K

The Prime Minister, Atal Bihari Vajpayee, has launched a Rs. 3000 crore scheme for creating employment and self-employment opportunities for the people of Jammu and Kashmir. During his last visit to the State, he had announced that 100,000 employment opportunities would be generated in the State.

Vajpayee said the Centre had started taking steps to implement the recommendation of the task force, headed by the Cabinet Secretary. Under this scheme, 16,650 would be given regular salaried employment, 45,180 youth would be given wage employment and 38,170 would be given assistance for self-employment in the next two years.

The sectors under which the employment opportunities will be created were textiles, roads and railways, information technology and communication. *.(BS, 28.08.03)*

# JPC Probe Ordered

Ever since the Report of the Centre for Science and Environment (CSE) on the presence of pesticides in 12 soft drink brands of Pepsi and Coke came out on August 5, the demand for soft drinks has dipped. The Delhi-based CSE had said that pesticide levels in 12 Pepsi and Coke brands were 11 to 70 times higher than the permissible limits set by the European Union (EU).

The Government has constituted a Joint Parliamentary Committee (JPC) to probe the issue. However, the Government has already given a clean chit to the accused brands, saying that pesticide levels in the 12 brands were well within the safety limits. The term clean chit has helped the industry renew the peoples' lost faith in the soft drinks.

In doing so, the government has clearly abdicated itself of any responsibility towards its citizens. The cola companies too have absolved themselves of any responsibility in the process. By sidestepping the issue of consumer safety, the Government has made it clear that it favours the growing market for soft drinks in the country, currently estimated at a whooping $1.2bn.

*(BS, 21.08.03 & BL, 08.09.03)*

**The Fizz Is Back**

**August 5:** CSE says leading Pepsi and Coke brands contain high levels of pesticides.

**August 6:** Issue rocks Parliament. Health Ministry asks CFTRI, Mysore, and CFL, Kolkata, to check.

**August 11:** On Pepsi's plea, Delhi High Court asks for an independent evaluation of the CSE Report.

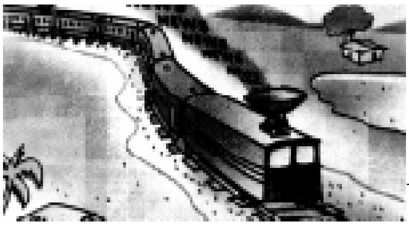
**August 13:** Supreme Court rejects Coca-Cola petition for an independent inquiry.

**August 21:** Health Ministry gives a clean chit to the companies on the basis of existing standards.

**August 22:** Parliament appoints 15-member Joint Parliamentary Committee to suggest suitable safety standards for soft drinks, fruit juices and other beverages.

### Regulatory Body for Railways

Despite the reservations of the Railway Ministry, an independent regulator could soon be set up to rationalise rail tariffs, as suggested by the Rakesh Mohan Committee.



The Financial Express

On their part, the Railways say that there is no need for an external agency to set tariffs and internal resource generation was a prerogative of the organisation. However, bowing to the pressure from the Prime Minister's Office, the Railway Ministry has dropped its opposition and prepared a draft Cabinet note on the proposed Rail Tariff Regulatory Authority.

"The Railway Board works as a policy-maker, executor and regulator for pricing of railway tariffs. The idea behind setting of regulator is to separate the functions", said a senior government official. *(FE & BL, 06.08.03)*

### The CAS Scenario

The rollout of CAS (Conditional Access System) in the four metros from 1st September has been a complete flop. Fearful of the fallout on the impending Assembly elections, BJP had officially decided to postpone implementation in Delhi until after the elections. This gave Mumbai and Kolkata just the right excuse to do nothing.

Only Chennai had gone ahead with the implementation of CAS on the appointed date. However, there is a silver lining in Chennai going ahead with the rollout. If order emerges after the initial chaos, it will have a huge demonstration effect on the other cities.

