PolicyWatch

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

Volume 4, No.4 | कट्स CUTS 1984 to 2003 Twenty Years of Social Change | 2003

HIRE AND FIRE

As part of labour reforms, the Ministry of Labour (MoL) has initiated steps for widening the scope of contractual or fixed-term employment. The ministry notified on September 4, 2003 draft rules to amend the Industrial Employment (Standing Orders) Central Rules, 1946. Now, the new rules, which were presented in Parliament in the winter session, are to be called the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2003. These rules will grant employers more flexibility in appointing and terminating employees, as "no notice or termination shall be necessary in the case of temporary and 'fixed-term' workmen." Further, "no workmen employed on fixed term employment basis as a result of non-renewal of contract of employment or on its expiry shall be entitled to any notice or pay in lieu thereof, if the services are terminated." These reforms in the context of economic liberalisation can only mean a freedom to the employers to resort to a policy of 'hire-and-fire'.

Business Line

Employment security for industrial workers in the organised sector has been a major concern in India. From the colonial period, the perception has been that industrial workers are victims of exploitation and needed state support. Employment security, moreover, has been viewed as an instrument of guaranteeing income security to workers in an economy where no state-sponsored social security system existed.

Employment security is mainly regulated on the basis of the Industrial Disputes Act, 1947 and the Industrial Employment (Standing Orders) Act, 1946. The Industrial Disputes Act provides for settlement of disputes, through compulsory adjudication if an agreement between employer and employee is not forthcoming within a specified time frame. The Industrial Employment (Standing Orders) Act sets rights and obligations of employees and employers relating to classification of employees, shift work, hours of work, stoppage of work, suspension, etc. Any dispute or claim or demand or grievance on terms and conditions of employment arising from this Act, and its rules and models becomes an industrial dispute under the Industrial Disputes Act. Both the Acts apply with full force to establishments employing 100 or more workers.

Originally, the employment security regulations were meant to protect industrial workers in large establishments. Legal interpretation, however, held virtually all large-scale organised activities to be industries, and thus, widened the coverage of the regulations very substantially.

The employment security regulations gave rise to a number of problems whose harmful effects were absorbed by industries and industrial workers. First, they had a negative effect on growth of employment in organised industries, and thus, hampered the process of improvement of employment conditions in the economy as a whole. Second, they led to the accumulation of surplus labour in the organised sector. Third, they turned industrial disputes into political issues. Finally, they obstructed development of healthy industrial relations and collective bargaining systems at enterprise level.

The recent economic reforms have both undermined the basis of the implicit contracts, on which the employment security system rested, and brought into sharp focus the need for labour adjustment. Delicensing and trade liberalisation has stimulated price competition, thus making it difficult to pass on the costs of employment security to consumers. Cost adjustment, of which labour adjustment is a part, has thus assumed importance.

The Prime Minister, Atal Bihari Vajpayee, while inaugurating the 39th session of the Indian Labour Conference recently, has reiterated the Government's position to amend the country's labour legislation to make it more employment friendly and less biased towards the organised workforce. "The existing labour laws are only for those who are employed in the organised sector, which forms a very small part of total labour force. We wish to bring suitable changes in the legal framework so that it can serve as an instrument for speedy employment generation in all sectors of the economy," Vajpayee said.

The justification for a liberal exit law on the premise of greater investment flows and employment generation was somewhat overstated in the speech. No assurance of lifetime employment in the changed economic scenario, as stated by the Prime Minister, is the logic of liberalisation. We have to wait and see how committed is the ruling alliance in going ahead with the legislative agenda on labour reforms in an election year and how the reforms will affect the interests of the labour force in India in the long run.

HIGHLIGHTS

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

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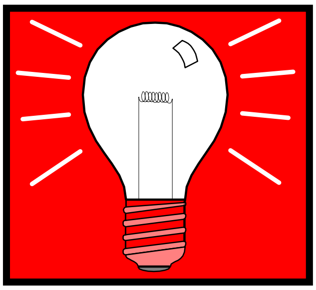
'Open Access' within Five Years

The Cabinet Committee has approved an amendment to the Electricity Act, 2003, in which a time limit has been set to provide 'open access' to bulk power consumers.

A. K. Basu, Chairman of the Central Electricity Regulatory Commission (CERC), said that under this amendment, which will now be placed before the Parliament, open access would have to be provided in five years.



One of the basic tenets of the amendment, 'open access' paves the way for use of transmission lines of distribution systems or associated facilities with such lines by any licensee or a consumer, or anyone associated with power generation.

Presently, bulk consumers do not have the freedom to choose their sources of supply, being forced to choose either from the State Electricity Boards or its licensee. The proposed amendment provides them this freedom.

(BL, 03.11.03)

Scheme for Rural Electrification

The Rural Electrification Corporation (REC) has decided to implement a Rs. 6,000-crore project for electrification of one crore households in one lakh villages over four years.

As against 87 lakh villages in the country, there were only 74,000 villages having electricity and 11 lakh power pump sets, when REC was constituted in 1969. In the year 2003, the figures have gone up to 5.03 lakh villages and 1.34 crore pump sets. Over 60 percent of the villages and pump sets energised have been funded by REC.

However, the definition of 'electrification' of villages is proposed to be changed from minimum one light or pump connection in a village to 10 percent of the total households from the next year, Mishra added. *(TH, 19.09.03)*

SEBs Performing Better

Power sector is looking up with as many as 11 State electricity boards (SEBs) having reported reduction in losses over the last two years, and public sector generation companies increasing their recoveries from SEBs, said R. V. Shahi, the Power Secretary.

Speaking at a seminar on the power sector, organised by the Confederation of Indian Industry (CII), he said, "besides putting in place Electricity Act 2003, the Ministry of Power has taken various initiatives and results are here to see. As many as 11 States have reduced financial losses up to Rs. 5,000 crore".

In the case of National Thermal Power Corporation, Power Grid Corporation and National Hydro Electric Power Corporation, the collection rate (ratio of collection to billed) has gone beyond the 90 percent mark. *(BL, 17.10.03)*

Attracting Private Investment

The Power Ministry, in the wake of the fiasco relating to various payment security mechanisms, has proposed a build-own-operate-transfer (BOOT) model on the lines of the national highway project, and build-lease-operate-transfer (BLOT) mechanism to give a much needed boost to the private sector participation in capacity addition. The total investment expected from the private sector is about Rs. 1,26,410 crore for a capacity addition of 32,111 mw till 2012.

The Power Ministry has proposed the creation of an independent structure alike the National Highway Authority or making the existing Central Public Sector Units (CPSUs) such as National Thermal Power Corporation (NTPC) or National Hydro-electric Power Corporation (NHPC) as the nodal agencies to attract private entrepreneurs through the BOOT/ BLOT process. The ministry is of the view that by availing the services of NTPC and NHPC, the Government would be in a position to benchmark the price of power by the BOOT/BLOT entrepreneur properly. *(FE, 04.12.03)*

Integrated Energy Policy

The Government is planning to set up a national energy board (NEB) that will co-ordinate with all the energy-related ministries and evolve a national integrated energy policy. This will lay down a road map for the energy sector and a vision statement on which the policy can be framed.

Speaking at a session on the energy update at the India Economic Summit, organised by the World Economic Forum (WEF) and Confederation of Indian Industries (CII), N. K. Singh, Member, Planning Commission said, "we have to deal with the issues in the energy sector with an integrated approach. The proposed energy board will co-ordinate with all the ministries and will look into issues relating to costs, fuel, demand and supply, etc."

Mentioning the transition phase in the energy sector, he said that the time had come to carry the transition regime to its logical end. *(ET, 25. 11.03)*

International Briefs

Huge Investment Required: Study

Private investors and governments will soon have to invest US$10,000bn in the world's power sector in the next 30 years, according to a study by the International Energy Agency (IEA).

Such investment is said to be essential if repeats of the supply shortages that plunged much of the eastern US and parts of Europe into darkness this summer are to be avoided.

Fatih Birol, the agency's Chief Economist and author of the report said, "the myths were destroyed. When you talk about investment you think of oil and gas. But in the next three decades most investment will have to go to electricity."

Indeed, electricity makes up more than 50 percent of the overall investment needed in energy, with oil and gas making up the second largest need and coal occupying a small slice. But securing the necessary capital, in particular for the power industry, will not be easy. The energy sector is associated with relatively low returns and high volatility and risk. Between 1992 and 2002, it performed in the bottom half of all industries, IEA concluded.

(FT, 20.10.03)

State Briefs

Guidelines for New Power Policy

Power distribution companies in Uttar Pradesh (UP) will have to shoulder equal responsibility in both the rural and urban areas. The state's new power policy specifies that all will not be given to one party and neither shall there be a separation of rural and urban areas.

Sujit Bannerjee, Industrial Production Commissioner, declared the policy guidelines in an attempt to assuage the widespread disquiet over the new policy to be presented to the UP Development Council.

The policy outlines will be prepared by the UP Power Corporation Limited, the transmission and distribution arm of the UP power sector.

Four companies, which have been formed out of the single UP State Electricity Board (UPSEB), may not be sufficient and there is need to establish more companies. Existing power stations are to be revived under joint sector or on lease basis for operating, and for additional investment, the policy suggests.

(BS, 21.11.03)

Phasing out Cross Subsidies

The cross subsidisation in the telecom sector is set to fall to about Rs. 4,000 crore per annum and get completely phased out in the next three to five years, under the proposed Interconnect User Charge (IUC) regime. The new IUC regime is to be announced by the Telecom Regulatory Authority of India (TRAI) soon.

Under the existing IUC regime, the subsidy termed as Access Deficit Charge (ADC), stood at about Rs.13,000 crore, against the sector's total revenue base of Rs. 40,000 crore in 2002-03. ADC is paid to basic operators, to compensate them for providing services below market rates and meet their rural telephony obligations.

"We have finalised the broad principles of the revised IUC regime. As per our calculations, the ADC will fall to Rs. 4-5000 crore, which is in line with the international norm of a ball park figure of 10 percent of the revenues of the sector," said Pradeep Baijal, the TRAI Chairman.

(BL, 18.10.03)

Licensing for Rural Areas!

TRAI is studying various options for rural telephony including that of 'niche operators' as part of unified licensing. That is, players interested in providing communication facilities in certain pockets can buy licenses for them. The current licensing conditions do not allow players to buy licenses for smaller pockets.

As the telecom industry enters a universal access license regime, one of the major concerns is its impact on rural tele-density, since, with the migration, basic operators can now shed all their rollout obligations in the rural areas.

