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TOPIC/SUMMARY

NATIONAL

Rebuild India's police forces:

- The sad truth is that not one case of urban terrorism since 26/11 has been solved. Post-26/11, a comprehensive counter-terrorism apparatus has been built: the NIA (National Investigations Agency), the NCTC (National Counter-Terrorism Centre), and NATGRID (the National Intelligence Grid). The assumption seemed to be that technology and islands of excellence could compensate for lack of police capabilities and competence. The idea has failed. India's new systems for intelligence sharing are not of much help, for there is little intelligence to be shared; its new guns and listening devices have been rendered impotent by poor training and utilisation; and its forensic facilities are overstretched and under-skilled. Union Home Minister Chidambaram has pushed the States to hire substantial numbers of police in the hope of meeting chronic manpower deficits. But the battle won't be won by numbers alone: Bihar has a pathetic 74.29 police for every 100,000 residents, about a quarter of what it needs; Nagaland has a staggering 1,677.3 personnel per 100,000 population, almost seven times its requirement — but both are good examples of incompetent policing.
- Even though policing is a State subject, there are three things the central government can — and must — do to kick-start police reform. First, it must prepare a template for nationwide standards of police training and competence, compliance with which must be regularly assessed. Secondly, India desperately needs world-standard institutions for police tactics and investigation to produce the core of instructors who can develop the capacities of State police forces. States do run training programmes but their syllabi and training methods are, for the most part, unsuited to real-world policing. Few police forces have in-house forensic facilities, language specialists, or intelligence analysts. Thirdly, India's higher security management must be drawn through a process that tests aptitude for the job. Professional competence must guide promotions and remuneration. Prime Minister Manmohan Singh spoke on Wednesday of a “long war” against terrorism. What the central government needs most is modesty: it must get back to the drawing board and start building the police forces the people of India deserve.

Do not dilute the bill:

(the Draft National Land Acquisition and Rehabilitation and Resettlement Bill 2011)

- The draft Land Acquisition, Rehabilitation and Resettlement Bill 2011 circulated two months ago for public comments was a significant step forward but the amended version tabled in Parliament recently is two steps back.
- A thorough overhaul of the archaic Land Acquisition Act was overdue. To his credit, Jairam Ramesh, Cabinet

Minister for Rural Development, proposed a new bill with progressive changes and put it up for public consultation. The draft had commendable features such as mandatory public discussion and enhanced compensation.

- The United Progressive Alliance government seems to have diluted the provisions that would have clearly benefited farmers. The most regressive move is the reduction of the compensation amount. Poor management of land records and the undervaluing of properties have been impediments to determining a just compensation amount. Much of the dissatisfaction and protest of farmers across the country has been on this account. Responding to this, the draft circulated for public discussion recommended increasing the registered value of a property six-fold in rural areas and two-fold in urban areas. Unfortunately, the bill tabled in Parliament has reduced it by one-third in rural areas, leaving the compensation amount unchanged in urban areas.
- The draft was certainly more equitable. It not only tried to compensate landowners, but also proposed to extend the resettlement and rehabilitation benefits to all the tenants and agricultural labourers dependent on the land.
- The bill introduced in Parliament restricts the benefits to those who have been living or working in the place for more than three years prior to acquisition. Such a cut-off date is arbitrary and may keep a substantial number of people out.
- As past experience has shown, it also bristles with practical difficulties. The draft was particular about protecting fertile, irrigated multi-crop lands and prohibited their acquisition — but the bill allows for that. Though such acquisition is limited to a maximum of five per cent of the total irrigated multi-cropped area in that district, in terms of absolute extent this could get damagingly large, particularly in the bigger districts.
- Moreover, fertile lands can be acquired for private companies using this provision. If the UPA government presses ahead with these dilutions, it will be clear that all the rhetoric and posturing in Bhatta Parsaul and Singur were only for opportunist political gain. If it is serious about enacting just and defensible land acquisition legislation, the well-conceived provisions of the earlier draft must be restored.

Census findings point to rural distress:

- One of the most striking findings of Census 2011 is: that for the first time since 1921, urban India added more numbers to its population in a decade than rural India did.
- At 833.1 million, India's rural population today is 90.6 million higher than it was a decade ago. But the urban population is 91 million higher than it was in 2001. The Census cites three possible causes for the urban population to have risen by more than the rural: 'migration,' 'natural increase' and 'inclusion of new areas as 'urban.' But all three factors applied in earlier decades too, when additions to the rural population far outstripped those to the urban. Why then is the last decade so different? While valid in themselves, these factors cannot fully explain this huge urban increase. More so in a census in which the decadal growth percentage of population records "the sharpest decline since India's independence."
- Take the 2001 Census. It showed us that the rural population had grown by more than 113 million since 1991. And the urban by over 68 million. So rural India had added 45 million people more than urban. In 2011, urban India's increase was greater than that of rural India's by nearly half a million, a huge change. The story behind the numbers of the 2011 Census speaks of the tragedy: the collapse of millions of livelihoods in agriculture and its related occupations. And the ongoing, despair-driven exodus that this sparked in the countryside.

- Neither the Census nor the National Sample Survey is geared to capture the complexity of India's migrations. A migrant in the Census is someone counted at a place other than his or her last place of residence. This records a single move — not multiple migrations. So it sees only the tip of the mobility iceberg, missing footloose migrations altogether. What we do know from Census 2001 is of the flight from agriculture. Between 1991 and 2001, over seven million people for whom cultivation was the main livelihood, quit farming.
- We also get an extraordinary picture when viewing what demographers call the 'Urban-rural growth differential.' The URGD is simply the difference between the rates at which rural and urban populations expanded in each decade. It is also a rough and ready index of the extent of rural-urban migrations. The URGD in the 2011 Census is 19.8, the highest in 30 years.
- The other factor cited by the current Census for the turnaround is interesting. "Inclusion of new areas under 'Urban'." The number of 'statutory towns' has gone up by a mere 241 since 2001. Compare that with the preceding decade when they rose by 813, or more than three times that number. (A 'Statutory town' is an urban unit with a municipality, corporation, cantonment board or notified town area committee.)
- There is, however, a boom in the number of 'Census towns.' In the decade 1991-2001, Census towns actually declined from 1,702 to 1,361. In the 2011 Census, they nearly tripled to 3894. A 'Census town' is a village or other unit declared as a town when: its population crosses 5,000; when the number of male workers in agriculture falls to less than 25 per cent of the total; and where population density is at least 400 per square kilometre.
- At the very least, this means the male workforce in agriculture has collapsed in thousands of villages, falling to less than a quarter of all workers.

Shaming numbers

- Among the many forms of gender inequality, perhaps the most insidious is the one related to the sex ratio. India ranks high among countries having an adverse sex ratio, with fewer women than men. The 2011 Census revealed a small improvement in the overall sex ratio, from 932.91 females for every 1000 males (in 2001) to 940.27, but a steep fall in ratio for the 0-6 age group, from 927.31 to 914.23. Now the World Bank's 'World Development Report 2012' has come up with more shaming numbers.
- After China, India has the highest number of "missing girls" at birth, that is, the numbers that should have been born in keeping with the average world sex ratio at birth. It is small consolation that in India, the number of girls missing at age zero has come down marginally since 1990.
- The report, titled 'Gender Equality and Development,' notes that were it not for these two countries, an additional 1.2 million girls would have been born in the world (1 million in China alone). In both countries, the son preference — a clear cultural preference for boys — combining with the easy availability of technology to discover the sex of the foetus has resulted in sex-selective abortions, a phenomenon Nobel Laureate Amartya Sen terms "natal inequality." The high numbers in India show that attempts to tackle female foeticide through a ban on sex-determination tests, imposed under the Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, have been largely ineffective.
- China and India also account for the highest excess female mortality after birth, that is, the numbers of girls and women who die prematurely. The disproportionate mortality of girls during infancy and early childhood is the result of discrimination and a lack of access to water, sanitation, and health facilities. In India and some other countries, complications of pregnancy and childbirth are the cause of excess deaths of women in

the reproductive age.

- The World Bank report makes the telling point that “despite stellar economic growth in recent years, maternal mortality [in India] is almost six times the rate in Sri Lanka.” On the other hand, in sub-Saharan Africa, which accounts for 1.1 million missing women — a majority of them in the reproductive age group — the report notes the “dramatic” impact of HIV/AIDS on the increase from about 639,000 in 1990.
- From these and other numbers presented by the report, it is clear that, while more women are getting educated and entering the labour force, the gender gap stubbornly persists in vital domains. These gaps cannot be addressed unless it is first realised that gender inequality is not a women’s issue — and that it affects the well being of both men and women.

Constitution for inclusive policies:

- Of late, there has been a debate on whether public programmes such as school education, scholarships, health-care delivery and access to microcredit can be targeted at beneficiaries based on religion; some consider this ‘unconstitutional’ and argue that it amounts to discrimination. This article argues that there is nothing in the Constitution which bars identification of beneficiaries based on religion. Religious identity is listed on a par with race, caste, sex and place of origin, all in the same line, and these other traits are used to identify beneficiaries.
- The Constitution, resolves to secure to all citizens ‘equality of status and of opportunity,’ and directs the government to be proactive to ensure equal opportunity. Equality, equal access and equal opportunity concepts are elaborated in Articles 14 (right to equality), 15 (access to education) and 16 (public employment). The ‘... state shall not discriminate.... on grounds only of religion, race, caste, sex, place of birth’.
- Clause (4) of Article 15, states, “Nothing shall prevent the State from making any special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes and the Scheduled Tribes.” Interestingly, ‘socially and economically backward classes (SEBC)’ precedes mention of the SCs and the STs. Clause (5) directs the state to make a special provision by law for the advancement of the ‘socially and educationally backward classes’ through admission to educational institutions including private, aided or unaided.
- Article 16 provides for equal opportunity in government employment, and cautions the state not to discriminate on the grounds of religion, race, etc.; and clause (4) provides for making provisions for reservation of appointments in favour of ‘any backward class’ which in the opinion of the state, is not adequately represented in the services under the state. Thus, the onus of identifying a ‘backward group/class’ rests with the state.
- All explanations of Articles 14, 15 and 16 emphasise that the group classifications should not be arbitrary, must be compatible with the ‘objective of classification’ and pre-existing inequality should not be ignored. Therefore, any group of citizens (not arbitrarily formulated), including those named in the Constitution, namely religion, race, caste, sex, descent, and place of birth/residence should form the basis for backwardness. Backwardness can also be assessed based on occupation, workplace, age, language, etc., which are not arbitrary in nature.
- The state is directed by the Constitution “to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall

inform all the institutions of the national life” [Article 38(1)]. An amendment in 1976 states “The state shall, in particular, strive to minimise the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations [Article 38(2)].”

- Generally, the government collects and collates data for the SCs and STs; for example, to measure levels of literacy and higher education, share in state employment, etc. Similarly, multidimensional gender discrimination and regional disparities reflected from the ‘place of birth/origin/residence’ are measured. One fails to understand, therefore, as to why an assessment based on ‘religion’ is taboo. Therefore, the public policy view that religious comparisons in the levels of achievement in development indicators are ‘unconstitutional’ appears due to a lack of understanding of the spirit and intentions of the Constitution. Religion in India is a dominant social identity next only to sex and caste and, therefore, it cannot be singularly sidelined or ignored.
- Further, religious identity lends itself to a double whammy. Studies show unacceptably large compounding effects of sex, age and regional discrimination interacting with those linked to religion. Muslim and Dalit women (children) living in less developed States are the most excluded of all types of socio-religious groups in India.
- Empirical evidence is essential to developmental knowledge. It is reassuring that modern empirical and econometric methodologies accurately estimate and identify the characteristics of backwardness. Caste and religion stand out as dominant social identities of backwardness along with occupation (source of household income), residential and regional identities. Empirical analysis of process indicators (literacy, higher level education, formal employment, access to banking and credit, political participation, etc.) according to religious communities excluding Hindus, confirm Muslim placement below the line of average. If the SCs/STs are singled out and compared with religious groups, one finds Muslims in most of the measures about the same or even lower. With adjustments for initial conditions, the conditions of Muslims relative to the SCs/STs have worsened over the years. Such evidence suggests that policies and programmes of the national and State governments are less accessible to Muslims, to the extent that they can be labelled as discriminatory.
- Applying the standards set by the Constitution, one can argue the existence of a systemic bias based on religion. The only way to eliminate such bias is to ensure equal opportunity and access to programmes which generate benefits proportional to the size of the population. Naming programmes specific to the deprived community even if has to be done by caste and religious identity must be the public choice. It is clear that there is no catch-22 situation as has often been made out to be and it is not even ‘unconstitutional.’ Since the Constitution grants the state the responsibility of identifying ‘backward communities,’ it is the bounden duty of the national and State governments to bring the caste and religious communities facing exclusion especially the Muslims, into the fold of mainstream policies and programmes as recommended by the Sachar Committee report. Note that Article 25, while setting the parameters of the right to freedom of religion, has named selected religions to bring a certain degree of clarity as to what constitute the Hindus; and this Article does not preclude naming Muslims and Christians (two large religious communities) in public documents and legal enactments.