Having burnt its fingers once, the Government is considering appropriate mechanisms in its phase-two CAS planning. *(FE, 03.09.03 & ET, 04.09.03)*

### AAI Bill Passed

In a move that provides a fresh lease of life for the Bangalore and Hyderabad airport projects, besides paving the way for privatisation of the Delhi and Mumbai airports, the Rajya Sabha has cleared the Airports Authority of India (Amendment) Bill 2003. The Lok Sabha has already approved the Bill.

The Amendment enables the Government to lease out airports to private parties. Till now, Airport Authority of India (AAI) was the only organisation entitled to build and operate airports.

During the discussion on the Bill, the Civil Aviation Minister, Rajiv Pratap Rudy, said that the Government was not seeking to privatise AAI. He added, this move is to spruce up the country's image by providing world-class airports at Delhi and Mumbai with private investment. This move is a part of a larger reform agenda, which is being pursued by the Government, he added further.

*(ET & BL, 28.07.03)*

### Reforms in Civil Aviation

The time is not appropriate for introducing an "open sky policy", as major commercial interests vis-à-vis the national carrier are involved, said the Civil Aviation Minister, Rajiv Pratap Rudy.

Stressing the need for making air travel more accessible and affordable to the common man, he said a committee has been constituted to draft a civil aviation policy. The committee headed by the former Union Cabinet Secretary, Naresh Chandra would soon come out with a roadmap for the civil aviation sector.

The policy would deal with the whole gamut of issues such as creating world-class airports and hubs, competitive environment and level-playing field and imposing taxation on aviation turbine fuel, which was acting as a major deterrent for the industry. *(TH, 02.09.03)*

## *Snippets*

### Check Pollution Level

Alarmed by the Central Pollution Board Report indicating high vehicular pollution levels in the cities, including Ahmedabad, Bangalore, and Chennai, among others, the Supreme Court has directed the Union Government to frame an action plan to reduce the pollution levels, in consultation with the States.

Earlier, the major states had promised the apex court to prepare an action plan for switching over to cleaner fuels in major cities, but the deadlines set by them for that purpose had not been honoured.

*(ET, 14.08.03)*

### Against Bonded Labour

Taking note of the National Human Rights Commission's dismay over the non-filing of status reports on bonded labourers to help their rehabilitation, the Supreme Court has directed 11 States to file such reports within four weeks before the Commission.

Identifying the problem in two stages, the Commission suggested that the rehabilitation scheme should be implemented jointly through the efforts of donor and recipient States. *(BL, 15.07.03)*

### Delay in Quota

In the wake of opposition from companies, the Department of Company Affairs (DCA) is likely to go slow on reserving seats for women on the board of companies. Various companies and industry chambers have raised objections about the provision proposed in the Companies (Amendment) Bill, 2003.

The Bill provides for inclusion of women on the board, with the aim of giving them greater representation. *(BS, 20.07.03)*

# Where Will Jobs Come From?

**- Swaminathan S. Anklesaria Aiyar**

*We need liberalisation not only for millionaire globalisers but also for millions of people for whom there are no jobs in the organised sector*

Opinion polls are already being held for the forthcoming Assembly elections in four states. One such poll in India Today identified unemployment as the biggest issue in some states, well ahead of corruption or inflation. Why is it so?

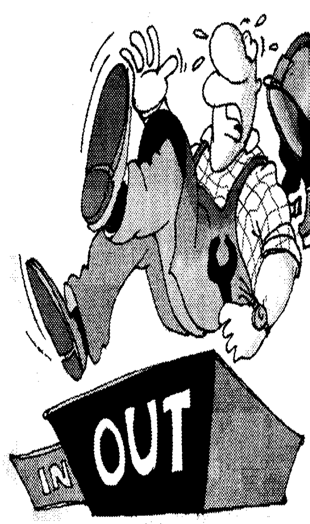
After all, NSS data show chronic unemployment of only around 2 percent. Unemployment measured by daily status (did you work yesterday?) is barely 7 percent. Why, then, do up to 40 percent of voters say that unemployment is the biggest problem? Maybe because they are worried about lack of desirable jobs, rather than no jobs.