"Even while there were rollout obligations for rural areas, how many operators were following those?" asks Universal Service Obligation (USO) administrator, Shyamal Ghosh.

"Basically one needs to realise that a market can be created for any area, provided the tariffs are correct, as proved by Bharat Sanchar Nigam Limited's (BSNL's) Cell One service," he added.

(FE, 13.11.03)

DoT to Release Surplus Spectrum

The Department of Telecom (DoT) has set up a task force to work out the modalities for release of surplus spectrum locked away with the defence forces.

The six-member task force, chaired by the Wireless Advisor, Union Government, P. K. Garg, has been asked to finalise its report. The report will then be sent to the Group of Ministers (GoM) on telecom for a final decision, according to DoT sources.

The task force will work out the total financial requirement and locate funds for relocation of defence operations, and freeing up of excess spectrum for use by the telecom industry. The GoM has agreed to the funding of the necessary technology up-gradation by the defence forces to release the spectrum.

The panel will also suggest the conditions for spectrum sharing, if required, the sources said. *(BL, 18.10.03)*

Ombudsman for Telecom

The TRAI Chairman, Pradeep Baijal has hinted at the possibility of setting up an ombudsman structure, where complaints relating to the telecom sector could be looked into.

He stated that customers should have the option of getting mobile handsets free with tariff plans. To ensure that the consumer is not taken for a ride under such schemes, an ombudsman can be set up to examine complaints either from the consumers or other operators.

According to Baijal, there was a need to consider whether the operators should be enabled to buy the handsets in bulk from the manufacturing companies so that the consumers could get the best deals on handsets from the manufactures.

(BL, 14.09.03)

Merger Put on Hold

The proposed merger of telecom giants BSNL and Mahanagar Telephone Nigam Limited (MTNL), has been put on the backburner mainly because of complex labour issues affecting around 400,000 employees of the two corporations.

"We believe that merging the two companies at this point of time will raise a number of issues for which there are no immediate solutions" a communications ministry official said.

Officials in the ministry, however, insisted that the proposal has not been scrapped and may be revived later. However, the urgent need to merge the two companies has diminished because they are both looking at new areas to expand into. *(BS, 04.11.03)*

VSNL Accused of Unfair Pricing

United States based CompTel/ ASCENT Alliance, a trade association with 400 American telecom companies as members, has accused the Tata-controlled Videsh Sanchar Nigam Limited (VSNL) of indulging in commercial practices, which flout international trade commitments made by India.

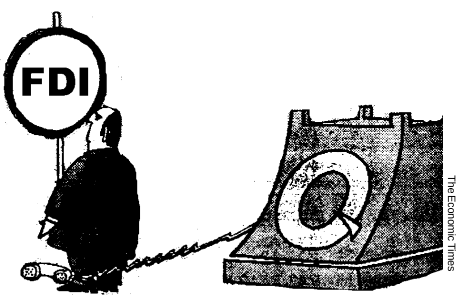
In a missive to the communication ministry and Lalit Mansingh, Indian Ambassador to the United States, CompTel/ASCENT has said, "the commercial practices of VSNL have created an artificial shortage of capacity, which prevent competitive operators from meeting the full bandwidth demands of their customers and keeps bandwidth prices at much higher levels than the prices for the similar capacity on routes where the market is more competitive"

When contacted, VSNL sources said, the company was considering a round of tariff cuts in bandwidth pricing in the next one or two months. However, "the Indian bandwidth scenario doesn't justify selling bandwidth at a loss in order to fill capacity on the cable." *(BS, 29.11.03)*

GoM Recommends Major Changes

The GoM on telecom has decided to make three major recommendations to the Cabinet: to hike Foreign Direct Investment (FDI) limit in telecom service companies from 49 to 74 percent; to allow intra-circle merger of service providers; and to replace existing licenses with nation-wide unified licenses.

GoM, headed by Finance Minister, Jaswant Singh, includes: Communications and Information Technology Minister, Arun Shourie; Defence Minister, George Fernandes; Foreign Minister, Yashvant Sinha; Law Minister, Arun Jaitley; and Information and Broadcasting Minister, Ravi Shankar Prasad.



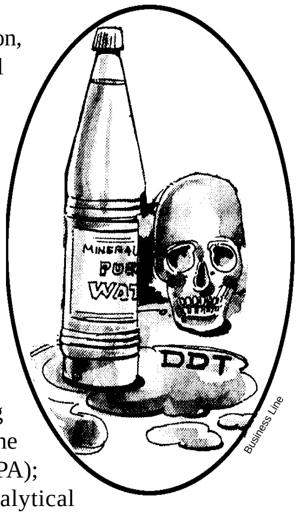
FDI ceiling would, however, remain at 49 percent, the incremental foreign investment being permitted *via* foreign institutional investors, and the management control has to be with Indians.

Intra-circle mergers of basic and cellular operators are to be allowed, provided there are more than three operators in a circle. Modalities of implementing unified licenses would be discussed in the GoM's next meeting, when TRAI Chairman, Pradeep Baijal and Housing Development Finance Corporation Chairman, Deepak Parekh would make presentations on this issue. *(ET, 26.09.03)*

EU Norms for Bottled Water

Here's some good news for those looking for safe drinking water in packaged form. European norms for bottled drinking water will be implemented from January 1, 2004, in India.

The national agency for quality norms and certification, Bureau of Indian Standards (BIS) has written to all licensees of bottled drinking water and mineral water to implement its amended standards, formulated in October 2003, in respect of permissible pesticide residues.



BIS has fixed the permissible limit for 32 select pesticide residues, which should not be more than 0.0001 mg per litre when their presence is considered individually in the bottled water. When considered collectively the permissible limit should not exceed more than 0.0005 mg per litre. This prescribed limit is the same as that followed in the European Union (EU).

BIS has also specified the four methods for analysing pesticide residues, namely the method followed by the United States Environment Protection Agency (USEPA); that followed by the US based Association of Analytical Chemists (AOAC); by International Standards Organisation (ISO); and the Indian Standards (IS). *(FE, 18.11.03)*

Water Rights for Individuals?

Very soon, India may witness a new debate on why a farmer shouldn't earn an extra buck by selling water available on his field. The World Bank is sensitising the Indian Government that it too could extend water rights to individuals in the same line as that of United States, Chile, Australia, South Africa etc.

The move is likely to minimise opposition against the Government's mega project of interlinking of rivers at an estimated cost of Rs. 560,000 crore. No wonder, a farmer near the city of Los Angles, in US, earns a decent sum merely by selling water to the city.

World Banks's Senior Water Advisor, John Briscoe, said that if the Indian Government gave water rights to individuals, it would be helpful in preparing a compensation package for farmers of the donor basins in any river interlinking project. Already, some farmers in India sell water, but that's still illegal and is happening in a restricted manner", said Briscoe. *(ET, 02.11.03)*

Rural Water Scheme

The Ministry of Rural Development has moved a Cabinet note on 'Pradhan Mantri Grameen Jal Samvardhan Yojana', a new scheme for rual water conservation announced by the Prime Minister, A. B. Vajpayee, in his Independence Day address this year.

"We are formulating a long-term strategy that is effective in saving the country from the curse of floods and drought. We will make an effort to save every drop of water through watershed management, rainwater harvesting and all such techniques,"said Kashiram Rana, Union Minister for Rural Development and Poverty Alleviation.

The scheme is to be implemented in Gujarat, Rajasthan, Andhra Pradesh, Karnataka, Jammu & Kashmir, Madhya Pradesh, Uttar Pradesh and West Bengal.

In the first phase, 570 blocks will be covered, while 647 blocks would be covered during the second phase. The Centre will contribute 75 percent of the funds and the work is to be carried out by village bodies. *(BL, 23.09.03)*

Eyeing Water Management Sector

Infrastructure Leasing and Financial Services Limited (ILFSL) is in the process of formulating a strategy to tap water management as a business opportunity. ILFSL, which is in the process of developing two water management projects at Tirupur, in Tamilnadu and Vishakhapatnam, in Andhra Pradesh with an estimated cost of Rs. 1,000 crore, intends to develop more such schemes in the joint sector to leverage available water resources in the country.

ILFSL is now eyeing around 100 different locales where the Tirupur or Vishkhapatnam model could be replicated.

The Tirupur Area Development Programme is Asia's largest greenfield BOOT project, comprising several infrastructure components. Phase-I, which is estimated to cost of Rs. 1,000 crore, envisages the supply of 185 million litres per day potable water to cover 7 lakh people across the village and *panchyats*, Tirupur municipality and industry.

(ET, 07.11.03)

Private Participation Yet to Take Off

The Union Minister of State for Urban Development, Bandaru Dattatraya has said that the efforts being made by the state governments to have private-public investment in 25 cities has met with limited success.

The minister was speaking on the occasion of World Habitat Day. The theme for the day, this year, was 'Water and Sanitation for Cities'.

The minister said the Centre had given a number of policy incentives to attract private investment in the water and sanitation sector, including granting of infrastructure status. "There are, however, quite a few instances of private companies being involved in the maintenance of these services due to lower capital investments and lower risks" he added.

He also said that very little progress had been made by way of regulatory reforms. Some states, such as Gujarat, Maharashtra and Andhra Pradesh, had moved towards introducing regulations, but these are still to take concrete shapes.

(FE, 07.10.03)

'Win-Win' Meet on River Linking

CII believes the Government's river inter-linking programme to be a "win-win" one. To drive home the point, it organised today a national conference on 'Rivers Interlinking: A Win-Win Situation', the fourth meeting on the project.

Sanjay Kirloskar, Anand Mahindra and Arun Nanda represented the industry. The Non-Governmental Organisation (NGO) banner was held up in the pre-lunch session by Vandana Shiva, Director, Research Foundation for Science, Technology and Ecology.

Kirloskar sought a "strong will" in addition to great skill and a huge amount of funds to realise the "dream project" of making water a resource perennially available to every corner of the country. "The project will open up opportunities (for the industry) for water infrastructure companies, civil and piping, pumping machinery, manufacturers of prime movers and electricity generating equipment, electronics and instrumentation, " he said.

The Task Force, which is firming up the ambitious Rs. 560,000 crore project for inter-linking of rivers, is open to thrashing out a consensual formula which will compensate the donor states of water-rich river basins for undertaking to transfer their surplus water to deficit basins. "We will have to see how these states can gain monetarily. We are willing to debate this issue," chairman of the Task Force, Suresh Prabhu said. *(TH, 30.10.03 & ET, 31.10.03)*

National Gas Grid

The Gas Authority of India Limited (GAIL), has drawn up an ambitious 7,900 km long, Rs. 20,000 crore national gas grid plan, to be operational by 2008.The Chairman and Managing Director, Proshanto Banerjee, has said, ‘GAIL is geared up to implement the grid in a time-bound manner, matching development of supplies and linked markets’.