INTERNATIONAL

Middle East Quartet's last minute deal:

- The Middle East “Quartet” of the U.N., EU, U.S. and Russia, is pushing for the framework for renewed negotiations that would include a timeline for the birth of a Palestinian state.
- The deal is intended to permit Mr. Abbas to follow through on his commitment to Palestinians to seek recognition for an independent state at the Security Council, a pledge he could not abandon entirely without considerable damage to his already battered leadership.
- However, diplomats warned that a number of issues remain unresolved, including a Palestinian demand that the statement include a requirement that Israel halt construction of Jewish settlements in the occupied territories.
- The proposals under discussion would have the Quartet statement say, at the Palestinians’ behest, that the goal is a Palestinian state based on the borders at the time of the 1967 war that led to the occupation of East Jerusalem, the West Bank and Gaza. It will also meet an Israeli demand by saying that talks will result in two countries with Israel as a Jewish state.
- A Palestinian official acknowledged the plan was a focus of discussion with the Quartet although he cautioned that the leadership is concerned to ensure there is real momentum and that Israel is not permitted to drag out negotiations.

The contours of an independent state:

- Palestine will become the 194th member of the U.N. if its application for statehood goes ahead and succeeds. But what will be the territory of Palestine? Palestine is likely to consist of territory in the West Bank and Gaza, totalling around 6,200 sq km. At the moment the two areas are physically separate, although they could be linked by a sealed road in future. The Palestinians claim East Jerusalem as the capital of their new state.
- The Palestinian population is around 2.6 million in the West Bank, 1.6 million in Gaza and 270,000 in East Jerusalem.
- Palestinians are overwhelmingly Muslim although there is a small Christian population.
- There are also around 300,000 Jewish settlers in the West Bank and a further 200,000 in East Jerusalem. Israel evacuated settlers from Gaza in 2005.
- Arabic is the language of Palestine.
- There are two separate de facto governments in the West Bank and Gaza, under a president elected by all the Palestinian people. There is also an elected legislative council.
- In the West Bank, the authority, dominated by the Fatah political faction, is the official administrative body. Established in 1994 under the Oslo accords, its jurisdiction runs only in the main cities of the West Bank.
- Hamas is in charge of the Gaza Strip after fighting a bloody battle for control against Fatah in 2007, after winning elections 18 months before.

- The Palestinian president is Mahmoud Abbas, and the prime minister in the West Bank is Salam Fayyad. In Gaza, Ismail Haniyeh is the de facto prime minister.
- Earlier this year, following a reconciliation agreement with Hamas, which has since faltered, Mr. Abbas promised elections next year.
- There is a legislative council and local authorities, and ministries of finance, health, education, transport, agriculture, interior, justice, labour, culture, social affairs etc.
- The West Bank and Gaza have separate security forces and judicial systems.
- In April, the International Monetary Fund said the authority was “now able to conduct the sound economic policies expected of a future well-functioning Palestinian state, given its solid track record in reforms and institution-building in the public finance and financial areas.” Gaza's funding is opaque. According to Israeli and western intelligence, money is channelled from Iran and Islamist supporters in the Arab world.
- Will state recognition change the situation on the ground?
- Almost everything will be the same. The lives of Palestinians will continue to be dominated by the Israeli occupation and control over their territory. But it may strengthen their position in future talks.

Northeast: gateway to Bangladesh ties:

- Prime Minister Manmohan Singh's recent visit to Bangladesh deserves a special mention as he was accompanied by a delegation that included the Chief Ministers of four bordering Indian states — Assam, Tripura, Meghalaya and Mizoram. This has endorsed the significance these States have in the context of growing relations between Dhaka and New Delhi.
- The visit was a historic opportunity to open doors, mend fences, and reach out to each other realising the genuine needs of either side.
- The two countries signed 10 agreements, protocols and memorandums of understanding (MoU). Both countries felt the need to address pending issues quickly, resolving the political will which they had achieved when Bangladesh Prime Minister Sheikh Hasina visited India in January 2010.
- The presence of the Chief Ministers — Tarun Gogoi of Assam, Manik Sarkar of Tripura, Mukul Sangma of Meghalaya and Lal Thanhawla of Mizoram — gave the visit a new dimension, as it had direct ramifications for much desired trade and connectivity that India needs to connect its landlocked States — some 2,62,230 sq.km. and about five crore people — through Bangladesh.
- For the northeast, access to Bangladesh's Chittagong port, 75 km from Tripura, and gateway, was of importance. This has also a direct bearing on India's much talked about “Look East” policy.
- During their interactions with government, business and civil society leaders, the Chief Ministers sought increased trade, investment and connectivity. They offered joint venture industrial projects and promotion of tourism.
- The geographical proximity between Bangladesh and the northeast should be beneficial to both e.g. Tripura could supply 100 MW to power-starved Bangladesh if an accord was negotiated with India.

- All the Chief Ministers laid stress on improving Bangladesh's relations with the "Seven Sisters" in all sectors and proposed an increase of land ports. They also wanted cooperation in health, education and environment.
- They praised the resolve of the Sheikh Hasina government to act against separatists and insurgents.
- For the Hasina government, postponement of the Teesta water sharing accord came as an embarrassment. Maybe, more so for India. The Bangladesh media said it was "a big let-down" for Bangladesh.
- Another question addressed was the long-standing border issue including 6.5 km of undemarcated land boundary in three sectors — Daikhata-56 (West Bengal), Muhuri River-Belonia (Tripura) and Dumabari (Assam) — and land of adverse possessions — which were a source of conflict. The status of 111 Indian enclaves in Bangladesh and 51 Bangladesh enclaves in India was addressed.
- These deals will not only end border skirmishes but also help improve trade with Bangladesh across West Bengal, Assam, Meghalaya, Tripura and Mizoram. The residents of Bangladesh's Dahagram and Angarpota enclaves have already started enjoying their right to round-the-clock movement through the Teen Bigha corridor.
- Experts are of the view that increased trade and investment will not only benefit the northeast but also help Bangladesh's economy grow faster, creating jobs and higher income which will eventually deter illegal migrants, a concern India has repeatedly raised. Higher income in Bangladesh will also foster political and social stability, and likely subdue all forms of potential extremism.
- India and Bangladesh signed a framework agreement on bilateral cooperation, in which a commitment has been made for cooperation in trade, connectivity and water resources. They also adopted a 65-point joint declaration reaffirming their positions against terrorism in all its forms and manifestations, and reiterating the assurance that their territories would not be allowed for any inimical activity.
- The building of a durable Bangladesh-India relationship cannot be judged by one trip. The political leadership will have to show prudence to overcome the challenges that may bedevil the relations in the future by taking quick and appropriate measures. Geography and history are for India and Bangladesh to be together.

India backs 'New Silk Road':

- India has backed a multinational initiative to build a multi-billion dollar network of roads, railways and gas pipelines linking the resource-rich Central Asia with the continent's fast-growing economies — a project that its advocates describe as a "New Silk Road," a modern version of the fabled trade routes.
- The project would develop the "building blocks of our vision for Afghanistan as a hub linking Central and South Asia through pipelines, trade and transit routes for the common good of the people of our region and the world." The project would help build upon Afghanistan's "comparative advantage of abundant natural resources and its strategic geographical location."
- The new network would allow Afghanistan and other Central Asian states to attract new sources of foreign private sector investment and access markets abroad. This, in turn, would provide people in the region "with credible alternatives to insurgency."

- Indian firms are already bidding for the development of the Hajigak iron ore mines in Afghanistan, while Chinese corporations have begun work on a \$3 billion investment to tap the country's copper.
- New Delhi has also signed on to an \$7.6 billion project to build a 2,000-kilometre pipeline that will bring some 70 billion cubic metres of gas each year from Turkmenistan's Daulatabad fields to India, via Afghanistan and Pakistan. The construction of the pipeline, which will run through some 700 kilometres of Afghan territory and another 800 kilometres of Pakistan, is dogged by security concerns. India and Pakistan will both benefit from its construction, though, since it will give them reliable access to the world's fourth largest gas reserves.
- For its part, China has already made substantial investments in Central Asia. In December, 2010, a 1,833 kilometre pipeline carrying gas from the Saman-Depe gasfields of eastern Turkmenistan to China's Xinjiang region went online. China has made substantial investments in energy infrastructure in Kazakhstan and Turkmenistan.
- Beijing has also launched a number of ambitious highway and rail projects linking Central Asia to its western regions.
- The highways and rail links the “New Silk Route” projects envisage will also give Europe a level of direct access to Central Asia it has not enjoyed since at least the sixteenth century, when the caravans that ferried goods across the region were rendered redundant by the new oceanic trade.

The Arab League resurfaces:

- Amid the West Asian and North African turmoil, the League of Arab States has begun to raise its profile, a development that bodes well for the whole region.
- Prompted by popular uprisings, a committee of the Arab Parliament, to which the League's 22 members send representatives, has recently taken public positions on several key issues.
- It has proposed suspending Syria and Yemen for their failure to heed popular demands for reform and for cracking down on democratic protests. Significantly, the League rules out any call for international intervention of the kind it opportunistically approved in Libya — where, without its agreement, the continuing episode of western military adventurism would have been extremely difficult in the first place. Tripoli, however, remains suspended from the Arab body.
- The League now appears to be transcending some of its constitutional constraints. It has no supranational powers or enforcement mechanisms to support its broad objective of improving coordination among members on a wide range of matters, including military ones, and it cannot override national sovereignty. As a result, rivalries and disagreements between member states, and external exploitation of these, have at times rendered the grouping almost impotent. It has also been criticised as a body that serves dictators and despots, not ordinary citizens.
- In 2008, however, its Arab Charter on Human Rights, which is broadly consistent with other international rights instruments, came into force, and its recent expressions of concern over Syria and Yemen mark an important departure from its earlier silence on internal repression.
- The Arab League can become a genuine forum for the voices of the region's many peoples. Its potential for constructive engagement stands in contrast to that of the 57-member Organization of Islamic Cooperation

(OIC), which bases its own Declaration on Human Rights in Islam on the Sharia law and has only just abandoned a 12-year campaign to have what it called the “defamation of religions” incorporated into international human rights law.

- The League now has a chance to widen and deepen its forward-looking concerns — and to remind member-governments that progress towards democracy founded on the protection of human rights is a key element in political stability. That, in turn, will give greater weight to its members' calls for the creation of a Palestinian state. In sum, the Arab League's enhanced standing must be welcomed as a positive factor for the region and the world.