The rural landless can find casual jobs, but want desperately to quit agriculture and move into manufacturing and services. Farmers, clerks and factory workers of past decades have sent their children to college, hoping that a college degree will be a passport to salaried employment. They now find, to their dismay, that the market for such jobs is shrinking.

**EMPLOYMENT**
Trends (2003-03)

| Company | Jobs | Output/ Employee |
|---|---|---|
| *INDUSTRY* | | |
| Tata Steel | -6.5 | 37.3 |
| L&T | -4.6 | 27.3 |
| Bajaj Auto | -8.5 | 29 |
| Ashok Leyland | -10.3 | 18.4 |
| Ranbaxy | -2 | 52.2 |
| Madura Coats | -30.1 | 33.9 |
| *SERVICES* | | |
| Mphasis BFL | 93.3 | -40.5 |
| Digital Globalsoft | 68.2 | -24.2 |
| Infosys | 43 | -2.7 |
| Satyam | 13 | 3.4 |

*Source: Tushar Mohanty, ET 25-08.03 (%)*



The Economic Times

This explains why employment ranks so high in the priority of voters. Gone are the days of fast-expanding government jobs. After the Pay Commission award, both Central and State Governments are bust. Talk about downsizing is mainly rhetoric, but the fact remains that government service no longer provides additional jobs. Government and public sector jobs shrank from 19.6 million in 1997 to 19.1 million by 2001.

Employment in the organised private sector went up from 7.58 million in 1990 to 8.75 million by 1998, but thereafter declined to 8.65 million. After the abolition of industrial licensing in 1991, companies tried to expand as fast as possible. But, the boom in output and jobs was cut short by the Asian financial crisis, which depressed world markets and drove home to Indian companies how un-competitive they were. They adjusted to the new competitive era by shedding jobs mercilessly.

During the licence-permit raj, companies accumulated bloated workforces, since labour costs were irrelevant: what mattered was access to licences. But, after the de-licensing and falling import tariffs, companies realised they had to get lean and mean, or die. Companies like Premier Automobiles, where wages were 17 percent of total costs, became extinct. Survivors like Tisco and Bajaj Auto are slashing their workforces as fast as they can.

Newer corporations like Hero Honda are expanding employment, but they have always been so lean and mean that job growth in absolute terms is modest. Tisco has cut its workforce from almost 80,000 to 43,248 last year, yet looks bloated, compared with a new rival like Jindal Iron and Steel Co. that employs less than 1,500.

Manufacturing techniques have become increasingly mechanised and computerised, so output can be expanded greatly even as employment falls. This is evident in Indian manufacturing. A recent study by Tushar Mohanty in this newspaper on August 25 showed how, despite legal hurdles, large manufacturers shed labour in the last year. Tisco cuts its workforce by 6.5 percent, L&T by 4.6 percent, Century by 4.1 percent, Bajaj Auto by 8.5 percent, Ashok Leyland by 10.5 percent and Madura Coats by 30.1 percent. In some cases, this might represent the sale or hiving off of operations, but, in most cases, represents the ability to produce more goods with fewer workers. Virtually all these companies reported higher production per employee last year (37 percent for Tisco, 29 percent for Bajaj Auto and so on).

Does this mean an employment crisis? Well quality employment will remain a problem for a long time. The silver lining is that service sector jobs are rising fast. Hotels, financial services, trade, telecom and transport are all booming sectors. The biggest boom sectors of all are Business Process Outsourcing (BPO) and computer software. Wipro employs 24,000 after taking over Spectramind, a BPO subsidiary. Tata Consultancy Services employs a similar number. What is more, the numbers are growing rapidly. In 2002-03, employment increased by 93.3 percent at Mphasis BFL, 68.2 percent at Digital Globalsoft and 43 percent at Infosys. Output per employee often fell because of the fast-rising number of trainees.