The grid would include the 610 km Dahej-Vijaipur pipeline, 520 km Dahej-Uran, 1,250 km Kakinada-Hyderabad-Pune, 1,150 km Kakinada-Kolkata, 580 km Kakinada-Chennai, 500 km Chennai-Bangalore, 900 km Dhabol-Bangalore-Coimbatore-Kochi, and the 980 km Kolkatta-Jagdishpur pipeline. In the second phase, associated spur lines of 1,400 km, including the Chennai-Tuticorin line, Dahej-Jamnagar, Myanmar-Mizoram-Assam-Bihar and Vijaipur-Hyderabad lines would be taken up.

(FE, 04.11.03)

Transforming the Transportation

The transportation model in India looks set for a restructuring once the Golden Quadrilateral Project, linking the country’s four metros, is completed.

The road transport industry will also pose a significant challenge to the railways, which now enjoys an edge over the former as far as cargo movement is concerned, said Shyam Mani, General Manager, (Commercial Vehicles Sales) Tata Motors Ltd.

He said, at present point-to-point movement of goods dominates the transport sector. But once the road project is through, he expected a major shift towards the hub-and spoke model. He also visualised the total cost of road transportation coming down since more cargo could be carried over longer distances at a lower cost. *(BL, 17.10.03)*

Linking the State Capitals

The centre has identified 16 state capitals to be connected with the National Highway Development Project (NHDP) sections. A total of 2,768 km highway sections would be taken up for four-laning and up-gradation under the project and work is expected to commence before March 2004.

The Prime Minister, Vajpayee, as part of his Independence Day address announced the inclusion of connectivity of capitals to the NHDP section through 4-lane highways. The projects would be executed under the BOOT model, officials said. Of the 16 state capitals identified, 6 north-eastern states have been included in the project and the capitals of Manipur, Mizoram, Meghlaya, Nagaland, Sikkim and Tripura would be connected to the nearest NHDP sections.

“Under the NHDP, over 13,000 km of national highways are already being taken up for multi-laning and up-gradation. Further, the development of the national highways would be done with the NHDP as the arterial network,” a government official said. *(BS, 10.10.03)*

Call for Maritime Commission

The Western India Shippers Association (WISA) has called for establishment of a Maritime Commission of India, similar to the Federal Maritime Commission (FMC) of the US. The Commission will oversee the activities of the ocean transport logistics providers, including shipping lines, agents, freight forwarders, consolidators and ICD/CFS operators.

According to S.R.L. Narasimhan, Secretary of WISA, ocean freight logistics should get a sharper focus, as more than 95 percent of the exim cargoes, in volume terms, move by sea.

He said the need for setting up such a commission was essential in the light of the fact that the existing tariff system “is characterised by a complicated, non-transparent system of numerous undesirable and unsupported surcharges such as terminal handling charges, documentation charges and container-related charges ” *(BL, 13.11.03)*

Cabinet Clears Infrastructure Plan

In a bid to improve the competitiveness of the domestic industry, the central government has cleared a Rs. 675 crore proposal to strengthen and improve infrastructure in industrial areas.

The Cabinet Committee on Economic Affairs (CCEA) agreed to a proposal from the Commerce and Industry Minister, Arun Jaitley, to improve the transport, road, water, power and fuel supply to industrial areas in the country. Private sector will be involved in up-grading the infrastructure.

An official spokesperson said that initially 20-25 industrial clusters would be taken up for improvement of infrastructure. Apart from the basic amenities, the scheme will also ensure effluent treatment and disposal of solid waste.

Each industrial cluster will form a special purpose vehicle (SPV) to take up this project. The scheme is expected to enhance production, compress costs, ensure better quality products and add to higher export revenues, apart from generating additional employment.

(HT, 07.11.03)

International Brief. . . .

Japan: Highways Chief on Fire

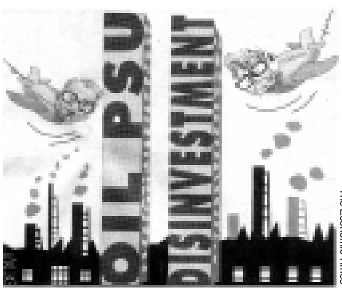
Japan’s new Transport Minister, Yester, indicated he may fire the head of Japan Highways Public Corporation in a move that could clear the way for the privatisation of four big state road bodies—a manifesto pledge of Junichiro Koizumi, Prime Minister.

Fujii’s likely dismissal was triggered by allegations in a local magazine that Japan Highways had commissioned but not released an audit showing the corporation’s debts exceeded its assets by Y619bn (US$5.58bn). Fujii, 67, denied he had done anything wrong and is suing the story’s author and the chief editor of the magazine.

Japan’s four road corporations, responsible for building the nation’s comprehensive network of toll roads, are estimated to have total debts of Y40, 000bn. An aide to Koizumi explained that the present system of public works financing, often used by politicians to support favoured regions and companies, lay behind Japan’s huge debts. *(FT, 07.10.03)*

Sell-off Policy for Sick PSUs

Having reached a dead end on big-ticket privatisation, particularly in the oil sector, the Government will bring out a disinvestment policy for sick public sector undertakings (PSUs) soon in the hope that the initiative will meet with no resistance.



The Economic Times

The sell-off policy on sick PSUs was placed for the consideration of the core group of secretaries recently that has directed the Department of Disinvestments to circulate the draft policy for all ministries concerned to seek their views. It will then come up for the final decision by the Cabinet Committee on Disinvestments.

The future of sick PSUs, both unviable and viable, for restructuring has been considered in the policy. Sources say that the policy suggests writing off the outstanding government loans, and disposal of assets to repay market borrowings and an attractive voluntary retirement scheme before closure of the PSUs is found to be economically unviable.

(FE, 15.10.03)

National Slum Policy

The National Slum Policy has been formulated and tabled before the cabinet and sent to all state governments for comments and suggestions, according to Union Minister for Urban Development and Poverty Alleviation.

The country has a slum population of 6.25 crore, out of which 2.25 crore families were found to be shelterless. The focus of the policy would be to have cities without slums. Slums will be relocated from hazardous areas such as near railway lines, airports and low-lying areas. The policy also envisaged setting up of satellite towns, which would take the pressure off the city's infrastructure.

Providing a minimum shelter and basic amenities to the shelterless among the slum dwellers is estimated to cost about Rs. 4,26,000 crore, which will be assisted by subsidy and loan from the Housing and Urban Development Corporation.

(BL,10.10.03 & ET, 30.10.03)

Free and Compulsory Education

The rich public schools will have to make space for economically disadvantaged kids if the draft, 'Free and Compulsory Education for Children Bill' is passed in its present form. Moreover, these public schools will have to meet the entire expenses, that is fees and any other charges, for these children.

To ensure that schools don't indulge in token gestures, the number of such students would be fixed by the local authorities. But at the same time, the upper limit for such admissions is to be capped at 20 percent of the total strength.

Almost every privately run schools, recognised by either the State Government or by any board or council, has been brought under the ambit of this effort to provide free and compulsory education, and it will have to abide by this rule.

(ET, 28.10.03)

Industries to Come Under EIA

The Central Government has finally decided to crackdown on industries responsible for polluting rivers and water bodies. Industrial estates, which discharge large amount of sludge will now come under the Environment Impact Assessment (EIA).

The Union Environment Ministry issued a draft notification in this regard, making it mandatory for big urban projects to have clearance under EIA. This notification has been issued in pursuance of a Supreme Court (SC) directive asking the Government to amend 'the rules under the Environment Protection Act, 1986, so as to require the environment impact assessment for the purpose of the Town Planning Acts.'

The new draft notification issued by the Government covers new projects relating to construction of new townships, industrial estates, housing colonies, commercial complexes, hospitals, and establishments discharging sewage of 50,000 litre per day etc. *(FE, 28.10.03)*

Future Hope for Employment

Going by India's globalisation experience, the informal sector appears to be the only hope for growth and employment creation. In the year 1999-2000, the organised sector's total contribution to employment was only 8 percent, of which the private sector's contribution was only 2.5 percent. The remaining 92 percent came from the unorganised sector.

The Planning Commission estimates that the contribution of the organised sector to employment will be only 1.5 to 2 percent of the total, over the tenth plan period. To achieve the plan target of employment creation, the Commission has to target the unorganised sector.

The opportunities and threats to the informal sector, in the context of globalisation, have not received adequate attention. Some studies found that greater openness can lead to increased employment, but it is not a solution for poverty reduction. The argument of managing globalisation well in order to make it work for the poor is often an illusion. *(BL, 15.09.03)*

National Plan on E-governance

A national action plan on e-governance for the union ministries and departments is getting ready. The final report is expected to be completed by March 2004.

The objective of the action plan is to identify the areas, in which the Centre and State Governments should act and those that can be done by the private sector, or in partnership with the private sector. While some of the sectors will be able to mobilise funds and generate revenue by themselves, certain areas would need central funding support.

The action plan would also give guideline for the States to choose the best technology and solutions. "The move is inspired by the achievements of some of the State Governments and union ministries, like railways, and identifying the 'islands of excellence' in e-governance", says Additional Secretary of Department of Administrative Reforms. *(FE, 13.11.03)*

Municipal Regulatory Commissions

The Centre has conceived State Municipal Regulatory Commissions under the model municipal law. These commissions are planned to play an important role in the urban reforms, since they will have the power to decide on user charges.

State Governments will constitute the commissions after the model law is adopted by the States. The commissions will have the power to determine separately for each municipality the rate at which payment will be made for water supply, sewerage connection, and solid waste management.

All proceedings before the state commission will be deemed to be judicial proceedings and the commission will be deemed to be a civil court. The commission will also set standards for provision of municipal services in the State including standards relating to quality, continuity and reliability of such services.

(FE, 23.11.03)

UNICEF Praises ISSA

UNICEF's annual State of the World's Children 2004 cites India's Sarva Shiksha Abhiyan (ISSA), a policy framework to get all children, regardless of gender or means, into school, as an example of national effort on behalf of children's right to education. Even as it compliments the Indian Government's effort, the report draws attention to the importance of educating girls, since it being the only way to ensure sustainable progress and economic development.

Unfortunately, out of the 121 million children who are out of school across the globe, 65 million are girls.