India for greater role to 'SCO plus' nations in Afghanistan:

- With the assassination of Afghanistan's chief peace negotiator Burhanuddin Rabbani, India is hoping that its Russia-backed desire of the Shanghai Cooperation Organisation (SCO) getting itself involved as a grouping would gain traction.
- The SCO Regional Forum, whose members and observers essentially enclose Afghanistan, would be an effective means of addressing some of Afghanistan's problems if it treated observers (such as India, Iran and Pakistan) and special invitees (Afghanistan) on an equal footing, said government sources here.
- “That is a good regional platform,” they said of the grouping that extends a helping hand to Afghanistan, nurtures little ill will towards Iran and Pakistan and has a greater interest in stabilising the country than the West since the flow of drugs and militants from Af-Pak region directly affects their well being.
- The proposal was aired by Russia and found a backer in India at a time when the Northern Distribution Network (NDN), routes ending in a funnel in Uzbekistan, is being increasingly relied upon by the West to send supplies to Afghanistan.
- The SCO Regional Forum could also talk to the U.S. and the Northern Atlantic Treaty Organisation (NATO), both of which prefer to deal bilaterally with countries in Afghanistan's near neighbourhood, but now need to involve the region's major players as a grouping to address the Afghan issue.

Role of Tashkent:

- Recognising the crucial role that Tashkent will play in the NDN, the U.S. has already warmed up to Uzbekistan. In fact, it was the sharp U.S. reaction to the troubles in Uzbekistan's Andijan province in 2005 that led to Tashkent accelerating its involvement with the SCO.
- A beginning with the SCO Regional Forum, it is felt, would stand the U.S. and NATO in good stead especially with the beginning of the drawdown of troops and equipment which arrived over nine years. But bulk of it will now have to be sent back in a much more compressed time frame of three years.
- The NDN is much costlier and circuitous. However, greater reliance on it would reduce the dependence of the supplies on routes going through Pakistan that have frequently been attacked. The NDN routes go through several countries, in the case of supplies from the German base of Germersheim as many as 10. Despite these challenges, the upfront involvement of SCO countries and Turkmenistan, would greatly help in the efforts to resolve the Afghan conflict which has players linked to neighbouring countries by ethnic bonds. So far, all these countries have promised to deal only with Kabul and its nominees rather than cut deals with warlords with shared ethnicity.
- In the coming days, sources expect the NDN to expand to include China. There have been reports of NATO

and Beijing opening talks on a supply route via Xinxiang Province.

- It is in line with this thinking that India is planning to reopen a hospital it had set up on Afghanistan's northern borders to treat Northern Alliance fighters when they took on the Taliban. India already has an air base in Tajikistan which it neither confirms nor denies. But sources speak of a base with developed infrastructure which has been used by the Tajik security forces for heavy duty operations against Islamic Movement of Uzbekistan (IMU) militants.
- Currently, India is taking an active interest in the SCO's Tashkent-based counter-terrorism centre where it gets to discuss the subject with four Central Asian countries besides Russia and China. "It is a great forum to do joint exercises with," said the sources.
- The New York meeting between Prime Minister Manmohan Singh and Iranian President Mahmoud Ahmadinejad bodes well for the development of an alternative route to Pashtun-dominated areas of Afghanistan in which India has played and will play a major role.

SCIENCE & TECHNOLOGY

Trouble for the space station:

- It was in July 2011 that the last of the Space Shuttles, Atlantis, made the final trip to the International Space Station. With the Shuttles' retirement, only Russia's Soyuz spacecraft can transport crew to and from the huge station that is orbiting the earth.
- But with a question mark hanging over the Soyuz rocket that launches the manned capsule, there is a very real possibility that the station might have to be temporarily abandoned. The issue arose after a Soyuz rocket, which lifted off from the Baikonur cosmodrome on August 24, malfunctioned.
- The station is well-stocked and can easily support the three Russians, two Americans, and one Japanese who are currently living aboard for several months. The problem is that the replacement crew, who are scheduled to leave for the station on September 21, is likely to be delayed while the Russians make sure it is safe for them to travel on the Soyuz rocket. But the astronauts on the space station may not be able to remain till the next crew arrive. That's because the two Soyuz capsules docked to the space station, in which they are to return home, are time-limited. Each of those capsules is certified to remain in space for only 200 days. Consequently, one set of three astronauts is now expected to leave the space station later this month and the remaining three in mid-November.
- The Soyuz rocket is a lineal descendant of the launcher that carried the world's first satellite, Sputnik, and subsequently the first human to travel in to space, Yuri Gagarin.
- Some media reports suggest that poor pay, an ageing workforce, and inadequate state support are leading to a decline in quality standards in Russia's once well-funded space sector. After the Soyuz failure, the Russian government ordered an industry-wide review and improvement of quality control procedures.
- It is, however, clearly desirable to have an alternative to the Soyuz capsule and rocket, which can provide much-needed back-up. But it could take a few years for U.S. spaceflight companies, like Space Exploration Technologies (SpaceX), to develop the necessary man-rated space hardware. Till then, Russia will have to shoulder the responsibility for taking astronauts to and from the International Space Station.

A promising service in 3G mobile networks:

- With the mobile teledensity crossing an all time high of 71 per cent with India having total telephones a little over 841 million as on May 31, 2011 and registering an average growth of 26 per cent p.a. the market is now poised for great utility mainly focusing on entertainment and advertising.
- Introduction of 3G has enhanced the capabilities of wireless mobile network with higher bit rate transmission for data transfer minimizing the cost and time. Internet access and data download including video and high quality music have increased in recent times.
- Mobile Broadband is expected to fuel the growth in India. As per the recent survey by GSM Association (GSMA), a ten per cent increase in broadband penetration will lead to 42 per cent revenue growth in healthcare sector, 36.8 per cent in education and 18.8 per cent in transport sector.
- The Third Generation (3G) wireless network, known as **UMTS**, provides broadband / high bit rate wireless Internet access, making it possible to offer a wide variety of multimedia services, such as multimedia messaging, video streaming and access to TV channels. Collaboration with third-party service providers to deliver new value added services and content to mobile subscribers is on the increase. High bit rate multimedia applications, such as local news, travel information, advertisements based on location, online broadcasting of movie clips, and sports events/ highlights, are among the services of interest to service providers and consumers.
- The **Universal Mobile Telecommunication System (UMTS)** network was conceived and designed to transport information efficiently as multimedia multicast and broadcast applications through the wireless network since the 'send once charge many times' philosophy of those types of services is especially attractive.
- **3rd Generation Partnership Project (3GPP)** defines **Multimedia Broadcast Multicast Services (MBMS)** as "a point to multipoint (PTMP) down link bearer service for IP data in PS domain" The main objective being to offer high speed data rates and to enhance the capability of UMTS for efficient Multicast and Broadcast mode.
- The broadcast mode is a unidirectional point-to-multipoint transmission of multimedia data (e.g. text, audio, picture, video) from a single source entity to all users in a broadcast service area. In the multicast mode there is the possibility for the network to selectively transmit to cells within the multicast service area which contain members of a multicast group. For some of the services using the multicast mode payment of subscription is required.
- MBMS architecture shall enable the efficient usage of radio-network and core-network resources, with the main focus on the radio interface efficiency. Specifically, multiple users should be able to share common resources when receiving identical traffic.
- It enables re-use, to the extent possible, of existing 3GPP network components and protocol elements.
- It supports different quality of service levels, charging data shall be provided per subscriber for MBMS multicast mode, provide services to users when roaming outside their home network also and interworking possibilities between MBMS capable network elements and non-MBMS capable network elements
- Broadcast and Multicast Service Centre (BM-SC) takes care of content provider charging and MBMS transport, GPRS Gateway Support Node (GGSN) is meant for service QoS negotiation and traffic routing, and Serving GPRS Support Node (SGSN) is used for user authentication, service authorization.

- **Radio Access Network (RAN)** functions include delivery of MBMS data to designated service area, support initiation/termination of MBMS transmissions by the CN and support intra-RNC, inter-RNC mobility of MBMS receivers.
- MBMS is a very promising technology for the future because of many great advantages. The merits are — decreases data in the network, uses radio resources more efficiently, offers new service categories like Mobile Broadcast Services and Multipoint-to-Multipoint Services in two modes — Broadcast (stimulate subscription to other services) and Multicast (subscribed services, generate revenue).

The importance of Archaeology:

- Archaeology in India has progressively changed from antiquarian pursuit to rigorous science. Leading this transformation has been the Archaeological Survey of India. Since its establishment in 1861, it has been 'digging and discovering' precious historical sites, and 'deciphering and describing' thousands of important inscriptions.
- The 150th anniversary is an occasion for the nation to acknowledge the ASI's commendable track record and reflect on its future. Alexander Cunningham's 1861 memorandum to Lord Canning, which impressed on the colonial power "the supreme need" to undertake a systematic survey of monuments in India, led to the appointment of the first Archaeological Surveyor. Ten years later, the ASI became a distinct department, with a monthly budget of Rs.54,000.
- Since then, it has taken up important excavations at sites such as Kusinagara, which provided an archaeological basis for Buddhist history. It recovered the famous Lion Capital at Sarnath, which has become a part of the national emblem. It unearthed key evidence at the urn burial site at Adichchanallur, which spotlighted the unique features of the Iron Age in South India. The high point in the ASI's history was the 1921 discovery of Indus Valley sites at Harappa (by Daya Ram Sahni) and at Mohenjodaro (by R.D. Banerji).
- While epigraphy, excavation, and setting up site museums were part of ASI activities from the start, the periodic conservation of monuments and sites was taken up only from the 1940s.
- Here too, much of the work has been first-rate, with the magnificent preservation of the millennium-old Brihadisvara temple at Thanjavur standing out as an example.
- The ASI has shared its expertise with other countries and done significant work at Bamiyan and Angkor Vat.
- On the flip side, it has been able to protect only 3,676 historic sites, leaving an estimated 700,000 heritage structures unattended. If this huge deficit can be blamed on poor funding by the government and shortage of trained human resources, the delays in writing and publishing excavation reports and the loss of 35 nationally important monuments to encroachment represent serious professional failures.
- Another area where the ASI has not done well is in adopting cutting edge technologies for Archaeological Prospection.
- The way forward is to correct these deficiencies, provide more autonomy to the ASI's regional circle offices, and do regular performance audits. Finally, the ASI must be encouraged to engage local communities in the protection of archaeological heritage, a strategy found to be rewarding in many countries.

ECONOMY

Looking beyond the Doha Round:

- The Doha Round of trade talks having an ambitious development component was launched in November 2001 in Doha. With its emphasis on rule-bound multilateral trade, the Doha Round aimed to bring about stability and orderliness in world trade and thus provide an antidote to the chaos and uncertainty and nervousness that had begun to afflict the global economy. It sought to enable poorer countries export more by gaining greater access to developed markets while it was expected that the latter would reduce their various subsidies, “market support” programmes and so on that distort global trading rules. However, during the last ten years, the talks have missed many deadlines. Last year, the G20 countries urged a completion of the Doha Round by the end of this year (December 2011).
- WTO's Director-General Pascal Lamy said recently that the Doha Round talks had reached a deadlock. Among the points the WTO Director-General made during his recent visit to Delhi are:
 - 1) All member countries (of the WTO) should continue to repose faith in multilateralism. Government should recognise the contribution of multilateral trading during the recent crisis, through smooth flow of goods and services between countries and peaceful settlement of trade disputes, to capacity building in developing countries.
 - 2) At a time when the global economy is limping towards recovery and many countries are deep under sovereign debts, the multilateral trading system could be “the only tool to fight poverty, generate employment and create jobs”.
 - 3) The WTO is an insurance policy against protectionism and it did work during the crisis. But over the last several years the Doha Round is inextricably linked to the WTO. If the Doha Round prolongs, there is a risk of the WTO itself losing its credibility.
- A multilateral trade agreement governed by rules and procedures will give member countries access to WTO's highly acclaimed disputes settlement body through which the smallest member country can direct the richest to stop trade distorting practices. The failure to complete the Doha Round would inevitably lead to a dilution of the WTO and the rule of law which the organisation has helped foster in international trade. The sad fact is that despite member countries being fully aware of the risks to world trade in allowing the Doha Round to lapse, nothing much can be done to resuscitate it at this stage. Many countries have contributed to its failure by refusing to work out a fair package but a large part of the blame should vest with the U.S. and a few other rich countries.
- Time has come to look beyond the Doha Round. Trade ministers from all the 153 member countries will meet in Geneva between December 15 and 17 to draw a map for sustaining the multilateral system in future. Will that be an occasion to officially call off the Doha Round?