Nasscom projects software growing at an annual rate of 20-25 percent, with BPO growing at almost 70 percent. And, that is where the quality jobs are, linked to the global economy. The BPO sector alone could yield two million jobs by the end of this decade, starting from nothing. This constitutes an Employment and Cultural Revolution.

Yet, the numbers in BPO and software are puny, compared with an annual accretion of perhaps 16 million to the workforce. Sophisticated English-speaking graduates may find jobs in BPO, financial services and other globalising service sectors. But, what about the others, the 40 percent who say that employment is the biggest problem?

For a long time, many will, perforce, remain in agriculture. Some will find jobs in ancillary sectors. According to some estimates, every job in BPO creates another three in catering, transport and allied services. The problem in many of these sectors is that municipal licensing has created huge obstacles to the self-employed starting their own businesses.

We need a wholesale overhaul of municipal laws. This is rarely high on the agenda of economic liberalisers, yet it should be. This is where liberalisation will actually mean tangible, visible benefits to millions of ordinary people. We need liberalisation not only for millionaire globalisers but also for the millions of self-employed people for whom there are no jobs in the organised sector. This is the challenge. *(ET, 03.09.03)*

### Corruption Poll

Politicians swept the polls nearly the world over in a survey conducted by Transparency International across 47 countries. The survey was aimed at compiling the first TI Global Corruption Barometer.


Three out of ten respondents singled out political parties as the institutions from which corruption needs to be eliminated. India figures among the top-five countries out of the 33 whose citizens would like to eliminate corruption.

The Corruption Barometer measures attitudes towards corruption and expectations of future corruption levels. Over time, the survey will measure trends in attitudes.

Alarmed by the fact, Transparency International has come out with guidelines, a set of do's and don'ts to handle bribery, facilitation payment, political contribution, charitable contribution and sponsorship to counter corruption. *(FE, 03.07.03 & BS, 09.09.03)*

### Charged with Over-pricing Drugs

The National Pharmaceutical Pricing Authority (NPPA) has issued notices to two domestic drug makers, Cipla for recovery of Rs. 100 crore and Ranbaxy for Rs. 25 crore in arrears for overcharging on seven drugs, which were recently brought back under price control by the Supreme Court.

The Haryana Health Department also prosecuted two pharmaceutical companies, namely Ranbaxy and Okasa, for over-pricing life-saving drugs. A spokesperson of the Health Department said that this drive is necessary for easy availability of life-saving drugs at reasonable prices and also to curb the unholy nexus between the pharmaceutical companies and the drug dealers.

He said that over the last three-four years, indigenous pharmaceutical companies had resorted to unethical promotional methodologies, by allowing huge profit margins to the retailers who further try to sell only those branded medicines which give them the maximum margins of profits. However, the gullible patient was the actual loser on account of these unethical promotional methodologies involving the company-chemist nexus. *(ET, 04.09.03 & BL, 05.09.03)*

## CORPORATE GOVERNANCE

### Corporate Governance Trust Cleared

The Union Cabinet approved a proposal to set up a 'National Foundation for Corporate Governance', which would be registered as a non-profit trust under the Indian Trusts Act, 1882.

Apart from the one-time contribution of Rs. 10 crore as grant from the Centre, the foundation will receive contributions from premier industry associations, philanthropic organisations and international agencies and bodies. While the Confederation of Indian Industry (CII) has confirmed a contribution of three crore rupees, two other professional institutes – the Institute of Chartered Accountants of India (ICAI) and the Institute of Company Secretaries of India (ICSI), have committed one crore rupees each.

One of the broad objectives of the foundation is to provide a platform to deliberate on issues relating to good corporate governance as the key to sustainable wealth creation, as also provide research and training in the field of corporate governance. It will also provide financial or any other assistance for activities aimed at promoting corporate governance, including research and training. *(TH & BL, 02.09.03)*

### SEBI Norms in Place

The Securities and Exchange Board of India (SEBI) has framed a set of regulations to pave the way for the appointment of Ombudsmen to redress the grievances of investors in the securities market.