The report called for increasing investments in education and asked countries to remove barriers coming in the way of educating girls. The report warns that without an accelerated action to get more girls into school over the next two years, the global goal to reduce poverty and improve human conditions would simply not be reached. *(ET, 11.12.03)*

To Restore Fizz

Coca-Cola India has formed a high-powered nine member advisory board, headed by a former cabinet secretary and comprising of corporate honchos, a former army chief, a former chief justice of the Supreme Court, etc, to create a protective ring around the world's best know brand that's recently got a battering.

The advisory board has decided to form an Indian environmental council, to steer the company's environmental plans and policies going forward.

While Coke maintains the formation of the board, which is a routine development aimed at guiding a growing company, industry watchers view the high profile board as a timely step taken to restore public faith in the brand. Some also say that the appointment of retired bureaucrats will help Coke to improve relations with the Government.

(ET, 16.12.03)

Open Sky Policy

The Government's limited open sky policy has met with a mixed response from aviation and travel industry. Civil Aviation Ministry sources indicated that about 10 to 12 carriers had shown interest in the liberalised policy in the wake of peak demand in the winter months.

Interestingly, last year, the Government had not included Gulf and South-East Asian carriers as part of the liberalised policy. This year, all foreign carriers can go in for a hike in capacity from December to February, subject to commercial agreements with the national carriers. While the Gulf and South East Asian airlines are awaiting the exact contours of the policy, some of the European airlines said that as it was announced at the 11th hour, it was difficult to plan for additional capacity.

It may be pointed out that the limited open sky policy announced last year hardly had any takers, except for one or two airlines. *(FE, 19.10.03)*

Infant Food Cos. in a Spot

An amendment that expands the purview of the existing Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992, which will come into effect from January 1, 2004, will put the brakes on the promotional activities of infant food manufacturers.

The forthcoming norms, among other things, ban all forms of promotions for babies below two years – a scale-up from the existing bar of four months. It also brings on par infant foods and infant milk substitutes, in an attempt to promote natural feeding by the mother.

The amended legislation also expands the Act's purview to include products being marketed as a complement to mother's food and to include different types of people associated with marketing and representing such products. Chemists, for instance, have been brought into the loop, and companies could be punished for putting out publicity materials or nutritional claims at drug stores. *(BL, 18.12.03)*

Money Can't Buy Happiness

People can be happy in the most unexpected places, the World Values Survey, conducted by the *New Scientist*, has shown. The survey, conducted once every four years, attempts to track socio-cultural and political changes across the world. The survey appears to back up the belief that money can't buy happiness.

India has been ranked 21st among the 65 countries surveyed. Nigeria has topped the survey, rated as the place with the highest percentage of happy people, followed by Mexico. Different countries rated different factors as being important for happiness. While Indian respondents cited family, society values and friends as important for being happy, Americans cited personal success, pride and self-esteem.

People living in rural areas are happier than their urban counterparts, since they feel safer, and have a strong sense of community. Married people were happier than singles. *(ET, 10.10.03)*

State Briefs

Measures to Check Corruption

In a major decision, the Andhra Pradesh Cabinet has approved in principal the recommendations of a Committee on People's Empowerment, chaired by N Vittal (former Central Vigilance Commissioner), to bring in place three bills aimed at bringing accountability, transparency and punishing corrupt public servants.

The cabinet has agreed to set up a sub-committee to work out the modalities and legal aspects for preparing a draft report on the three bills including: AP Performance Accountability; Corrupt Public Service – Forfeiture of Property; AP Transparency; and Public Procurement Bill.

The cabinet has also resolved to put all decisions on the public domain, further bringing transparency into government functioning. *(FE, 29.10.03)*

Biotech Policy

Kerala is set to take major strides in the realm of biotechnology with the unveiling of the new biotechnology policy. The policy, which will be implemented by the biotechnology commission, is designed to catalyse the development and application of biotechnology, taking advantage of the State's resources and emphasising its specific needs while meeting global requirements.

The policy emphasises the need to use biotechnology to promote Kerala's traditional tribal and ethnic knowledge, especially in medicine, by scientific validation and facilitating protection of intellectual property rights.

An important objective of the policy is to use biotechnology to enhance the value of Kerala's export-oriented resources such as spices, seafood, and plantation crops, while ensuring that appropriate quality standards are maintained. Another objective is the possibility of using biotechnology to enhance the quality of the environment and promoting sustainable development. *(BL, 11.11.03)*

India Better in Corruption Index

India has fared better on the global corruption index, ranking 83rd, while Asia on the whole has a poor show in the report on corruption, with many nations in the region ranking among the worst in the world. India has recorded a score of 2.8 in the annual survey of the anti-graft watchdog, Transparency International (TI), to share the 83rd rank with Malawi and Romania.

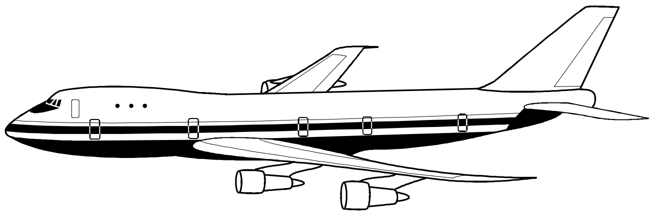
Singapore stands far above all other nations in Asia in the report, at fifth in the world, and one of only six nations with a score of more than nine, which indicates very low levels of perceived corruption.

TI has said the survey does not include all counties, including nations like Cambodia and Laos with a reputation for corruption, due to lack of data. Analysts say the report will have political ramifications, in the context of a host of elections scheduled to be held in the continent in the next 12 months.

(FE, 07.10.03)

Fast Track Aviation Reforms

With the aim of increasing competition and providing wider choices to the consumer, the Naresh Chandra Committee, set up to formulate a road map for development of civil aviation in India, has recommended foreign equity of up to 49 percent in scheduled domestic and international airlines, 100 percent in FDI in non-scheduled air services, allowing private domestic airlines to fly on international routes and privatisation of Indian Airlines (IA) and Air India (A-I) through private placement.



The first part of the report, which has been submitted to the Civil Aviation Ministry also suggested the creation of an Aviation Economic Regulatory Authority (AERA) "to contain monopoly power of airports and Air Traffic Control (ATC)" and setting up of an Essential Air Services Fund (EASF).

The overall thrust of the report is to encourage private sector investment in the civil aviation sector, which is now dominated by the Government.

(ET, 02.12.03 & FE, 08.12.03)

Road Map for a Hunger-free India

An ambitious road map has been drawn by the Chennai based MS Swaminathan Research Foundation (MSSRF) for achieving the goal of hunger-free India by August 15, 2007, which marks the 60th anniversary of India's Independence.

The road map, prepared in association with the UN World Food Programme (WFP) deals with methods of overcoming poverty induced endemic hunger (mostly under-nutrition), micro-nutrient deficiencies and transient hunger resulting from drought, floods and cyclones.

The MSSRF-WFP strategy involves bringing about convergence and synergy among all ongoing food security programmes and involving grassroots democratic institutions in the implementation. The basic idea is to convert the concept of food as a basic human right into reality. *(FE, 21.09.03)*

A Body for Corp. Governance

The Cabinet today approved the setting up of a National Foundation for Corporate Governance (NFCG) as part of the effort to sensitise corporate leaders on the importance of good governance, self-regulation and directorial responsibilities.

The National Foundation will provide a platform to deliberate issues relating to good governance as the key to sustainable wealth creation. It will also provide research, training, standard setting and capacity building and related support in the field of corporate governance.

The setting up of the NFCG as a not-for-profit entity under Indian Trusts Act was recommended by a study group in 2000. The Government will provide a one-time contribution of Rs. 10 crore as grants-in-aid, while the CII will chip in with Rs. 3 crores. The Institute of Chartered Accountants of India and the Institute of Company Secretaries of India have confirmed their contribution of Rs. 1 crore each. *(ET, 02.09.03)*

Boards Have No Room for Women

If Indian politics is ruled by the Bindi belt, India Inc can well be renamed Dotbusters Inc. If you're looking for women in the corridors of corporate power, you might as well look for life on Mars. While Indian companies are looking at – and loudly articulating the importance of women as consumers and decision-makers, as far as the boardroom area is concerned, it's still completely out of bounds.

Take a look at the numbers: out of 2,078 board positions in the BSE 200 companies, only 43 positions are filled by women. And after discounting multiple representations, there are all of 28 women who are directors on the board of BSE 200 companies.

Thus, roughly 2 out of every 100 board members in India's top companies are women – and only 17 percent of the companies have any women on the board at all. This is the area where the private sector lags far behind the public sector. *(ET)*

CAs and Auditors Tightened

The Government moved bills in Parliament that will give it a whip hand over chartered accountants, company secretaries and cost accountants. Under the proposed amendments, the Government will have the power to give directions to the governing bodies of these professions and even dissolve them in case of non-compliance.

As per the amendments, the Government can dissolve a council through a notification if it does not comply with the Government's direction. Once a notification has been issued to dissolve a council, and pending the constitution of a new council, the Centre can authorise take-over of the management of the affairs of the council.

Other proposals in the bills include strengthening of the disciplinary committee of the three institutes and providing for the constitution of more than one disciplinary committee. *(ET, 23.09.03)*

SC Upholds Pension Scheme

In a judgement affecting millions of public and private sector employees, the Supreme Court upheld the validity of the 1996 Government Pension Scheme providing for diverting a major part of employer's Provident Fund contribution to a central fund for payment of pension to employees after their superannuation.

Dismissing a batch of over 80 petitions, the court said it would examine separately matters pertaining to those organisations which had been exempted from participating in the Government pension scheme on the ground that they had a better pension scheme.

The matter had been transferred to the apex court as the high courts had given conflicting judgements – some upholding the scheme while others staying it.

(BL, 11.11.03)

International Brief . . . .

'Steal and Run' officials

With the first global Anti-Corruption Convention on the anvil, China hopes to recover assets worth US$600 million, stolen and taken abroad by corrupt officials and communist party cadres, the state media reported.

A number of Chinese officials suspected of embezzlement are on the run, of which at least 4,000 have fled to foreign countries with assets worth US$600 million, Xinhua news agency quoted a researcher with the China Academy of Social Sciences as saying.

Many greedy parties and government officials in China have used the 'steal and run' strategy. The new convention, which has been finalised and awaits adoption by the UN General Assembly, will deter corrupt government officials in China from stealing and greatly reduce their chance of evading prosecution. According to experts, the convention made a great breakthrough by creating provisions to facilitate the return of assets stolen by officials in one country and transferred to another.