LOOK BEYOND DOHA:

- Despite attempts to carry it forward, the 10-year-old Doha round of trade talks has reached a moribund state. Although none among the 153 member countries of the World Trade Organisation has thrown in the towel as yet, there is very little chance of the talks reviving in the near future. WTO Director-General Pascal Lamy was putting it mildly when he said recently that the talks have reached a deadlock. But rather than pitch for a revival, the WTO and member countries having a vested interest in trade are keen on preserving the gains of multilateral agreements. And, why not? A successful conclusion to the Doha round would no doubt have boosted multilateralism. But since that seems impossible why not judiciously harness its

principles in future trade talks. Multilateral trade has conferred many advantages in the past and is still extremely relevant. During the recent crisis, it helped in the smooth flow of goods and services between countries and in peaceful settlement of trade disputes. It also aided capacity-building in developing countries. At the present juncture, with the global economy limping towards recovery and many countries mired in sovereign debts, multilateral trade could be the only tool to fight poverty, generate employment, and counter the creeping protectionism in the developed countries.

The WTO- credible still:

- With all the fading hopes over the Doha Round, the contribution of the WTO might be apt to be ignored or discounted.
- The Doha Round might have stalled — most probably for ever — but the significant contribution of trade negotiators over the years in narrowing down differences cannot be ignored and will most certainly count in future negotiations.
- In fact, over the past few months, trade negotiators meeting continuously at the WTO headquarters in Geneva have been striving very hard for a consensus on a few critical issues.
- It is such largely unpublicised efforts rather than any vocal political support that had kept the hopes alive.
- However, the fact remains that in several ways the world's major trading nations have been moving away from the spirit of multilateral trade. For instance, there has been a strong preference among countries, India included, for bilateral “free trade” agreements, which generally take less time to forge and promise almost immediate results.
- However, it is not in the best interests of either trade or individual countries that a slew of bilateral pacts should dominate world trade. Going by the experience these pacts lead to hegemony by the rich countries over the poor as well discrimination and distortion in trade policies.

RBI mid-quarter review:

- A plethora of conflicting trends and signals made the Reserve Bank's mid-quarter review a complex affair. Two important macro economic data — industrial production numbers for July and the Wholesale Price Index-based inflation for August — were released recently, just days ahead of the policy meet.
- Both have a substantial influence on the monetary policy formulation. The Index of Industrial Production data for July confirmed the slowdown in economic growth. At 3.3 per cent, it is the slowest rate of growth in almost two years. Contraction in production of both capital and intermediate goods accounted for a substantial portion of the decline. Growth in manufacturing, which constitutes 75.5 per cent of the IIP, hit a 21-month low at 2.3 per cent in July, down from 10.8 per cent during the same month last year. Growth during April-July this year has averaged just 5.8 per cent.
- The weak data prompted calls for a pause in monetary tightening. Industrial growth, especially manufacturing, is highly interest rate sensitive.
- At another level, it is also suggested that the GDP growth projections for the current year need to be reworked. For instance, the Economic Advisory Council to the Prime Minister had pegged the industrial growth at 7.1 per cent for this fiscal, which would deliver economic growth of 8.2 per cent. The assumption was that agriculture would grow by 3 per cent and services by 10 per cent.

- Of course, the biggest worry is inflation. Headline inflation as measured by the WPI rose to 9.78 per cent for August from 9.22 per cent a month ago. Core inflation (non-food manufactured inflation), which the RBI tracks carefully, rose to 7.8 per cent from 7.5 per cent. The RBI's target range for inflation at the end of this fiscal is 7 per cent.
- So on the eve of its policy meet, the choice before the RBI was as stark as it could ever be. Should it raise the policy rates to douse inflation a course of action that seems to suggest itself automatically given the persistence of inflation? Or should it pay heed to several appeals, including from the highest levels of the government and 'pause'?
- The RBI had hiked the rates 11 times between March, 2010, and July, 2011. The repo rate on the eve of the policy meet was 8 per cent.
- Complicating the decision making is the worsening sovereign debt crisis in Europe and the high unemployment amidst low growth in the U.S. While the Indian financial sector is insulated from the European crisis, exports might see a demand contraction in these developed markets. But by far the biggest impact of the sovereign debt crisis is on global commodity prices, whose phenomenal upsurge in the recent past drove up inflation. Theoretically, the crisis in Europe should soften commodity prices. However, the fall in commodity prices, including those of petroleum, has been arrested. The unconventional methods adopted in the U.S. to stimulate the economy — through ultra soft monetary policies — are bound to push up global commodity prices, by increasing liquidity.
- Finally, the argument that the RBI should take into account the deceleration in the economy is valid only up to a point.
- In the first quarter of the current year, the economy grew by 7.7 per cent only marginally lower than the 7.8 per cent growth of the previous quarter. That there is a deceleration is not in doubt but there is no danger of a collapse. The RBI itself has on more than one occasion made it clear that a portion of the growth momentum will have to be sacrificed as it pursues an anti-inflationary policy.
- On Friday, the RBI hiked the policy repo rate by 0.25 percentage point for the 12th time to 8.25 per cent. The reverse repo rate has consequently been fixed at 7.25 per cent and the marginal standing facility rate at 9.25 per cent.
- In a brief crisp policy statement, the RBI has explained the rationale of its action. Global macroeconomic outlook has worsened since the RBI's quarterly review of July 26.
- The sovereign debt crisis in Europe has worsened. The U.S. economy is beset by high unemployment and weak growth. India's exports, now on a high growth trajectory, are expected to falter in the face of weak demand from the developed countries. Since domestic demand is also weak, partly due to the monetary action, there could be a case for revising downwards the RBI's growth estimate for the current year. Recently, the rupee has depreciated sharply against the dollar.
- The RBI attributes this to increased risk aversion. It remains to be seen as to how far capital inflows will be affected. Food prices have remained persistently high despite a satisfactory monsoon.
- No longer can they be treated as a temporary phenomenon. There are structural factors both on the supply and demand side underpinning food inflation.
- The RBI expects inflation to moderate towards the end of the year as past monetary actions work their way through the system.

- Monetary policy operates with a lag. Hence, a premature withdrawal of monetary tightening will be counter-productive and harden inflation expectations. The mid-quarter policy statement does not give a clue as to when the monetary tightening will begin to be phased out. Evidently the central bank will wait for a reversal in the inflation trajectory. Global developments will, of course, play a part.

RBI's annual report imparts 'downward bias' to India's growth rate:

- The Annual Report for 2010-11, a statutory publication of the Reserve Bank of India's central board, covers two broad areas — assessment of macroeconomy in 2010-11 as well as prospects for 2011-12 and working and operations of the RBI and its financial accounts.
- The latest report released on August 25, like its predecessors, is a snapshot of the economy in the previous year even while it assesses its strengths and weaknesses during the current year.
- Excerpts from the report covering growth prospects, inflation outlook and certain other aspects of the macroeconomy in the current year are given here.
- The economy returned to a high growth path in 2010-11. However, there were significant challenges: investment slowed, fiscal consolidation was achieved through one-off and cyclical factors and inflation remained sticky on the back of new pressures.
- In response, the RBI has raised the policy rates by 475 basis points (on a cumulative basis) since March, 2010. The central bank's medium-term target for inflation has been 3 per cent.
- The current account deficit was contained within a reasonable limit, mainly due to an upswing in exports and a turnaround in invisibles.
- After growing slightly above its recent trend in 2010-11, the economy can be expected to decelerate this year. But quite significantly, the growth rate will still be around 8 per cent. However, there is a possibility of global problems getting magnified and imparting a 'downward bias' to India's growth rate.
- In general, growth prospects in the current year appear to be more subdued than last year. Apart from global uncertainties, high prices of oil and certain other commodities have a dampening effect. Other factors weighing on growth are persistent inflationary pressures, rising input costs, higher cost of capital (due to monetary tightening) and slow project execution.
- While industrial growth may suffer because of loss of business confidence, the services sector is expected to make up for the shortfall and support the overall growth process.
- Investment may remain soft in the near-term, while private consumption may decelerate. In the face of moderating demand, 'expenditure switching' from government consumption expenditures to public investments would help. Inflation is expected to remain high and moderate only towards the latter part of the year to about 7 per cent by March, 2012. The decline in global commodity prices has not been significant so far. However, if the global recovery weakens further in the days ahead, commodity prices may fall and that may have a salutary effect on the Indian economy.
- The ultra soft monetary policy pursued by the U.S. can keep commodity prices elevated. If the global oil prices stay at current levels, further increase in prices of administered oil prices will become necessary to control subsidies. Fertilizer and electricity prices will also require an upward revision in view of sharp rise in input costs.

- Monetary policy by itself faces inherent limitations in tackling inflation in the absence of adequate supply side responses.
- However, it can still play an important role in curbing the second round effects of supply-side inflation. In the face of nominal rigidities and price-stickiness, there are dangers of accepting the current elevated inflation level as the new normal.

The twin deficits:

- The fiscal deficit is likely to overshoot the budgeted provisions. If the economy slows down further as is anticipated, the erosion in revenue will magnify the fiscal slippage. Also, the space for counter-cyclical fiscal policies is more limited than it was at the time of the global crisis in 2008.
- On a more positive side, the current account deficit (CAD) is expected to be contained within a sustainable 2.7-3 per cent of GDP. The export performance has been robust in 2010-11.
- However, by all accounts exports are expected to slowdown later this year due to the deceleration in the advanced economies. Software exports too will be affected as bulk of them are to the U.S. and Europe.
- Capital flows are more difficult to anticipate. Their ebb and flow depend on the degree of risk aversion. If the global crisis deepens, capital flows will moderate. However, capital flows can increase in spells on a relative return basis and due to interest differentials.

Medium-term challenges:

- The immediate challenge to sustaining high growth lies in bringing down inflation. Over the medium-term, however, growth can be sustained only by addressing the structural bottlenecks.
- The medium-term challenges are: Lowering inflation and inflation outlook to acceptable levels; harnessing technology for agriculture productivity enhancements; maintaining right balance between consumption and investment; facilitating energy security; facilitating infrastructure finance; and promoting financial inclusion and inclusive growth.

IMF's dire warning:

- The International Monetary Fund has a credible record of spotting, and tracking, world economic recovery more accurately than most other global institutions. As such its prognosis has always been keenly watched. Hence its warning, first issued while launching the latest edition of the World Economic Outlook on Tuesday and repeated on at least three different occasions, that the global economy was in "the danger zone" ought not to be treated as a hyperbole.
- The onus of taking corrective measures is squarely on politicians round the globe, and not just on those in the United States who have displayed an amazing disharmony in sorting out key economic issues.
- As Indian experience too demonstrates, a fiscal policy that is dictated by political considerations cannot complement the monetary policy adequately to achieve key objectives, such as reining in inflation.
- The global growth forecast for 2011 has been marked down to 4 per cent from 4.3 per cent. That small decrease in percentage terms, however, does not fully reflect the fears and forebodings of the IMF, which

stand reinforced by its Global Financial Stability Report (GFSR), released almost simultaneously with the WEO. The report serves as an early warning system and recommends policy action to stave off a crisis.