According to these regulations a three-member Selection Committee would be appointed to recommend the prospective candidates to the SEBI Board, which may appoint one or more Ombudsmen for such territorial jurisdiction as may be specified.

The Committee would comprise a retired judge of a High Court, an expert in the area of financial market operations and a representative of the SEBI Board, not below the rank of an Executive Director.

The SEBI regulations have also spelt out the grounds on which an investor may make a complaint to an Ombudsman. This includes non-receipt of dividend, allotment letters, refund orders, rights and bonus entitlements, etc. *(BL, 05.09.03)*

### Strategy for Good Governance

The Department of Company Affairs (DCA) has unveiled its 'strategic vision plan' which aims to put in place an era of good corporate governance, with stringent penalties for violations, strengthen and safeguard the interests of the small investors and enhance the confidence of investors, both domestic and foreign.

A different set of rules and guidelines are proposed to be put in place for different categories of companies, like listed, unlisted and private companies, and a separate Chapter on corporate governance is proposed to be introduced in the Companies Act.

In a bid to further strengthen the provisions for investigations and penalties, the DCA is looking at disqualification/removal of auditors, investigation into company affairs, reversal of wrongful decisions and tracing the fund flow of corporates.

As a part of the action plan, the DCA intends to review the provisions governing company-auditor relationship, with a view to ensuring independence and fairness of audit and minimising conflict of interests. *(FE, 21.08.03)*

### Scope for Self-regulatory Bodies

SEBI, in its attempt to study the possibility of development of self-regulatory organisations (SROs) in India, has referred to the norms outlined by the International Organisation of Securities Commissions (IOSCO) on the matter.

The global body has worked out some 30 principles for the efficient regulation in securities markets, two of which are particularly identified as relevant.

In case of the first principle, IOSCO has felt that a regulatory regime should make appropriate use of SROs that exercise some direct oversight responsibility for their respective areas of competence, and to the extent appropriate, to the size and complexity of the markets.

According to the second principle, SROs should be subject to the supervision of the regulator and should observe standards of fairness and confidentiality, when exercising its powers and delegated responsibilities.

A paper circulated by SEBI has noted that these two principles do communicate that SROs can be developed in the system with the help of market participants to help the main regulator in creating a better market place. The paper has further discussed a number of other issues pertaining to the formation and working of the SROs. *(BL, 28.08.03)*

# Should 'Golden Shares' Be Allowed?

The disinvestment process is truly under way in India, with the unspoken backing of the majority of Indians who are fed up with the corruption and inefficiency that characterises most government enterprises.

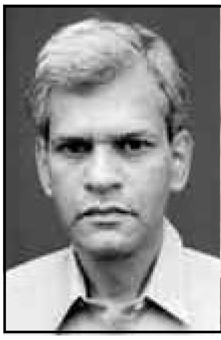
The disinvestment process in the country is now ten years old, but it's only in the past two years that it has been practised in a transparent and profitable manner.

The Government first appoints its own global advisors and valuers and gets a fair idea of the likely price at which it hawks the control. Then, it sets up competition and, with the help of beauty parades of bidders, maximises its own take.

It keeps some shares to ensure that the new owner does not strip assets, hurt the workers or changes the nature of the company. The process has been very successful in terms of the money the Government has obtained.

Even as the Government has been ploughing its way, there have been questions regarding compromising the security of the nation, in the event of companies like Hindustan Petroleum Corporation Ltd and Shipping Corporation of India going into private hands. Obviously, the Government needs to take cognisance of these concerns.

***The Government has two options, one is to have a minority stake and exercise the negative rights, which Companies Act provides and the other is to sell all the shares and just keep one golden share that gives the same negative rights***



**P. N. VIJAY**
**Convenor**
BJP Central
Economic Cell

It is in this context that we need to look at the matter of issue of golden share. The Government has two options to ensure the objectives stated earlier. One is to have a minority stake and exercise the negative rights, which Companies Act provides. The other is to sell all the shares and just keep one golden share that gives the same negative rights.