(ET, 05.10.03)

Contradictions Do Not Burden Democracy

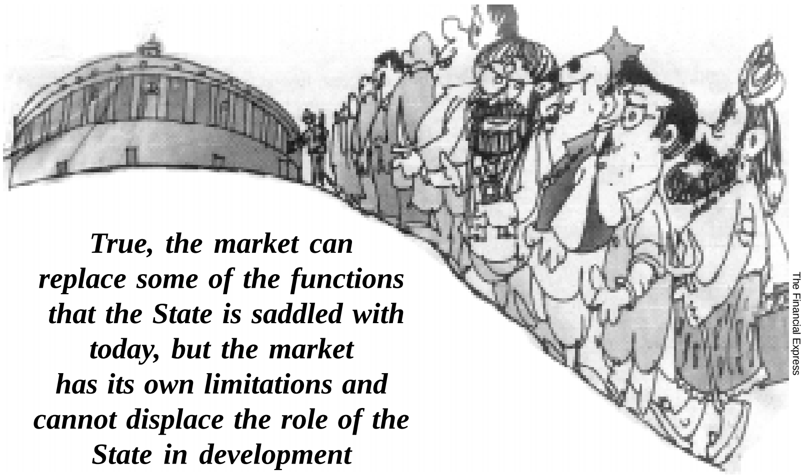
D.N. GHOSH*

Over the last several decades, the country has been going through an agonising process of political and social churning. The deepening of the democratic spirit and its underpinning by many liberal institutions has received worldwide acclaim. Intensity and diversity of political activities, the rising consciousness of rights, the emergence of assertive social groups, the impressive voter turnout among the poor and the dispossessed, the high turnover of incumbents in power and governments – all these give confidence that our democracy has matured and strengthened itself.

Yet, as we look around, we sense a pervasive mood of dependency in our society and polity. This is brought out brilliantly in a short essay, provocatively written, by one of our well-known political scientists, Pratap Bhanu Mehta. "The practices of popular authorisation have not" he says in the Burden of Democracy, "produced a society that is even in a minimal sense free of egregious forms of domination or gives substantial meaning to the idea of civic reciprocity." This is the central paradox of our democracy polity.

Ironically, the paradox is rooted in the very process of democratic deepening. Different social and tribal groups, wallowing on the periphery of political life, have now become vocal and assertive in a country, where caste had for centuries been the axis for domination and subordination. In the era of competitive politics, the political parties are obsessively preoccupied with gaining access to political power, by displacing upper or currently dominant castes. The political management of these groups has transformed radically, the character of Indian political scenario scores over states and regions. In a democratic polity, the ways the political parties behave and interact among themselves have a decisive impact on the character of the state, and the nature of democracy and civil society.

The ethnocentrism of the party system, the growing reluctance to accept the discipline and sanctity of democratic procedures, the progressive erosion of some of the liberal institutions – all these are visible manifestations of a kind of politics that, in the author's words, "is one of positional change and not of structural reform." The rhetoric of inequality and injustice, the primary tool of political parties for grabbing power, has produced a brand of politics that has unfortunately failed to "coalesce around more universalistic demands for health, education, welfare or a gradual reordering of property rights."



The Financial Express

True, the market can replace some of the functions that the State is saddled with today, but the market has its own limitations and cannot displace the role of the State in development

A vibrant electoral democracy has been unable to provide a secure foundation for the development of a long term and sustainable civil society within the collective political domain. The political parties, with their reliance on the State and its paradigm of redistributive politics, have failed to meet the demanding challenge for the reconstruction or modernisation of civil society. They have to work towards, the author argues, a kind of political culture that is linked to the process of economic reform.

"If the *Dalit* society is to be modernised, it must look to a market economy for development of skills and for the exploitation of opportunities that the market can offer... unless the newly mobilised *Dalit* castes can be given access to the gains of the market economy, their prospects for social advancement remain dim." There has to be a commitment to market reform, the marginalised groups must have a stake in the reform process, breaking the "reflexive statism... that is fiscally unsustainable, morally corrupting and politically corrosive."

The kind of anti-statism, on which the author builds his argument, can lead us dangerously astray. True, the market can replace some of the functions that the State is saddled with today, but the market has its own limitations. It cannot displace the role that the State is required to perform for the development and functioning of what we regard as the vital constituents of a civil society. Ironically, the State (against which the civil society is sometimes driven to position itself) is also the enabler of development of civil society. If we look back at the role of the State in history, we will find that it has acted both negatively and positively towards civil society.

What is, therefore, crucial for the development and preservation of a healthy civil society is not statism, or a kind of economic reform for an unrestricted gateway to market economy. What is required is a right kind of balance between the State and the market. It is by working through a democratic structure and process, however imperfect, that we have to strive to achieve a kind of balance broadly acceptable to the citizens of our polity.

The process of democratic deepening has been a powerful instrument for social and political awareness among many disadvantaged groups, trapped for centuries in our caste-ridden hierarchical society. On occasions they may be unresponsive to reasoned argument, and may even resort to violence. Sometimes, even the conceptualisation of negotiation and mediation gets distorted by the acute differential in power structure embedded within the State. These are disconcerting signs that cast deep shadows on our polity and make us despondent. Nonetheless and hopefully, countervailing forces are also continually at work. That is the charm of our democratic polity. Once when accused of inconsistency, Walt Whitman had answered, "Do I contradict myself? Very well, I contradict myself. I am large. I contain multitudes." Inconsistencies and contradictions are not the burden of democracy, they are its spume. The reality lies deeper.

Chairman, ICRA Ltd. and the Peerless Group. He is also former Chairman of the State Bank of India.

(FE, 21.12.03)

Right to Education

Union Human Resource Development Minister, Murli Manohar Joshi, has sought views of the political parties on the enabling legislation to make the right to elementary education a reality.

The Right to Free and Compulsory Education Bill, 2003, was slated for introduction and passage in the monsoon session of the Parliament, in the year 2003, but was not taken up upon the stand-off generated by the public accounts committee's report expressing its inability to probe defence purchases.

Right to Education, a fundamental right under the Constitution, with the Bill being passed in the year 2002, covering children in the age group of 6-14 is still not enforceable as the enabling legislation, providing for punishing individuals who employed children and prevented them from going to school.

The Bill also provides for setting up quasi-judicial redressal mechanisms at the district level so that people do not have to approach courts to complain against violation of their fundamental right. The enabling legislation seeks to make the exercise of the right more "user friendly" by decentralising the redressal system. *(ET, 19.10.03)*

Cos. Bill Needs Further Dilution

The Union Cabinet has asked the Department of Company Affairs (DCA) to redraft the Companies Bill, 2003 for reasons of insufficient dilution. The Union Cabinet decided that the Bill would be withdrawn from Rajya Sabha, the upper house of Parliament, and a fresh Bill with corporate friendly provisions would be introduced.

The DCA had moved over 40 changes in consultation with the law ministry, which included 12 significant changes to the 174-clause Bill. However, the dilutions proposed by the DCA and taken to the Cabinet for clearance would not have provided much relief to the corporate sector.

The DCA had proposed several changes in the Bill, including easing of the provision for independent directors from 50 percent to two-thirds of the total strength of board of directors (BoD) and entirely dropping the clause making a woman director mandatory on every company's board after industry associations had raised serious objections to these clauses.

The decision to withdraw the Bill was taken as it was felt that making too many changes to an amendment Bill was not appropriate and would lead to confusion.

(FE, 21.10.03, ET, 21.10.03 & 02.11.03)

Bill to Replace Public Debt Act

The Government has approved the introduction of a new Government Securities Bill to replace the Public Debt Act, 1944.

According to official sources, the Union Cabinet approved the introduction of the Bill at the winter session of the Parliament in the year 2003, which will enable transfer of Government securities from one holder to another and extend the nomination facility with respect to individual and joint holders of such securities.

Under the existing Act, the nomination facility by the holder of Government security in the form of stock is available only for special schemes introduced by the Government, and not for regular marketable Government securities.

The proposed new legislation will also give flexibility to allow Government securities to be held in dematerialised form, while at the same time specifically excluding such securities from the purview of the Depositories Act, 1966.

(BL, 10.12.03)

Act to Resolve Disputes

The Government has introduced a Bill in the Lok Sabha, the lower house of Parliament, to amend the Central Sales Tax Act (CST), 1956, to expedite the resolution of the inter-state disputes arising on the levy of Central Sales Tax.

The Act was amended in 2001, to create a Central Sales Tax Appellate Authority to resolve such disputes. Now the Act is being further amended to improve the legal framework for expeditious resolution of inter-state disputes on CST.

"In order to expeditiously and smoothly resolve inter-state disputes regarding the levy of CST by the State Governments in the matters relating to inter-state trade or commerce, it has been decided to further amend the Central Sales Tax Act, 1956," according to the statement of objects and reasons for the Central Sales Tax (Amendment) Bill, 2003, that was piloted by the Minister of State for Parliamentary Affairs, Santosh Gangwar.

(BL, 22.12.03)

Statutory Status to USO Fund

The Lok Sabha approved an amendment to the Indian Telegraph Act giving statutory status to the universal service obligation (USO) fund. The amendment was passed through a voice vote in the Lok Sabha.

The USO fund is a fund floated to support rural telephony rollout and requires a statutory status to release companies for installing rural telephone networks. The fund, collected as USO levy at present, is credited to the Consolidated Fund of India (CFoI).

Out of Rs. 1650 crores collected as USO fund last financial year, the Ministry of Finance (MoF) could make available only Rs. 300 crores for this purpose. This year, while Rs. 2203 crore was estimated to be collected, only Rs. 100 crore had been received for the same reason; Telecommunications Minister, Arun Shourie said.

This amendment will ensure that the fund already collected for this purpose is used for the same purpose only, subject to an upper ceiling of the total, cumulative collected fund. The issue of rural telephony has been taken up by the Telecom Regulatory Authority of India (TRAI), in its consultation paper on unified licence. *(FE, 23.12.03)*

Electricity Bill Passed

The Lok Sabha passed three amendments to the Electricity Act, 2003. The amendments seek to dilute the anti-theft provisions to avert misuse, set a three-to-five years timeframe for introduction of the 'open access' scheme and clip the powers of the Appellate Courts to ensure greater autonomy for State power regulators.

Prior to the amendments, the anti-theft provisions allowed break-in and entry into premises indulging in theft of electricity.

The central theme of the new Act is the Open Access system, under which a group of consumers can get together and exercise their choice to purchase power either directly from the generation company or intermediaries, such as traders or distribution companies. This choice will induce competition, and hence, help drive down power costs and improve services.