- There are ample reasons for policymakers of both the developed and the developing countries to worry, as risks of financial instability have increased significantly in the past few months.
- The global financial crisis that began with the U.S. sub-prime loans and then morphed into a systemic banking problem with international implications is far from being resolved. The sovereign debt crisis in the euro zone countries represented the next stage. Now, there is a political phase where a consensus on fiscal consolidation and adjustment has been eluding the politicians on both sides of the Atlantic.
- As part of a three-pronged action plan for the developed countries, the IMF has called for a credible, medium-term fiscal adjustment plan. The U.S. should take steps to resolve the problem of overstretched household balance sheets through an aggressive restructuring programme. Thirdly, the banking sector in Europe should be fixed immediately, if necessary through infusion of capital.
- Developing countries need to avoid a further build-up of financial imbalances. In words that seem prophetic, the IMF has cautioned that countries such as India will face a sudden reversal of capital flows if foreign investors see their growth prospects petering out. In the post-crisis period, country risk assessments have become more important than interest differentials.

ENVIRONMENT

Working towards a greener India:

Indo- German Partnership

- The world's largest solar photovoltaic plant will start delivering up to 125 megawatt (MW) of clean, sustainable solar energy in Maharashtra in March 2012. Germany is proud to play a role in this important project by supporting the financial investment. Only recently, Germany's state-owned KfW Development Bank and India's Ministry of Finance signed a reduced-interest loan of €250 million for the construction of this solar plant at Shivajinagar, Sakri.
- This is just one example of the flourishing Indo-German partnership in the energy sector, aiming to strengthen energy efficiency and the use of renewable energies. The objective is to develop an Indian energy system that is sustainable not only in economic but also in ecological terms.
- Energy is a priority issue for India. Currently, the power situation in India is one of the major bottlenecks in its growth story. Even though India's total installed power capacity rose to 170 gigawatt (GW) by December 2010, the challenges lying ahead are critical. About 400 million people are still without a power connection. According to a rough estimate, the total demand for electricity in India is expected to cross 950 GW by 2030.
- This is a huge challenge, especially against the backdrop of climate change. In absolute terms, India has already become one of the largest emitters of greenhouse gases in the world. Between 1994 and 2007 its annual greenhouse gas emissions increased by 58 per cent as an effect of rapid economic growth, higher industrial activity and consequent increase in energy production, consumption and transportation.
- However, throughout its history, India has shown that it is able to deal with challenging situations. Likewise, one can sense a strong political will in India today to reduce the ecological costs of economic growth; for e.g., by employing a low-carbon strategy. Important steps in this direction have already been taken. In June 2008, India launched the National Action Plan for Climate Change (NAPCC), which envisions creating a self-

sustaining economy. Under the NAPCC, India has outlined present and future policies to control the growth of emissions in eight different sectors. In the framework of the Jawaharlal Nehru National Solar Mission, it has set an ambitious goal of achieving 20 GW of solar capacity by 2022.

- India offers a conducive atmosphere for the growth and application of renewable energies. When utilised in the right manner and with the right technology, India can become a world leader in the field of renewable energy. For example, most parts of India have 300 to 330 sunny days in a year, which is equivalent to over 5,000 trillion kilowatt hour (kWh) per year — much more than India's total energy consumption per year.
- India is also endowed with a large, viable and economically exploitable wind power potential. By June 2009, a wind power capacity of 10,386 MW had been established in India, making it the fifth largest wind power producer in the world. India's hydro power potential is estimated to be 150,000 MW, the current installed capacity being 35,000 MW. Thus there are many opportunities and Germany is happy to be one of India's main partners in harnessing renewable energies and moving towards a greener future.
- Our expertise and technological edge can help India tap its vast resources efficiently and competitively. Consider this: Germany is a world leader in renewable energy. Currently, Germany produces 17 per cent of its electricity by using renewable resources. Out of its total production of 600 billion kWh in 2010, wind turbines, hydroelectric plants, solar cells and biogas digesters together contributed 100 billion kWh and this is set to grow. With our new energy policy in place, we are looking at achieving 35 per cent production from renewable energies by 2020, expanding this sector even further.
- Some of Germany's companies with interest in renewables have already made their way to India or are taking this step. Largest among them is perhaps Siemens, which is planning the production of 2.3-MW wind turbines in Gujarat by 2013. Also among them is Juwi, a well-known German developer, who set up shop in Bangalore in 2010 to serve the Indian market in developing solar power plants. Also, the world's largest solar fair — the Intersolar fair in Munich — already has an Indian sister, the yearly Intersolar India, which will be held for the third time this December in Mumbai.
- Given India's needs and Germany's expertise, it is then no surprise that energy is a top priority in Indo-German economic cooperation. In 2010 the German government committed about €330 million exclusively for energy efficiency and renewables.
- To give just a few examples of our ongoing cooperation — We promote investments in renewable energy by providing sustainable financing through the Indian Renewable Energy Development Agency (IREDA). Through KfW, we have committed credit lines to primarily finance project types that are relatively new in India in terms of technology, institutional set-up or financing structure. In Anta, Rajasthan, we are involved in financing a 15-MW concentrated solar thermal power station in collaboration with the National Thermal Power Corporation (NTPC).
- As important as our financial cooperation is the technical cooperation (TC) through our implementing agency, GIZ. As a special component under the Indo-German Energy Programme (IGEN), a coordination office with German and Indian experts has been set up on the premises of India's Ministry of New and Renewable Energy in New Delhi to foster TC activities in renewable energy.
- Over and above this, there are a number of other projects addressing various issues in the field of renewable energy. For example, the GIZ project 'Solar Mapping and Monitoring' aims at mapping India's potential for solar power generation with precise on-the-ground-data, rather than the rough satellite data available so far, and thus further the production of renewable energies. Through COMSolar (Commercialisation of solar energy), we are focusing on developing partnerships with private companies in order to promote commercialisation of solar energy in the urban and industrial sectors. The project implementation partner,

GIZ, also organises training programmes, including seminars, study trips and special courses for capacity building and enhancing local expertise in the relevant field.

- Since 2009, Germany and India have been organising a 'Carbon Bazaar' every year. This event provides a platform for entrepreneurs to establish direct contact with various stakeholders in the energy sector, with the sole purpose of reducing the carbon footprint of economic activities.
- Last but not the least, the Indo-German Energy Forum, established by Chancellor Angela Merkel and Prime Minister Manmohan Singh in 2006, focuses on promoting cooperation in energy security, energy efficiency, renewable energy, investment in energy projects, and collaborative research and development in the energy sector. This has proved to be an important tool in our bilateral relationship.
- Germany considers India a key partner. A combination of India's positive outlook on renewable energy and Germany's expertise and technology will help us in achieving a sustainable, climate friendly energy mix of the future.

HEALTH

AIDS vaccine: a ray of hope:

- The search for an effective AIDS vaccine began a quarter-century ago and after a series of failures, there finally appears some reason to cheer. The first signs of success are beginning to emerge, ironically, from a trial (RV144) that seemed destined to flop.
- The two vaccine candidates — ALVAC-HIV and AIDSVAX — used in the prime-boost trial conducted in Thailand from 2003 to 2009 failed in their prime objectives when each vaccine was tested individually.
- However, the trial, which involved more than 16,000 healthy volunteers, showed a statistically significant protection rate of 31 per cent in one of the three analyses performed. Further analysis of the trial data has revealed something more interesting.
- During an AIDS Vaccine Conference held recently in Bangkok, scientists reported the discovery of molecular clues that might have played a crucial role in the vaccine's performance. Forty-one volunteers who received the vaccine and contracted HIV, and 205 others who received the vaccine but did not get infected with the virus, were chosen for some detailed investigations. Much to their surprise, the scientists found distinct antibodies that provided protection against or made the volunteers vulnerable to HIV infection.
- A Y-shaped immune molecule called an immunoglobulin G (IgG) was found in the blood of those who were not infected. It turned out that this molecule had the ability to recognise a particular portion of HIV's outer covering and hence was able to confer better protection. On the other hand, another antibody (IgA) that recognised different portions of the HIV's outer covering made people more susceptible. According to Nature, these people were 54 per cent more likely to become infected than those who did not have this antibody.
- This is the first time a clinical trial has provided interesting leads that hold the promise of advancing AIDS vaccine research. Scientists are already planning animal studies to test the effectiveness of these antibodies. Three human trials using the same vaccines are also likely to start on a small scale in Thailand next year.
- The results from such studies may tell us if the antibodies caused the protection against HIV or if other factors played a role. But one thing is certain — the outer covering that conferred protection will become

one of the most studied aspects of the virus.

- Only further trials in different populations can ascertain if the antibodies will be able to confer the same level of protection when used in other HIV vaccines and against other HIV strains. There is a ray of hope, but the need to temper optimism with caution stands out in a field littered with failures and disappointments.

To save your heart, predict and prevent:

- The heart is a pump. When that pump becomes weak, it is not able to pump enough blood and provide nutrition to various organs of the human body. This condition is commonly referred to as 'heart failure.'
- The incidence of heart failure is increasing by the day in the developing countries despite advances in health care. This is because of increased life expectancy with resultant increase in the size of the aged population, and also better awareness about the condition or ailment. Heart failure is the final pathway to cardiac diseases such as heart attacks, valvular heart diseases, hypertension (high blood pressure), and heart muscle diseases (Secondary to infections, the use of certain drugs, diabetes and also unknown causes.).
- The incidence is one per 1,000 population a year. Above the age of 80 years the incidence becomes 10 per 1,000. The risk of death in untreated cases is 5 to 10 per cent annually. The common symptoms in the early stages are breathlessness and fatigue. In the advanced stages the urine output will be low, there will be extreme breathlessness, and swelling in the legs and face due to fluid accumulation. A majority of studies have shown that high blood pressure, when it remains undetected and untreated, can result in the gradual enlargement of the heart accompanied by the weakening of heart muscles, resulting in heart failure.
- The treatment is oriented towards relieving the symptoms, improving the quality of life and reducing mortality and instances of repeated hospitalisation. Studies have shown that the readmission rate within one year is up to 30 per cent in such cases. This results in increased demand for hospital beds. The patient's finances are hit, and there is an impact on insurance companies and employers.
- The management is either by means of drug therapy, devices such as pacemakers of a special type to improve the pumping capacity of the heart, or, finally, cardiac transplantation. Pacemakers are quite expensive and have only limited battery life. Cardiac transplantation has its limitations in terms of the availability of suitable donors. So early detection and prompt medical treatment are key to managing the rising number of cases.
- In the developed countries there are special (heart failure) clinics for such patients. Many of them may need domiciliary care. These aspects of care are yet to come to India. Pacemaker devices and cardiac assist devices such as the artificial heart (which is a bridge to cardiac transplantation) are expensive. The cost may come down as more patients seek to undergo such therapy. Many of these patients suffer a psychological impact also and develop depression due to chronic illness, recurrent hospitalisation and the financial burden.
- The number of cases of heart failure is bound to rise exponentially in the years to come. We should not wait till a surge happens. There is a need to predict, prevent, and be prepared in order to tackle the situation, before heart failure cases grow to such high levels.

The cardiac check-list

- High BP is a common cause of heart failure if left untreated. Early detection and prompt treatment are needed;

- Do not ignore symptoms like breathlessness and undue fatigue;
- Diabetics can have heart failure due to associated coronary artery disease (blocks in arteries supplying the heart muscle) or due to weakening of heart muscle, or both. Good control of blood sugar levels is essential;
- Regular medical check up after 40 years of age is advisable;
- Those who have established heart problems should strictly adhere to regular diet, salt restriction, drugs and be under regular follow-up.