Both methods have their pros and cons, but the golden share route may have its advantages. First, with this method, the Government is able to sell its entire holding and realise the full value.

If it keeps back a good chunk of its holding in the divested company, it runs the risk of its investment losing value, compared to the price got when the PSU was sold. And, this may be a large amount, as we are seeing, for instance, in the case of VSNL. And really, there is no point in the Government keeping such a large chunk of a private company.

Second, the liquidity of the stock will improve considerably, if the Government has no holding left.

Third, in the earlier method, the Government gets rights on equity shares disproportionate to its percentage holding. This goes against the spirit of the law, which says that all equity shares must have same rights. So, the golden share method will ensure that the pari passu nature of all equity shareholders is preserved.

The success of the golden share will depend on how much the bidders trust the Government. It is true that golden shares work where the governments honour their commitments. But, having said this, the Indian Government does have a good track record in keeping its commitments and the Indian judiciary is also vigilant against misuse. So, there is no need for private bidders to fear on this score.

The question of the Government acquiring golden shares in public sector undertakings (PSUs) after their sell-off continues to plague the disinvestment process.

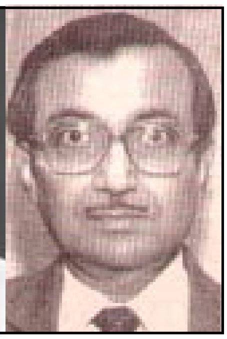
Quite simply, it started out as a political palliative to obtain consensus on privatisation. In a strictly commercial sense, it is a retrograde step and will scare away quality strategic investors, particularly those from overseas, who are not expected to have enough faith in the system to be comfortable with its implementation.

Ordinarily, therefore, the golden share is a non-starter and will only slow down the disinvestment process.

The European Court has ruled that golden shares can be used where national security is threatened and only if the limits of governmental intervention are laid down. It does not envisage the Government blocking strategic decisions for vague public interest. The circumstances warranting the use of the golden share have to be defined and be subject to judicial review.

If we examine the best practices with regard to golden shares that have been in vogue for over two decades in other countries, it will be noticed that the UK used the veto power of golden share only twice.

***Turning to the Indian scenario, and viewed against the spate of privatisations that have taken place worldwide, the golden share is a dampener and is better left out. If it is required, it has to be used extremely selectively***



**D. P. ROY**
**Chairman**
SBI Capital
Markets Ltd

They have also surrendered these shares after the privatised unit stabilised. The other pertinent concept is that the golden share must have a limited life. In the UK, it has been limited to five years, even in the case of Amersham International, which supplies radioactive medical and industrial products.

Turning to the Indian scenario, and viewed against the spate of privatisations that have taken place worldwide, the golden share is a dampener and is better left out. If it is required merely to meet the political resistance, it has to be used extremely selectively, as a limited exception, rather than the rule.

The Government may also need to examine whether, under the existing shareholder agreements, they possess enough rights to protect national interest and if these could be brushed up to achieve the same purpose as golden shares.

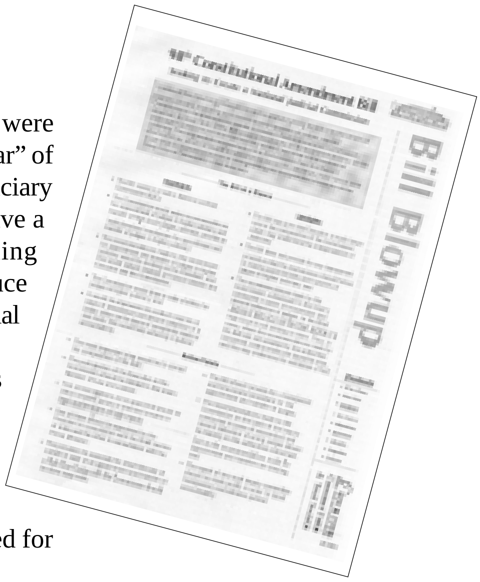
Will the Government really lay off and, generally, use moral suasion? Will the golden share be seen as a last recourse and more to ensure that vital national interests are not compromised? Will it have a limited life? Will it be interpreted and implemented in the same manner, irrespective of the government of the day? Will it be subject to judicial review and will the process be expeditious?