(BL, 18.12.03)

Gas Under Regulatory Regime

The Union Government has decided to bring state gas distribution network under the Centre's regulatory regime. Gas distribution has been included under the scope of regulation of the amended "Petroleum and Regulatory Board Bill".

The new Bill has been renamed as the "Petroleum and Natural Gas Regulatory Board Bill, 2003" and was tabled in the winter session of the Parliament, in the year 2003. The amendment Bill makes it mandatory for the states to seek permission from the Central Government before laying gas pipelines in the state.

Amendments in the Pipeline

- Gas distribution included in scope of regulation.
- Control of the government on authorisation of gas pipelines.
- Separate regulations for natural gas sector.
- Changes in bill after outcome of the Presidential reference.
- Regulation on common carrier pipelines to be laid by the board.
- Regulatory board not to frame policy.
- Regulations on profiteering, and fair trade to be framed by the board.

The new Bill, which will put in place a regulatory mechanism for the petroleum and natural gas sector, will have major ramifications on gas-rich states such as Gujarat, which has planned enactment of legislation – Gujarat Gas Regulation Act and appointment of a regulatory body to regulate the transmission and distribution of natural gas in the state.

The new Bill incorporates 26 amendments suggested by the Parliamentary standing committee on petroleum. *(FE, 21.12.03)*

Drugs Bill Introduced

The Drugs and Cosmetics (Amendment) Bill, 2003, proposing the death penalty for manufacturers of spurious drugs was introduced in the Lok Sabha, by Union Health Minister, Sushma Swaraj.

Acknowledging that the penalties for spurious drug manufacturers under the existing norms were not effective, the said Bill proposes to enhance the present scale of punishment for spurious drug manufacturers to death, or imprisonment for a term which shall not be less than 10 years, but which may extend to imprisonment for life.

The offence shall also be liable to a fine of one lakh rupees or three times the value of the confiscated drugs, whichever is more, the Bill states. Swaraj said that the offences under the Act, which were earlier bailable and non-cognisable, would now be non-bailable and cognisable.

The Bill also proposes to designate one or more Court of Session as a special Court for trial of offences related to adulterated or spurious drugs. *(BL, 22.12.03)*

Food Law Soon

The centre has prepared an integrated Food Law Draft Bill to address food safety issues. The need of food law is being considered for curtailing and specifying the residue limit of pesticides in food products.

Replying during the question hour, the Health and Family Welfare Minister, Sushma Swaraj said, for safety to human health, maximum residue limits (MRLs) had been prescribed for different pesticides for various food product. She said the Ministry had prescribed MRLs for 71 pesticides taking the number of such approved pesticides to 181.

Swaraj said no new pesticides were being currently registered and the MRLs would have to be stringently arrived at before they are approved. The Government was also considering amending the Prevention of Food Adulteration Act, 1954 and PFA Rules, 1955, to make it more stringent.

Keeping in view the residue of pesticides in different components including food items, the Government was advocating an integrated pesticide management, she said. This included a need-based and judicious use of pesticides, use of bio-pesticides and banning or phasing out of certain pesticides, the Minister said. *(BL, 09.12.03 & 23.12.03)*

Shipping Bill on Pollution Control

Parliament passed a Bill, which seeks to give legislative effect to a number of International Conventions and Protocols adopted by the International Maritime Organisations to check pollution control.

The Merchant Shipping (Amendment) Bill, piloted by the Shipping Minister, Shatrughan Sinha, received wide support during the brief debate.

As per the statement of Objects and Reasons for the Bill, the International Convention for the Prevention of Pollution from Ships seeks to achieve complete elimination of pollution of the marine environment by oil and other harmful substances. *(BL, 19.12.03)*

Snippets

- In a bid to overcome the shortcomings in the Arbitration and Conciliation Act, the Government introduced an amendment Bill to speed up process by fixing a time limit for completing such proceedings. The amendment Bill provides for completion of arbitrations under the existing Act within a year. *(FE, 22.12.03)*
- The Sick Industrial Companies (Special Provisions) Repeal Bill was passed by the Lok Sabha. This would clear the way for setting up of the National Company Law Tribunal with the Government stating that the move would help in better rehabilitation of the sick companies than was possible under the Board of Industrial and Financial Reconstruction regime. *(BS, 11.12.03)*

Patents (Amendment) Introduced

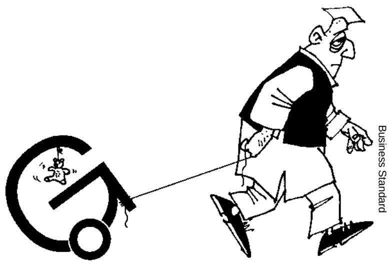
In the run-up to meet the deadline of ushering in the product patent regime from January 1, 2005, the Government introduced the crucial Patents (Amendment) Bill, 2003, providing for introduction of product patent protection in all fields of technology as per the provisions of the Trade-Related Intellectual Property Rights (TRIPs) Agreement of the WTO.

The Bill also seeks to introduce a provision for enabling grant of compulsory licence for export of medicines to countries which have insufficient, or no manufacturing capacity to meet emergent public health situations. The Bill also provides for amending certain provisions pertaining to time lines for different activities with a view to introducing flexibility and reducing the processing time for patent application, besides amending the provisions of the Act with a view to simplifying and rationalising the procedure aimed at benefiting the users.

The Union Minister of Law and Justice and Commerce and Industry, Arun Jaitley, said that while considering amendments to the Act, efforts have been made to make the law not only TRIPs-compliant but also to simplify and rationalise the procedures governing grant of patents so as to make the system more user-friendly. *(BL, 22.12.03)*

Task Force for GDP Growth

The Government has constituted a high power task force comprising the Prime Minister's Advisor on Economic Affairs, S. Narayan; Secretary (financial sector), N.S Sisodia; Reserve Bank of India (RBI), Deputy Governor, Vepa Kamesan; Indian Banks Association Chairman, S.Leeladhar; and Vinod Rai, Additional Secretary (Finance), as members.



The task force is expected to submit its report within 60 days and recommend steps for investment promotion and co-ordinate strategy to achieve eight percent growth rate along with capacity expansion, employment generation, and up-grading of technology.

The purpose of setting up this task force is to give fresh impetus to the reform process, and at the same time give a clear message that the economic decision-making will not be affected by electoral considerations. In recent months, there has been criticism that the Gross Domestic Product (GDP) growth has not seen much job creation in the economy. *(HT, 09.11.03)*

Setting Target for Fiscal Deficit

The Government is likely to fix a target for reducing fiscal deficit in the guidelines of the Fiscal Responsibility and Budget Management (FRBM) Act.

In a conference organised by National Institute of Public Finance and Policy, C. Rangarajan, Chairman, 12th Finance Commission, said that the FRBM Act envisages that the Central revenue deficit will be eliminated by 2007-08. Advisor to finance minister, Vijay Kelkar agreed with the Chairman regarding the role of the state governments to come up with fiscal responsibility acts to contain their fiscal deficits. According to Kelkar, an MoU between the Centre and the states does not hold, and a Bill is much more powerful for reducing the states' fiscal deficit.

Rangarajan praised initiatives of Karnataka, Kerala, Maharashtra and Punjab for introducing FRBM Bills and hoped that the other states shall learn from this and catch up. The panel warned that the rising fiscal deficit of the Centre and states at over ten percent in 2002-03 might have an adverse impact on debt, developmental expenditure and growth. *(FE, 29.09.03)*

Reforms Panel Fails to Meet

Only three of the four empowered sub-committees of the National Development Council, set up to focus on economic reforms, have met so far. The fourth one, which has the job of looking into the removal of trade barriers to internal trade, and is chaired by the Prime Minister himself, has not managed to meet even once.

Among these four sub-committees, issues such as governance reforms, creation of an investor friendly climate, the empowerment of panchayati raj institutions, and trade are covered.

All the four panels include several cabinet ministers and state chief ministers. The mandate of the committee on barriers to trade included repeal of the Essential Commodities Act, 1955 and its replacement by an Emergency Act, which could be applied by notification, for a limited period. It also aims to remove all barriers to intra and inter-state movement of commercial vehicles, with the objective of improving efficiency and lowering costs. The group is to essentially focus on the removal of various control orders inhibiting trade in agriculture and retailing. *(BS, 16.11.03)*

State Needs Attractive Policies

The Punjab, Haryana and Delhi Chambers of Commerce and Industry (PHDCCI) today said that the State Government of Uttranchal should formulate policies to provide investors an attractive opportunity to make the states their preferred destination.

According to PHDCCI chief, PK Jain, a major challenge of the states was the increasing number of sick industries, which has been attributed to distant locations from sources of raw materials as well as markets. He also said that the laws governing the SSI should be revised and made simpler to promote small entrepreneurs and that all export-oriented industries should be classified as thrust sector industries eligible for special incentives. *(BS, 13.11.03)*

VAT Regime by April, 2004

The Centre proposed to marshal the much-delayed Value Added Tax (VAT) regime by April 2004. According to Ramesh Chandra, Secretary, Empowered Committee on VAT, Ministry of Finance (MoF), the introduction of VAT will improve the revenue of the states and will help them in reducing their debts. Chandra also mentioned that the introduction of VAT would not lead to an increase in prices, though there is also no guarantee that the prices will fall.

The state governments will have to comply with divergent legislations after the implementation of VAT, as 100 percent convergence on VAT laws in not possible. However, the state governments would pursue convergence in a number of areas like definition of capital goods, treatment of stock at hand, etc.

VAT is essential for compensating the losses that will occur when central sales tax is phased out.

(BS, 08.10.03 & BL, 16.11.03)

High Growth Rate to Continue

According to CRISIL and National Council for Applied Economic Research (NCAER), the expected GDP growth rate for the year 2003-04 is going to be 7.1 percent, thanks to a spirited performance by the agricultural sector. According to Subir Gokaran, Chief Economist at CRISIL, the average inflation for the year is expected to be 4.8 percent in 2003-04, and year-end inflation at 2.9 percent. However, the inflation between October and December will be around 5 percent due to the temporary influence of prices of non-food articles together with the "low base" of last year.

The GDP growth rate for agriculture is looking good too, as a result of better than normal monsoon, at 7.05 percent.

According to NCAER, the industrial sector is expected to grow by over 6 percent. Infrastructure comprising electricity, gas, water supply, transport, storage, and communication is expected to grow at 6.54 percent.

(FE, 07.11.03 & ET, 12.10.03)

Go-Green for 'Disinvestment Fund'

The MoF has cleared the proposal for setting up a disinvestment fund, exclusively out of the proceeds of the sell-off of state-owned companies.