Diabetes alarm:

- New data on the population-level prevalence of diabetes in India underscore the need for a major public health initiative aimed at prevention and control of the condition.
- Small-scale studies highlighted the problem earlier, but the just-out results of the first phase of the Indian Council of Medical Research-India-DIABetes (ICMR-INDIAB) study in Maharashtra, Tamil Nadu, Jharkhand, and Chandigarh present more robust evidence that diabetes is growing in urban and rural areas.
- The scale of the challenge is clear from what is now empirically established. In just three States and one Union Territory, the number of people classified as pre-diabetic is an estimated 14.73 million, and 11.88 million are confirmed to be diabetic. These groups represent a significant percentage of the total population. Diabetics form 10.4 per cent of the total population in Tamil Nadu, 8.4 per cent in Maharashtra, 5.3 per cent in Jharkhand and 13.6 per cent in Chandigarh. For pre-diabetics, the percentages are 8.3, 12.8, 8.1 and 14.6 respectively.
- It is reasonable to assume that the story is not very different in demographically similar States and future data are likely to confirm that. Going by medical evidence, a quarter of the patients with diabetes are at risk for coronary artery disease, eye and kidney damage, foot complications, and the like. These trends are bound to increase disease burdens and health care costs over time.
- The policy imperative is to identify those at risk through established protocols, initiate prevention strategies, and offer good health care to diabetics.
- Data from the ICMR-INDIAB study demonstrate that periodic screening can reduce the ratio of new cases of diabetes to known cases. Tamil Nadu fares the best in this regard among the States studied, which points to higher public awareness.
- A significant finding is that urban residents in all the States had higher Body Mass Index, waist circumference, and systolic and diastolic blood pressure, and also a higher prevalence of diabetes, than residents in rural areas.
- Many studies have shown that lifestyle modification plays a major role in preventing the onset of diabetes in pre-diabetics, who have Impaired Fasting Glucose or Impaired Glucose Tolerance.
- Treating diabetes involves a much lower cost than managing the serious complications that set in later.
- The ICMR-INDIAB study presents a more complete picture of diabetes than what has been available at the population level. The insight it provides must inform public health policy.
- The way to go is to facilitate low-cost testing and expand specialised treatment. In parallel, governments must promote healthier lifestyles through an effective and innovative mix of policy measures.

A good bill that disappoints

(Draft National Land Acquisition and Resettlement and Rehabilitation Bill 2011)

Socio-political:

Some of the key issues involved the new Draft National Land Acquisition and Resettlement and Rehabilitation Bill 2011 :

- a) Acquisition of agricultural land: The Bill rules out the acquisition, not of all irrigated agricultural land, but of multi-cropped irrigated agricultural land. That limited exclusion seems rather half-hearted.
- b) Avoiding or minimising displacement: A serious concern about the trauma of displacement does not seem to be the driving force behind the Bill. The principles of 'no forced displacement' and 'free, informed prior consent' are not mentioned. (Incidentally, the condition of consent by 80 per cent of the land-owners applies only to land-acquisition by the government for companies including PPP cases, and not to governmental acquisition for itself. It appears that there has been no dilution at all of 'eminent domain'.) There are indeed a number of good provisions relating to displacement (SIA, review of SIA by an Expert Committee, consideration of 'less displacing alternative', public hearing, etc.), but the final decision is that of the bureaucracy. If a statutory clearance is needed for cutting a tree or for causing an environmental impact, should it not be required for displacing people? If the National Rehabilitation Commission mentioned in the 2007 Bill had been retained, a statutory displacement clearance by it could have been prescribed, but the present Bill envisages no such Commission.
- c) Inadequacy of compensation: The present Bill increases the compensation amount significantly. This is welcome. Whether the earlier problems of delays and corruption in the payment process will disappear or diminish, remains to be seen.
- d) The acquisition of land by the state for private companies: A view, held by many for a long time, is that there is no reason why the state should use its sovereign power to acquire land for private companies which are primarily in business for profit and not for conferring benefits on the public.

The 2007 Bills had sought to reduce the extent of land acquisition by the state for a company to 30 per cent, if the company purchases 70 per cent of the land needed by negotiation. The present Bill does away with the 70:30 formula, but provides for 'partial' acquisition by the state for a company if a company so requests. Presumably 'partial' acquisition could go up to near-full acquisition by the state. This seems a retrograde step.

- e) Private purchase: As for private negotiation, the Minister himself refers in his Foreword to the "asymmetry of power (and information) between those wanting to acquire the land and those whose lands are being acquired", but the Bill provides no mechanism to reduce that asymmetry. It doubtless extends the R&R provisions to private negotiated purchases of land but provides no safeguard against unfair negotiation. (Even the extension of the R&R provisions to negotiated purchases — the legality of which may be challenged — applies only where a company buys 100 acres or more, and that threshold can be easily side-stepped in ways that need not be spelt out here.) One wishes that the Minister had strengthened the hands of the weaker party in the negotiation by providing — this is merely an illustration — that the compensation that the land-owners would have got under this Bill if the land had been acquired by the government (to be determined by the collector) would be the floor below which the price negotiated by the company with the land-owners shall not fall.
- f) Change of land use: That safeguard might ensure a fair price, but there is also the question of transfer of agricultural land to non-agricultural use and the implications for food security. One possibility might be to say that all acquisition of land, including acquisitions for companies, must be only by the state;

but that does not seem desirable and, in any case, it is not really an answer to the problem of land-transfer away from agriculture. Another possibility is that private purchases of agricultural land should be subject to state regulation from the point of view of land-use. That might be open to the objection of undue interference with a landowner's right to sell his land. On the whole, the answer to the question of minimising transfers of agricultural land to non-agricultural use might lie in policies supportive of agriculture rather than in control or regulation over land transactions.

- g) Definition of 'public purpose': An issue that has persistently figured in the debate during the last decade or two is the need to narrow the definition of 'public purpose' and limit it to a few strictly governmental purposes (schools, dispensaries, etc). The present Bill moves in exactly the opposite direction. It defines 'public purpose' very broadly and leaves it to the bureaucracy to decide each case. Is it right to assume that any industry ipso facto serves a public purpose warranting the alienation of agricultural land? For instance, in the Singur episode land acquisition was for 'industry', i.e., Tatas' small car factory; was that 'public purpose'? It can be so declared under the present Bill. Again, 'infrastructure' includes 'tourism', which would permit the acquisition of land for building hotels. It seems desirable to define 'public purpose' somewhat more stringently.
- h) Coverage of 'project-affected persons': The Bill refers to loss of primary livelihoods but links it to the acquisition of land. The term 'livelihoods' is illustrated by a reference to the gathering of forest produce, hunting, fishing, etc; there is no reference to sellers of goods and services to the people in the project area, who will lose their livelihoods when the people whom they serve move away to resettlement areas. It is not clear whether they will be regarded as project-affected persons.
- i) Social Impact Assessment: On Social Impact Assessment the present Bill is an improvement on the 2007 Bill, but the idea of SIA still falls short: it does not cover the disappearance of a whole way of life; the dispersal of close-knit communities; the loss of a centuries-old relationship with nature; the loss of roots; and so on. It is good that the SIA will be reviewed by an independent multi-disciplinary expert body, but it should first be prepared by a similar body. The Bill leaves the SIA to be prepared by the "appropriate government."
- j) Rehabilitation package: The rehabilitation package is distinctly inferior to the packages already established in certain projects. The principle of 'land for land' has been abandoned. It figures only in the case of irrigation projects, and there the Bill envisages one acre per family instead of two acres as in the Sardar Sarovar Project. There are two points here. First, it is not clear why the Bill specifies irrigation projects; hydroelectric projects and flood control also have the same impacts as irrigation projects, and in any case many projects are 'multi-purpose' projects. Secondly, compensation and rehabilitation should have reference not to the nature of the project but to the nature of the impact. Whatever be the project, if an agricultural community is uprooted from its land and homestead, it has to be enabled to practise agriculture elsewhere, and not expected to become carpenters or weavers or traders.
- k) Other matters: A number of officials and institutions are specified in the Bill, such as the Collector, Administrator of R&R, Commissioner of R&R, etc., but it is only in the R&R Committee that there is a significant non-official presence. The National Monitoring Committee is not 'participatory'; apart from officials, it includes only a few experts. As indicated earlier, the idea of a National Rehabilitation Commission has been abandoned.

Incidentally, it is not clear why displacement by natural calamities should be brought within the purview of this Bill. There is a vital difference between unavoidable displacement caused by nature and deliberate displacement caused by human decisions.

Summing up, the Bill seems to be essentially driven by a desire to make land acquisition for industrialisation and urbanisation easier. It is clear that the Bill, which does contain many good features, nevertheless requires substantial improvement.

PDS leakages: the plot thickens

Socio-economic:

- It is well understood that a substantial proportion of the grain, mainly wheat and rice, that is meant to be distributed to eligible families under the Public Distribution System (PDS) ends up being sold in the open market by corrupt intermediaries, including some dealers who manage PDS outlets.
- Two recent surveys shed further light on the matter.
- The diversion ratio (proportion of PDS grain “diverted” to the open market) has been estimated by several researchers in the past by matching National Sample Survey (NSS) data on household purchases with Food Corporation of India (FCI) data on “offtake.” The former tell us how much grain people are buying from the PDS. The latter tell us how much grain has been lifted by State governments from FCI godowns under the PDS quota. The difference is a rough estimate of the extent of diversion.
- Based on this method, the estimated diversion ratio was around 54 per cent in 2004-05, the last year for which detailed data are available from a “thick round” of the NSS. These estimates, if proved correct, suggest a comprehensive breakdown of the PDS.
- Further evidence on these matters is available from a recent survey, conducted in June 2011 (hereafter “PDS Survey”). The survey covered about 1,200 randomly-selected BPL households in nine sample States.
- The findings of this survey confirm other recent evidence of substantial improvements in the PDS around the country. In most of the sample States, there have been major initiatives in the recent past to improve the PDS, and it seems these efforts are showing results.
- NSS-based estimates of diversion rates, however, remain high. The diversion rate for 2009-10 seems to be around 41 per cent. This is 13 percentage points lower than in 2004-05, but still very high.
- Diversion rates may be higher (possibly much higher) under the APL quota, and perhaps also in urban areas. Indeed, the APL component of the PDS, which has expanded steadily since 2004-05 (with a big upward jump in 2009-10), is devoid of any transparency. There are no specific entitlements for APL households, and no clear allocation norms. This segment of the PDS remains highly vulnerable to corruption, as it is possible for large quantities of grain to disappear without anyone feeling the pinch.
- If this tentative line of explanation is correct, two conclusions can be drawn. First, both surveys (the PDS Survey, and the 66th Round of the NSS) add to growing evidence of steady improvements in the PDS in recent years. There is still a long way to go in achieving anything like acceptable levels of functionality, especially under the APL quota, but recent progress shows that the PDS is not a “lost cause” — far from it. Second, one thing that really helps to prevent corruption is to give people a strong stake in the system (large quantities, low prices), and make sure that they are clear about their entitlements. That has already happened, to a large extent, with the BPL quota: it has become much harder to cheat the recipients, because they know their due and clamour for it if need be.

Indo-Russia : new challenges and opportunities

International Relations:

- The historic Treaty of Peace, Friendship and Cooperation India and the Soviet Union signed on August 9, 1971 sprang from a convergence of national interests and shared perceptions of security risks posed by the United States and Chinese role in the region. Forty years on, the same centres of power are at play in the region but security perceptions have changed, creating new challenges and opportunities for India and Russia, say Russian academics.
- The 1971 treaty helped India win its third war against Pakistan, safeguard its independence and territorial

integrity and neutralise external threats stemming from the Sino-American rapprochement, the China-Pakistan nexus as well as the U.S. strategic alliance with Pakistan. It became the mainstay of Indo-Soviet strategic ties till the break-up of the Soviet Union in 1991.