If the answers to all of these are not in the affirmative, and best practices are not adopted, we better not have the golden share if we want to progress with disinvestment which will attract renowned international names.

*(These are the author's personal views and not necessarily those of the institution, which they represent) (BL, 06.08.03)*

## Bill Blowup

### 98th Constitutional Amendment Bill




During the recent past, there have been occasions when questions were raised with regard to the extent of freedom granted to the "Third Pillar" of Indian Democracy – the Judiciary. Convinced that the *independence* of Judiciary is not to the desirable limits, and in view of the mounting pressure to have a statutory body to look into the affairs of higher judiciary, including appointments and transfers of judges, parliamentarians decided to introduce 98th Constitutional Amendment Bill. This Bill seeks to create a National Judicial Commission.

However, the proposed Bill reveals the drawbacks in its recommendations, which once again give a more-than-desired say to the Executive in the matters of Judiciary. Besides, the suggested composition of the Commission also has its inherent shortcomings, which is bound to reflect in its decisions. The *Bill Blowup* weighs the pros and cons of the proposed amendment Bill, apart from suggesting the measures needed for ensuring smooth and an impartial Judiciary.


## Newsletter

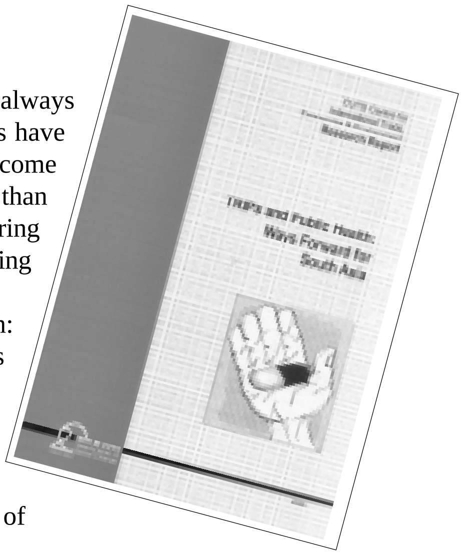
### CUTS in Action
**(July-September 2003)**

CUTS achieved another milestone during this quarter when it opened a new centre in London, UK. It was a step forward towards enhancing South-North cooperation. CUTS too participated in the Cancun WTO meet held from 12-14 September and organised several side events as well. At Cancun, FICCI President: A. C. Muthiah released our joint EU-India study on five hot topics under negotiation at the WTO, "*Bridging the Differences*". This study also witnessed another milestone in our endeavour to work with research institutions around the world.

The latest issue of CUTS in Action not only carries an interesting account of these events but also other important developments—even at the grass-roots level—that took place during this quarter. To know more, please subscribe!

## Research Report

### TRIPs and Public Health: Ways Forward for South Asia




Trade Related Aspects of Intellectual Property Rights—or TRIPs—has always been one of the most contentious issues in the WTO. Several studies have been conducted on the political economy of TRIPs *vis-à-vis* WTO, the outcome of which are crucial to the policymakers of the developing economies more than those in the rich countries. Increasing realisation of the poor countries' suffering at the hands of the patent holders is yet another cause of worry in the developing and poor countries.

This research document tries to reach the answer to one specific question: what genuine choices do policymakers in South Asian developing nations now have; more so after the linkage between the trade regime and pharmaceuticals? Starting with a brief overview of the key features of the corporate model of pharmaceuticals, the paper provides some insight into the challenges faced by the governments in South Asian countries. The aim is to anchor the present discussion of public health and the impact of TRIPs in the socio-cultural environment of this region. *(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

**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.**