The proceeds of the fund will be solely utilised for certain identified expenditures such as restructuring of state-owned companies, voluntary retirement schemes, retraining and redeployment of workers for which the Government now provides money out of the budget and retirement of public debt apart from social sector projects.

However, it is being countered on the grounds that its separation from other non-debt capital receipts in the budget would prevent the short-term budgetary compulsions from obscuring the long-term benefits of disinvestment in loss making public sector units (PSUs). *(ET, 30.09.03)*

Indo-Thai FTA

India and Thailand signed a free trade agreement (FTA), and four other accords for enhancing co-operation in agriculture, tourism, and science, starting from 2010 in goods, and from 2006 in services and investment. An agreement, namely Early Harvest Scheme (EHS), was made on a list of products, which would receive tariff free entry on a fast track basis from March, 2004. It also provides for emergency measures to protect domestic producers in case of a sudden surge in imports. India's first FTA, with an ASEAN country allows slashing tariffs in 84 items and might see the trade volumes soar US$2bn from the current year's US$1.2bn.

The rules of origin (RoO) of the products to be traded are yet to be decided. Without an agreement on RoO, the FTA cannot be implemented, as it would not be possible to determine which product should be considered as originating from the two countries and thus included in the FTA and which should be kept out. Thailand wants the basis to be in terms of 'percentage value addition', while India is in favour of 'change in heading' rule.

According to experts, the FTA will not pose any threat to the Indian farm sector, as it does not cover contentious commodities like sugar, rice, *vanaspati* and vegetable oils. *(BS, 09.10.03 & FE, 16.10.03)*

India-Bangladesh FTA

India and Bangladesh have decided to renew their bilateral trade agreement dating back to 1980. The new agreement is likely to be signed soon, once the approval of both the governments comes through.

In the official level talks held in Dhaka, October 20-22, both the sides discussed issues relating to modalities, negative lists, phase out periods to zero duty, and rules of origin. India also raised the long overdue application of a joint venture promoted by Sun Pharma of India, and the adverse impact that it would have on the future investments of India.

The list of non-tariff barriers that had been exchanged in mid-August this year was also discussed. The next joint secretary level trade talks will be held in Dhaka in April next year.

(FE, 28.10.03)

Boost to Exports

After announcing an exemption from payment of statutory dues for a five-year period covering the Employees' State Insurance (ESI) and Employees' Provident Fund (EPF) for units in the special economic zones (SEZs), the Government is thinking of taking steps to improve the competitiveness of Indian exports.

The sops for exports will be given in light of the hardening of the rupee, which has affected export competitiveness. The Government has realised that a level playing field has to be provided to Indian exporters to compete in the international market, especially if the dollar depreciates further. *(BL, & ET, 07.11.03)*

Mercosur FTA Broadened

India has identified 548 items to be included in the proposed FTA with the Mercosur group of countries comprising Brazil, Argentina, Uruguay and Paraguay. Products identified include meat, milk products, rice, wheat, tobacco, gasoline, etc.

The framework agreement for FTA between India and Mercosur was signed in June 2003, and is expected to bring about a sharp increase in bilateral trade between the two, which is at a low of US$1.4bn. The agreement will enable mutual tariff concessions for India and Mercosur members.

In the area of taxes, fees or any other domestic duties, the product originating from the territory of any of the countries shall receive the same treatment applied to the national product. However, countries can apply their domestic laws to restrict imports, if found to be influenced by unfair trade practices.

(FE, 10.11.03)

Exploring FTA in Gulf

India will be sending a proposal for a FTA with the Gulf Cooperation Council (GCC-6) comprising: Qatar, Oman, Bahrain, Kuwait, United Arab Emirates (UAE), and Saudi Arabia, once the group formalises its own free trade area.

The GCC had launched a customs union creating the biggest economic block in West Asia with a combined GDP of US$330bn. It has also approved a timetable for monetary union planned for 2005, and a single currency in 2010 aiming at the formation of a trade block on the lines of European Union (EU).

FTA in the region will benefit India substantially as the six members control around 45 percent of the world's recoverable oil wealth and 20 percent of gas resources. They supply about a fifth of the global crude output. It will also provide opportunities to the Indian pharmaceutical and chemical industry to export their products to the Gulf region.

(FE, 19.10.03)

Indo-Sudanese Cooperation

In an effort to increase economic and industrial cooperation between India and Sudan, the CII and the Sudanese Chambers of Industries Association (SCIA) have set up a joint task force.

The task force will identify specific projects for industrial co-operation between private sector companies with particular reference to joint ventures. The opportunities of investment will be identified, and assistance would be provided to the companies to draw up suitable projects. It has been decided to develop a project, which will enable Sudan to make use of India's expertise in developing its small and medium enterprises (SME) sector.

Among the areas, which have been identified for industrial co-operation with Sudan include: agricultural equipment, automobiles, electrical appliances, etc.

(BL, 18.11.03 & FE, 17.11.03)

Safeguarding Imports

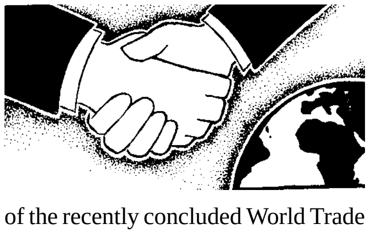
Amendments to the Foreign Trade (Development and Regulation) Act, 1992 (FTDR) is being finalised in order to prevent any sudden surge in the imports, thereby protecting the domestic industry.

The amendments will impose duties or quantitative restrictions temporarily under Article XIX of General Agreement on Tariffs and Trade (GATT) and the Agreement of Safeguards.

According to the officials, the Government's policy has so far been oriented towards protecting the domestic industry only and not the consumers.

(FE, 24.09.03)

Africa in the FTA Net



India will enter an FTA with the South African Customs Union comprising: South Africa, Botswana, Namibia, and Swaziland.

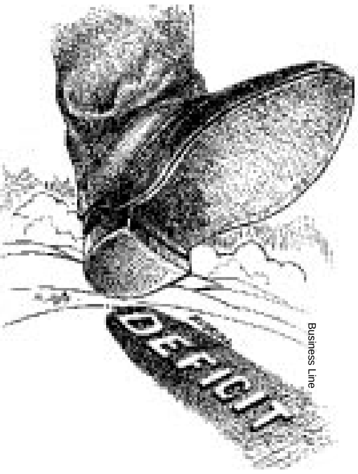
The Trade and Commerce Minister of South Africa, Alec Erwin, said that the agreement will bring closer these developing nations in the light of the recently concluded World Trade Organisation (WTO) meet at Cancun. He pointed that the scope for growth of bilateral trade in the health care and jewellery sectors is immense.

The arrangement will help the volume of trade to grow which is currently pegged at US$2.3bn between the two parties. *(BL & ET, 18.10.03)*

Fiscal Deficit, the Real Villain?

Alok Ray*

In the recently published country report on India, International Monetary Fund (IMF) holds the continuing high fiscal deficit as the number one problem facing India now. Apart from the IMF and World Bank, many of the homegrown economists also consider it essential to cut down the fiscal deficit in the interest of the nation's economic health.



A look at the fiscal deficit figures in different years and the corresponding figures for the different macro-economic variables, such as growth rate, inflation, interest rates or balance of payments in the same or subsequent periods, should convince one that there is no systematic relationship. A higher fiscal deficit has mostly been the result of a slowdown in industrial activity causing a reduction in tax-GDP ratio, rather than a cause for declining growth.

The real villain for India is not the fiscal deficit but the composition of government expenditures. A better index of fiscal health could be the size of revenue deficit — the gap between government's current expenditure and current revenue. The problem says Alok Ray, is that in India not only there is a revenue deficit but it has been going up as a percentage of GDP

So, the question is: what is wrong with government borrowing to meet its fiscal deficit? If the money is used productively to create sufficiently high income generating assets for the future, then there is no problem. People who are critical of high fiscal deficits, basically believe that governments use money less productively than the private sector.

What is the mechanism at work? The most common argument is that, with given resources, if the Government corners a higher share, the private sector will have less. The mechanism can be that as the Government borrows more from the market, the interest rate will go up. The cost of capital for the private investors will rise. Some private investment projects become less profitable. Alternatively, if the interest rate is kept fixed by the RBI, there will be less availability of funds for the private sector. Either way, private investment will be less. In effect, government expenditure "crowds out" private investment. This reduces the future productive capacity of the nation. However, there are several reasons why it may not work out this way.

With a lot of idle productive capacity in a recessionary situation, government expenditure funded by borrowing can expand without reducing the availability of resources or raising the cost for the private sector. Further, more government expenditure will generate more income and demand for goods and services produced by the private sector. In that case, a higher fiscal deficit will stimulate more production and greater utilisation of idle productive capacity (the standard Keynesian argument). In other words, with unemployed resources and loanable funds from savings exceeding the demand for funds from investors, both loan- funded government expenditure and private expenditure can expand together. The complementarity will further increase if the Government spends more money on infrastructure projects in which private investment is not forthcoming in any case. With better infrastructure, private business may feel induced to invest more in areas where infrastructural bottlenecks are the major constraints limiting investment. Instead of "crowding out", government expenditure may "crowd in" more private investment.

The biggest problem with fiscal deficit is that it adds to the stock of debt and debt servicing burden. So, even if it may be needed for short-run growth stimulus in a recession, it may plant the seeds of a long-term problem. Again, this will not be a problem if the return from the projects funded by borrowing is more than the interest cost.

This is where the danger creeps in. For one, an increasing proportion of government revenues is being used up for paying salaries and pensions, without any corresponding rise in productivity of government employees. The share of interest payments in government revenues and expenditure has also been going up, though there has been a small let-up recently as a result of a fall in interest rates in India and abroad. But there is a limit beyond which the interest rate will not fall and may go up again. All these mean that the percentage of government revenues available for socially productive investment, such as building physical infrastructure (roads, power, transport, communication, irrigation, etc.) and social infrastructure (education, health, drinking water, social safety net), is going down over the years. This will have serious consequences in the long run as the physical and social productive capacity of the country will not expand; even existing infrastructure will not be maintained while the pressure of population and the proportion of retired people (not contributing to current output) will rise. The problem is even more serious when the borrowing is external. These debts will have to be serviced in foreign exchange by earning an export surplus. But an export surplus implies that a part of national output accrues to foreigners and less is available for the Indian public.

So, the real villain is not the size of the fiscal deficit but the composition of government expenditures. A better index of fiscal health could be the size of revenue deficit, which is the gap between government's current expenditure and current revenue. This is broadly analogous to the gap between government's consumption, expenditure and income. If there were no revenue deficit, then a fiscal deficit means that the government is borrowing only to meet its capital expenditure. The problem is that in India, there is not only a revenue deficit but it has been going up as a percentage of GDP. This is a recipe for long-term disaster.