- Even though it was not a mutual security pact, the treaty provided for immediate mutual consultations in case either country came under attack. In the context of an impending conflict over East Pakistan, this provision amounted to Soviet security guarantees to India.
- The Soviet support stemmed from the congruence of national interests, rather than ideology-driven hopes of getting India to embrace the Soviet-style socialist path some day. The Soviet Union needed a strong, independent and assertive India as a balancing force in the region. The Soviet Union offered India cheap credits and technological assistance in setting up steel, machine-building, power generation, mining and pharmaceutical industries that ensured its economic independence. Massive Soviet defence supplies turned India into the dominant military power in the region. Even today, the Soviet and Russian made weapon platforms constitute 60-80 per cent of the Indian armoury.
- Another important fallout was that the Indo-Soviet treaty became a reality check for China. The treaty of 1971 helped bring about a turnaround in China's policy from attempts to set up an 'anti-hegemonistic front' to a more realistic worldview that was more consistent with international realities and consequently more productive.
- Close ties with India remain the cornerstone of Russia's foreign policy. Following a period of drift under President Boris Yeltsin, the strategic nature of Indo-Russian relations was reiterated by his successor Vladimir Putin and the ties were elevated to a "privileged strategic partnership" by President Dmitry Medvedev. At the same time, there is an ongoing debate in India on how relevant the strategic ties with Russia are today when the underpinning imperatives of the past decades are gone: Russia-China relations have turned around from hostility to friendship, whereas India sees China's rise as a challenge; Russia is no longer in confrontation with the U.S. and India is pursuing strategic ties with the U.S.
- Russian scholars take the view that the China and U.S. factors do not diminish the value of close partnership between India and Russia if seen in a correct perspective. A powerful, self-sufficient China focussed on domestic growth offers great opportunities for the development of India and Russia and their cooperation with China.
- The old principle of geopolitics, "the enemy of my neighbour is my friend," born in Europe in the second half of the first millennium, the scholar says, is being replaced today with new wisdom — "my neighbour is my friend." The new ideology of good-neighbourliness underpinned the Russian-Chinese treaty of peace and friendship signed in 2001. Its main principle is "the interests of my neighbour are more important to me than the interests of other countries and therefore I'll prioritise them over other interests."
- A dialogue among Russia, India and China (RIC) can be useful in facilitating more harmonious relations between the two Asian giants.
- The RIC triangle is a promising platform for discussing sensitive issues in a frank manner with no outside powers present. The three big nations surrounded by smaller countries cannot but share a common view on strategic equations in Asia. The RIC format is a manifestation of the build-up of healthy regionalism, which is a more promising trend for Asia than globalisation.
- The U.S. factor is as important today as it was 40 years ago for both India and Russia alike, while its perception in both countries has changed from negative to positive. But Russian scholars warn against excessive expectations in New Delhi and Moscow for their bilateral relations with Washington.
- However, there are a number of impediments that make a strategic alliance between India and the U.S. unlikely :
- India's traditional non-alignment policy, the continuing U.S.-Pakistan strategic tie-up and the likely reduction of the U.S. wherewithal in Asia in the light of the coming withdrawal from Afghanistan, the growing instability in Pakistan and the continuing standoff with Iran.

A candid assessment of the Indian economy

Economy:

- The Prime Minister's Economic Advisory Council, headed by C. Rangarajan, has several eminent economists as its members. Its reports on the economy — the Economic Outlook and the Review — are widely appreciated.
- The most recent Economic Outlook 2011-12 analyses the reasons why the Indian economy has not grown to its potential.
- To quote from the Economic Outlook: “The combined momentum of a stable government after the May, 2009, general elections and the successful navigation through the crisis was a good opportunity to take those necessary steps to energetically get back to the imperatives. However we have lost time. Besides, a slew of corruption related controversies over the past one year has consumed the energies of the government and has led to a slowing down of initiatives to restore investment and economic confidence.”

State of the economy:

- In 2010-11, the economy grew by 8.5 per cent, which was in line with what was forecast by the Council.
- It is, however, the structural factors at home that need to be attended to on a priority basis.
- Fixed capital formation has weakened noticeably — initial estimates for 2010-11 place it at not more than 29.5 per cent.
- High rate of domestic inflation, excessive government debt and political instability have eroded business confidence impacting asset creation adversely.
- A fixed investment rate of 33 per cent plus is needed to achieve a growth rate of 9 per cent. Domestic savings too has come down to 33.7 per cent in 2009-10 and is unlikely to be more than 34 per cent in both 2010-11 and 2011-12. The Council expects that the headline Wholesale Price Index-based inflation rate would continue to be at 9 per cent or higher in July-August. Thereafter, it may start easing but even in December the headline inflation will remain high. However, in the last quarter of the year, inflation may come down.
- The target rate for inflation for the year-end is 6.5 per cent, slightly below the RBI's 7 per cent. On government finances, although the Centre and the States have made substantial progress towards fiscal consolidation, the Council feels that achieving the targets set in the 2011-12 budget estimates will present significant challenges. Structural reforms in the finances of the Centre and the States are necessary.
- In the short-term, the challenge in the case of the Centre is the rising crude oil bill, which creates an upward pressure on the subsidy bill, while lower taxes on crude and diesel are impacting revenues. In the case of State governments, the deteriorating finances of the electricity utilities are creating substantial liabilities. In the medium-term, several social sector legislations will place a huge financial strain on the government.
- It is imperative to introduce expenditure reform and initiate steps to augment revenue. According to the Council, “introduction of the Direct Taxes Code will be useful but the real gain will come from the introduction of the Goods and Service Tax (GST).”

Financial stability report

Economy:

- The Reserve Bank of India (RBI) released its Financial Stability Report (FSR) recently. The third in a series, the recent FSR follows the tradition of the two preceding reports (March and December 2010) and represents the central bank's continuing endeavour to communicate its assessment of the incipient risks to financial stability.
- The FSR's approach is holistic and focuses on risks to the system arising out of an interplay of the disparate elements of the financial sector infrastructure — the macroeconomic setting, policies markets and institutions. Like its counterparts in the developed world, the RBI says it relies on the latest techniques of risk assessments involving stress tests and so on.
- Though technical in nature, the FSR has plenty of messages even for the common man. An important conclusion is that the Indian financial system remains stable in the face of “some fragilities being observed in the global macro-financial environment”. Major economies around the world are slowing down even as the risks from global imbalances and sovereign debt crises remain. India's growth momentum too has slackened mainly due to the uncertainties in the global environment characterised by high energy and commodity prices. However, despite high inflation and fiscal concerns, India's fundamentals remain strong.
- Two of the most significant findings of the FSR are
 - a) that the banking sector in India — by far the most dominant portion of the Indian financial sector — continues to be stable
 - b) the domestic financial markets have remained stress free recently. However, a few caveats are in order.
- Despite giving a clean chit to the banks — at least for now — the FSR does voice some concerns. Banks have aggressively expanded their credit portfolio to accommodate their borrowers. In the process they have come to rely on high cost funds such as those mobilised through certificates of deposits (CDs). Resource mobilisation on those terms is generally for shorter periods and hence contributes to the risk of asset-liability mismatch.
- In effect, banks have relied on the higher cost funds to fuel credit booms. How far such practices impair their balance sheets may not be clear now but one has to look at a related factor as well. Incremental credit has tended to concentrate on a few sectors such as retail lending (including home loans), commercial real estate and infrastructure. Although, on the face of it, banks are not over-exposed to these sectors, the fact remains that lending to some of these sectors has become a fashion even among public sector banks. Commercial real estate has been subjected to higher provisioning by the RBI to prevent “overheating”. Individual home loans are highly sensitive to interest rate movements. There is strong possibility that the level of non-performing assets (NPAs) will increase.
- The share of public sector banks (PSBs) in these sectors is high. In one obvious sense that might be understandable: after all they remain the dominant players. Yet retail lending — home loans, personal loans including credit cards — has never been part of the ethos of public sector banking. Part of their new enthusiasm might have been prompted by their desire to match the foreign and the new generation private banks. The crucial question is whether the PSBs are equipped to cope with failures such as in credit cards.

For a new and improved NRHM

Social/Health:

- The National Rural Health Mission (NRHM) has been described as one of the largest and most ambitious programmes to revive health care in the world and has many achievements to its credit.
- It seeks to provide universal access to health care, which is affordable, equitable, and of good quality.

- It has increased health finance, improved infrastructure for health delivery, established institutional standards, trained health care staff and has provided technical support.
- It has facilitated financial management, assisted in computerisation of health data, suggested centralised procurement of drugs, equipment and supplies, mandated the formation of village health and hospital committees and community monitoring of services.
- It has revived and revitalised a neglected public health care delivery system.

Challenges and solutions:

1. Health as a State subject:

The location of health in the State list rather than the concurrent list poses major problems for service delivery. This is also compounded by the fact that the NRHM funding is from the Centre while the implementation is by the State governments. Health care delivery cannot be improved to provide a seamless service without the removal of these barriers.

2. Project mode and problems:

The NRHM is currently functioning as a project of the Government of India and is due to end in 2012. Its significant contribution to improving health care infrastructure and service delivery across the country will be frittered away if its funding ceases with the 11th Five Year Plan (FYP). The NRHM should be not only included in the 12th FYP but also be changed from its limited term project mode to a permanent solution to India's health problems.

3. Improving governance:

A comparison of data between States and within regions and social groups suggests marked variations in the NRHM process indicators, utilisation of funds, improvements in health care delivery, health indices and in community participation. Regions with prior good health indices have shown marked improvements, while those with prior poor indices have recorded much less change. This is true, despite a greater NRHM focus on and inputs to poor-performance States. Improving governance and stewardship within the NRHM programmes mandates general improvement in the overall governance of States and regions.

4. Increased funding:

Health care costs for the average Indian usually results in catastrophic out-of-pocket expenditure and is a well recognised cause of indebtedness in the country. The total health budget for India is about 1 per cent of the country's GDP. Most developed nations prioritise health care and provide 5-10 per cent of their GDP. The 12th FYP should increase funding for health to the tune of 2-3 per cent as promised by the United Progressive Alliance.

The diversion of funds, through private health insurance schemes for the care of rare disorders to be treated in corporate hospitals, takes away funding from the public health care system. The injection of such money into the public system would allow for the provision of universal health care, improve government health systems and provide for common health conditions benefiting larger numbers.

5. Urban health:

The NRHM has focussed on rural health. Many parts of urban India have similar health care needs and currently have glaring deficiencies. The National Urban Health Mission should be accorded the same status as the NRHM. Both efforts should be coordinated and combined into a National Health Mission.

6. Expand focus:

The major focus of NRHM is on maternal and child health. While this is vital, there is a need to expand the

vision to other common general health problems. There is evidence to suggest that other crucial government programmes (e.g. blindness) have taken a back seat.

7. Cash transfers and outcome:

The NRHM currently employs process indicators to measure its implementation. The measures used are mainly related to finance, infrastructure and personnel. There is need to shift over to indicators of efficient functioning and examine their impact on health outcomes. The initial high rates of mortality tend to reduce rapidly with early inputs but require fully functional, efficient and effective systems for sustained results. The Janani Suraksha Yojana, a conditional cash transfer scheme to incentivise the use of health services to reduce maternal and neo-natal mortality among poor women, has become a success by encouraging institutional deliveries. However, the evaluation of its success should be based on its impact on the health outcome of the mother and baby, rather than on financial process indicators.

Similarly, the diverse and difficult circumstances of medical practice across the country mandate a differential reinforcement for health professionals. There is need for differential payments to health care staff who work in remote situations and difficult contexts.

Health information and monitoring: The NRHM has provided for infrastructure, personnel and training for Health Management Information Systems. However, these are not optimally utilised. There is need to improve the information system as part of the process of monitoring health indices of populations and functioning of the public health care system. The NRHM already has a programme of community monitoring and social audit. This should be strengthened in order to monitor the use of funds and empower local communities.

8. Social determinants and public health approaches:

The goals of the NRHM clearly state the need to impact on the social determinants of health by coordinating efforts to provide clean water, sanitation, nutrition, housing, education and employment. It should, in conjunction with other government programmes, work towards the reduction of poverty, social exclusion and gender discrimination, all of which have a significant impact on health. There is need to increase the synergy and coordination between government programmes (e.g. the Integrated Child Development Scheme, the Mahatma Gandhi National Rural Employment Guarantee Act, etc.) and the NRHM.

The NRHM has made a significant impact on health care delivery. However, greater political, administrative and financial commitment is required for it to make a substantial impact on health outcomes. The 12th Plan should allocate ring-fenced budgets for specific operations. There is need to develop systems to monitor and audit performance and health indices; this will allow for course corrections.