What is the way out? First, the Government should restrict its activities to areas where the private sector is not forthcoming. In cases where privatisation is not possible, public sector projects (in steel, cars, and so on) should yield a commercial return comparable to what competing private companies are getting.

Second, for projects in social sectors, the relevant parameter is not commercial profits but the social rate of return. But it is nearly impossible to calculate it with any precision or agreement. So, in those areas, the focus should be on cutting down wastage and improving the administration and the delivery systems to ensure that the benefits really reach the intended targets.

*(*Professor of Economics,
Indian Institute of Management, Calcutta)*

(BL, 12.12.03)

Don't Split Indian Oil Corporation

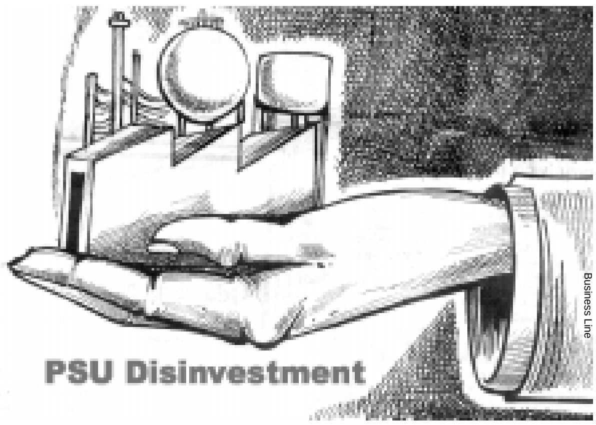
Raghuvir Srinivasan

In the Government's hurry to show success in privatising oil companies, the larger objective of disinvestments seems to have been lost sight of. Is the aim to free PSUs from government control? Or to raise resources to fill the dwindling exchequer? This is something the Government and Shourie need to think about, particularly in the case of Indian Oil.

With the Mathura refinery... with several strategic assets and a refining capacity of 38 million tonnes, Indian Oil has the capability to become a multinational major. It needs to be nurtured rather than cut down to size.

It is a move that needs to be nipped in the bud. The Government's decision to examine the possibility of breaking up Indian Oil Corporation before its eventual sell-off is ill-conceived.

The immediate provocation appears to be the failure of the privatisation process of Hindustan Petroleum following last month's Supreme Court (SC) judgement. The move could also have been triggered by the desperation to get as close as possible to the disinvestment target of Rs. 13,200 crore for this fiscal.



Why the split is wrong

The Indian Oil split proposal is not such a smart move after all, and needs to be opposed on two major counts. First, it will destroy a Fortune 500 company that has the makings of a multinational from India.

Granted, Indian Oil, with a current turnover of US$26bn is still a midget by global standards where the likes of the US$235bn Royal Dutch/Shell dominate. Yet, Indian Oil is the best bet we have to take on the oil giants in the international arena, and soon in the domestic market as well.

Indian Oil has charted out a strategy to expand its wings outside India. A good example is its foray into neighbouring Sri Lanka, where it has acquired a sizeable retail presence and also taken the strategic Trincomallee oil tank farm on operational contract.

It is the premier retailing company in India with several strategic assets and a refining capacity of 38mn tonnes. Indian Oil is expanding vertically into upstream oil exploration and downstream petrochemicals with a view to becoming an integrated oil company a la the multinationals. If any oil company in India has the resources and the capability to become a multinational major, it is Indian Oil.

Such a company needs to be nurtured and developed rather than cut down to size, literally. The proposal to break up Indian Oil is unacceptable simply because it will demolish a growing giant that will be a source of strategic strength to the country. And it is all the more so when you consider that it is being done merely to raise some much-needed funds for an eternally cash-strapped government.

Besides, Indian Oil is listed on the stock exchanges and has a significant investor following. The Government, as the dominant shareholder, has to behave responsibly, and proposals such as this will only serve to kill the stock market's developing appetite for PSU stocks.

While Hindustan Petroleum was created by the nationalisation of Esso's undertaking in India, Indian Oil was born in an organic manner. It was created in 1964 through the merger of Indian Refineries Ltd. and Indian Oil Company Ltd., which was set up in 1959. Therefore, the Supreme Court's verdict will not apply to the company.

It cannot be denied that favourable treatment from the Government over the years has been a major factor responsible for the growth of public sector. Indian Oil is certainly no exception to that.

Finally, there is the strategic argument. There is an element of truth when critics say that the oil sector is strategic and needs to be privatised with caution.

It is one thing to privatise Hindustan Petroleum and Bharat Petroleum, both of which together account for roughly half the market, but entirely another to privatise Indian Oil, which single-handedly owns the other half. Indian Oil also owns strategic tankages and pipelines, apart from — together with subsidiaries — accounting for about 45 per cent of the total refining capacity in the country.

It is a national oil company in its own right, much like Petronas of Malaysia or Petrobras of Brazil. Selling off such a company requires much more debate and consensus than is the case now. Indeed, the act of splitting up the company is bound to raise its own set of controversies, especially with regard to human resources.

In the Government's hurry to show some success in the privatisation of oil companies, the larger objective of the privatisation process itself seems to have been lost sight of.

Is it the lofty aim of freeing public sector companies from the shackles of government control? Or is it merely to raise resources for the Government to feed its expenditure programme? This is something that the Government and Shourie need to answer.

Pause and reflect, Shourie

The Disinvestment Minister, known for his crusading zeal as a journalist, appears to have taken the setback to the privatisation of Hindustan Petroleum and Bharat Petroleum personally. He has given an acceptable veneer to privatisation and the attempts by some of his own colleagues in the party and government to cut him down to size is enough and more proof of his success in the disinvestments domain.

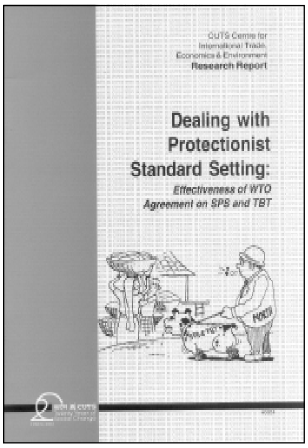
His never-say-die attitude on the issue of privatisation of the oil twins, Hindustan Petroleum and Bharat Petroleum, has helped keep the issue boiling more than a year after the first failed attempt on it. Yet, if he has not succeeded till now, it can only be put down to his failure to create a consensus across the political spectrum on the issue.

Shourie would do well to pause and reflect on this. Getting parliamentary approval as desired by the Supreme Court would have been a song, had the Government built a consensus on the issue.

Striving to build a consensus may help the privatisation programme more in the long-term than ill-advised attempts such as the one to split and sell off the country's premier oil company.

(BL, 07.10.03)

Research Reports



Dealing with Protectionist Standard Setting:
Effectiveness of WTO Agreements on SPS and TBT

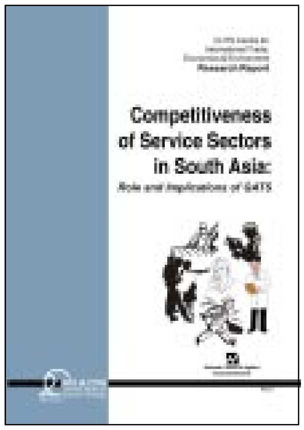
Sanitary and Phytosanitary Safeguards (SPS) and Technical Barriers to Trade (TBT) Agreements—enshrined in WTO—are meant to keep undesirable trade practices at bay. These Agreements try to ensure adherence to standards, certification and testing procedures, apart from technical protection to the people, by countries while trading in the international arena.

During the recent past, however, certain countries have used SPS and TBT Agreements to the extent of their indiscreet misuse. This is a fallout of the built-in lacunae in the two measures: first, their loose drafting, and next, the manner in which these Agreements are interpreted by the big economies.

This research report is a sincere attempt to fathom the relevance of SPS and TBT Agreements, their necessity in the present global economic scenario and, of course, the development of case law related to the Agreements, along with a brief description of the impact of this case law on the developing countries.

(Suggested Contribution: Rs.100/US$25)

Competitiveness of Service Sectors in South Asia:
Role and Implications of GATS

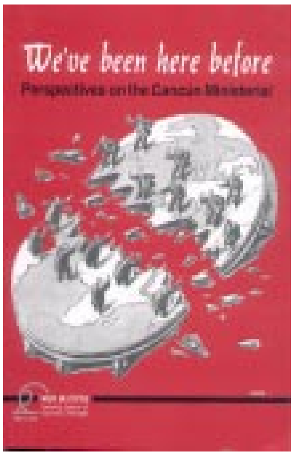


The General Agreement on Trade in Services (GATS) is the first multilateral agreement under the auspices of Uruguay Round to provide legally enforceable rights to trade in a wide range of services, along with their progressive liberalisation. The Preamble clearly recognises the right of all the parties to regulate the supply of services within their territories. It takes "particular account of the serious difficulty of the least-developed countries in view of their special economic situation and their development, trade and financial needs".

The developing countries need to play a different strategy during the ongoing negotiations. Rather than resisting the liberalisation of domestic markets and seeking a dilution of multilateral rules, they need to push aggressively for further liberalisation.

The present study is based on an attempt made towards understanding the relevance of trade in services and the multilateral discipline in the context of developing countries. The study finds that though potential for trade in health services has increased during the last few decades, the countries have adopted a relatively conservative approach while listing their commitments on health services under GATS. It highlights the ways and means to generate a stronger liberalising momentum in health sector by utilising the ongoing GATS negotiations. It would be in the interest of all countries to separate temporary movement from migration and push for liberalisation with special focus on the former.

(Suggested Contribution: Rs.100/US$25)



We've been here before
Perspectives on the Cancún Ministerial

CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) has compiled articles on the Fifth WTO Ministerial. The aim of this publication is to present different points of view on the causes of the failure (if at all) of the Conference in Cancún. Whilst some hailed a new beginning, others were disappointed following the collapse of the talks.

With this volume, we sought to bring together some of the pre and post- Cancún analyses by intellectuals, policy makers and trade negotiators that appeared in leading national and international newspapers. The first and second parts "Pre-Cancún" and "Cancún" set the scene. The third part "Post-Cancún" offers a myriad of responses to the Ministerial's outcome. The Annexes in turn provide the two drafts of the Cancún Ministerial Text as well as the final Ministerial Statement.

CUTS will not draw any profit from this publication, since it is solely for informative and educational purposes. (Book)

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.