A constitutional value for privacy

Political/Essay:

- The notion of privacy has been under attack in recent times. Information technology, with its seemingly limitless capacity to hold, and give access to, all kinds of data and details about peoples, places, happenings and scores of other facts and fiction, has overwhelmed concerns about privacy. Facebook and its kin, though of remarkably recent origin, have already spun a web of forgetfulness around the significance of privacy.
- The possibilities offered by technology have encouraged the state to get greedy for all that it can gather about people.
- In the beginning, it was only the census. The census was confidential. Not even a court could demand, and get, information about an individual collected as part of the census. The census was to get to know the state of the nation; not to delve into details about individuals.

Collection of statistics:

- In the past years, the state has begun to work at enhancing its capacity to reach into people's lives and know all.
- In April 2011, rules made under the Information Technology Act 2000 directed that every user of a cyber cafe should provide information including name, address and identification particulars. This, along with the photograph of the person as also a list of sites the person visited, should be preserved for at least one year. The idea of the friendly neighbourhood cyber café owner being the repository of this information does not seem to have struck the rule-giver as bizarre.
- Another set of rules, also dated April 11, 2011, gives the government the power to demand and get any data including "sensitive" data from any body corporate. This may include information about mental, physical and physiological health, sexual orientation.
- In December 2009, the Home Ministry set up and hosted NATGRID. As a part of this, 21 databases are to feed 11 security agencies. It is closed to scrutiny; so we will never know what is being done with data, but we will all be under surveillance. All, of course, in the interests of national security.
- The unique identification, or UID, project, is a tool to achieve convergence of data that exist on various databases. It is, of course, not only the state that has an avid interest in these developments. The "market" supports the idea of connecting databases. Convergence will make the fortunes and foibles of the population transparent to the marketers.

The explanation:

- This extraordinary momentum to get to "know" the people of India is explained away as being necessary to curb terrorism, or to prevent leakage and corruption, or as being essential to reach services to the poor.
- Or to give identity to those who the state does not know exist, and which ignorance can only be remedied by giving them a number by which it may be known that they exist.
- Or to make it possible to produce good statistics, which could, just perhaps, aid better planning.

Right to privacy:

- Right to privacy is an integral part of right to life. This is a cherished constitutional value and it is important that human beings be allowed domains of freedom that are free of public scrutiny unless they act in an unlawful manner.
- The difference between a transparent state and a private citizen has been clearly established. These are words to be weighed while looking for the limits on the power of the state, and as privacy jurisprudence is developed.

Srilanka : Tamil hopes and national unity

International:

- More than two years ago the guns fell silent in Sri Lanka, ending a three decade-old civil war with the LTTE. But voices demanding an acceptable solution that accommodates Tamil aspirations are still strident. The country's leadership is seeking to meet these demands within a national unity framework.

- The expected landslide victory of the Tamil National Alliance (TNA) — the most popular political formation in the Northern Province, which before the war ended openly supported the armed secessionist movement — in the local body polls held in the Tamil-dominated Northern Province last Saturday has provided a platform from which the TNA can launch its renewed demand for an enduring long-term solution to the problem.
- Progress in the talks is imperative for the next step — a Select Committee of Parliament, which will consider the Tamil question, and come up with a proposed solution, including constitutional amendments, that will then go to Parliament. This move has been criticised by the TNA as yet another ploy to delay giving Tamils their rights. But in a country where any solution to the ethnic question is likely to be portrayed by chauvinist elements as a sell-out of national interests, the government clearly feels it is left with no choice but to involve all stakeholders in the process of finding a political solution.
- The President had said earlier that he had a solution to the Tamil problem in mind. In later interactions, he made it clear that he did not want to impose any solution. He wanted talks involving all stakeholders, but with the government and the TNA taking the lead, to map it out. His broad idea was to accord the maximum possible devolution without sacrificing the sovereignty of the country. The prospective political solution came to be known as '13th Amendment-plus,' with nobody apparently clear about the specifics.
- The elimination of the LTTE as a military organisation in May 2009 gave rise to expectations that democratic elections would be held as early as feasible. Twenty six months after the war ended, eight out of the nine Sri Lankan provinces have elected Provincial Councils; the Northern Province is the only one without one. The powers of a Provincial Council might be limited, but an elected Northern Council would be a starting point for people to voice their grievances, opposition politicians feel.
- As Sri Lanka debates how best to integrate the northern Tamils into its evolving concept of Sri Lankan nationalism, individual players in the international community have been trying to apply pressure on the island nation. The Brussels-based think-tank, International Crisis Group, points out that all three communities — Sinhala, Tamil and Muslims — have suffered “immensely.” It wants the major international partners in the region to “send a strong message against increasing authoritarianism and condition aid on transparency and restored civilian administration in the north and east.”
- A few recent developments have focussed attention on Sri Lanka since April 2011. One is the report of the United Nations Secretary General's Expert Panel on Accountability in Sri Lanka, which has held both the government and the LTTE responsible for the mass civilian casualties during the last stages of the war (There is also the U.S. State department report for 2010, the Human Rights Watch report on Sri Lanka and the International Crisis Group report). The second is a Channel 4 video that showed what it asserted were extra-judicial killings and other atrocities in Sri Lanka. The third item is a book *The Cage*, authored by an 'insider,' Gordon Weiss, former U.N. spokesperson in Sri Lanka, castigating Sri Lanka's handling of the final stages of the war and faulting the international community for doing little to limit civilian casualties.
- India, one of Sri Lanka's staunchest allies, is somewhat impatient with the pace of rehabilitation and rebuilding in the Northern Province, for which India has offered wide-spectrum support, and with the pace of working out a 13th Amendment-plus political settlement in the post-conflict period. But there is also evidence of Indian tardiness in implementing the rebuilding work, especially the massive housing programme, Sri Lanka's big neighbour has undertaken in the North.
- From a distance, the brutal and bloody war against the LTTE seems to have been the easier campaign to win. Now Sri Lanka battles complex international and domestic pressures as it marches ahead to realise its dream of a bright and prosperous future for its people.

Gradual deepening of core science ideas

Sc & Tech:

(although this article is related to US, the general principles and approach discussed to improve the study of science can be useful)

- Serving as the foundation for new K-12 science education standards, to replace those issued more than a decade ago, a report released recently by the National Research Council presents a new framework for K-12 science education that identifies the key scientific ideas and practices all students should learn by the end of high school.
- The National Research Council is the operating arm of the National Academy of Sciences and National Academy of Engineering; all three are independent, nongovernmental organizations.

Improvements needed:

- The committee that wrote the report sees the need for significant improvements in how science is taught in the U.S.
- The new framework is designed to help students gradually deepen their knowledge of core ideas in four disciplinary areas over multiple years of school, rather than acquire shallow knowledge of many topics.
- And it strongly emphasizes the practices of science — helping students learn to plan and carry out investigations, for example, and to engage in argumentation from evidence, according to a National Academy of Sciences press release.

The overarching goal:

- The overarching goal of the framework is to ensure that by the end of 12th grade, all students have some appreciation of the beauty and wonder of science, the capacity to discuss and think critically about science-related issues, and the skills to pursue careers in science or engineering if they want to do so — outcomes that existing educational approaches are ill-equipped to achieve.
- Currently, science education in the U.S. lacks a common vision of what students should know and be able to do by the end of high school, curricula too often emphasize breadth over depth, and students are rarely given the opportunity to experience how science is actually done.
- The new framework is designed to address and overcome these weaknesses. It builds on what is known to work best in science education, based on research and classroom experience both in the U.S. and around the world.

Four areas:

- The framework specifies core ideas in four disciplinary areas — life sciences; physical sciences; earth and space sciences; and engineering, technology and the applications of science — that all students should understand by the time they finish high school. For example, among the core ideas in the physical sciences are “matter and its interactions” and “energy.”
- Students' knowledge of these ideas should deepen over time, and the framework specifies aspects of each idea that students should know by the end of grades two, five, eight, and 12.
- The framework also identifies seven crosscutting concepts that have explanatory value across much of science and engineering, such as “cause and effect” and “stability and change.”

External economy always challenging

Economy:

- Management of the external economy has been a bright spot in the overall macroeconomic scenario at least since the beginning of economic reform (early 1990s).
- Liberalisation and the consequent opening up of the domestic economy necessitated a higher order of economic management. After the severe balance of payments crisis in 1991, there was a paradigm shift in the management of the external economy.
- The sweeping changes introduced then covering foreign trade, foreign investment, exchange rate and reserves have served the country well.
- Particularly noteworthy is the fact that deft external sector management enabled the country to get past major economic and financial crises relatively unscathed. After the recent financial sector-led-global economic crisis, India's prudential policies covering banks and external sector issues such as capital account convertibility have won high praise and commended for emulation by other countries.
- The calibrated approach to capital account convertibility and controls over capital flows were criticised as being too conservative.
- Today it has become mainstream. Even institutions such as the IMF advocate capital controls under certain special circumstances.
- A focus on the external economy is also warranted because it can give valuable clues to the burning issue of the day, namely, inflation.
- Besides, as a general rule it is naive to think that any economic issue however serious and politically sensitive — which inflation certainly is — can be examined and countered in isolation. For example, high global commodity prices, including those of petroleum are driving up inflation.
- All economic forecasters, RBI included, have based their guidance on growth and inflation after taking into account the trends in global commodity prices.

Export performance:

- The recent export performance has been exemplary. There has been a slowdown in the global economy and Indian exporters who have traditionally depended on the large markets of the EU, the U.S. and Japan have had a challenging task.
- In the circumstances, the foreign trade policy (2009-14) with its emphasis on diversification both in terms of commodities and export markets has proved to be far sighted.
- Trade with Africa, Latin America and a few other non-traditional areas has been on the rise thanks to supportive government policies and has, to a considerable extent, helped exporters in facing the consequences of the global slowdown.
- Exports grew by 38 per cent to touch \$250.5 billion in 2010-11.
- With the momentum continuing into this year, exports are slated to clock a growth rate of 32 per cent to \$330.2 billion in 2011-12. Imports too have been robust. Despite strong export growth, the trade deficit has increased to \$130.5 billion in 2010-11 from \$118.4 billion in the year before.
- More significantly, the impressive export performance and consequently the lower merchandise trade deficit have helped in containing the current account deficit to what is considered to be a prudential limit of

less than 3 per cent of the GDP during 2010-11.

- In India, invisible receipts have played a major role in reducing the size of the current account deficit.
- In what could be the beginning of a downward trend, invisible receipts have come down from \$89.9 billion in 2008-09 to nearly \$80 billion in 2009-10 but has increased to \$86.2 billion in 2010-11.
- Of even greater concern are some disquieting features in capital flows.
- The non-debt creating foreign direct investment (FDI) has come down sharply from \$33.1 billion to \$23.4 billion between 2009-10 and 2010-11 portfolio flows decreased marginally from \$32.4 billion to \$30.3 billion.
- On the other hand, debt creating flows represented by external commercial borrowings (ECBs) and foreign currency convertible bonds (FCCBs) went up from \$18.36 billion in 2008-09 to \$21.67 billion in 2009-10.
- There are bound to be differences between the data furnished by the Government and that furnished by the RBI. But the broad trends will be the same.

Outlook for 2011-12:

- The Prime Minister's Economic Advisory Council (PMEAC) in its Economic Outlook (July 2011) projects that merchandise exports at \$330 billion (BOP basis) will grow by 32 per cent in 2011-12, while imports at \$484 billion would expand by 27 per cent leaving a merchandise trade deficit of \$154 billion or 7.7 per cent of the projected GDP.
- Service sector earnings and remittance inflows (ITeS exports and private remittances) are projected to grow by 18 per cent in the first-half of 2011-12 and by 11 per cent during the second-half (14 per cent for the whole year).
- Net investment outgo will be higher by 15 per cent. The current account deficit is projected at around 2.7 per cent.
- The outlook for capital account is clouded with a great deal of uncertainty. Many assumptions made by expert bodies such as the PMEAC will be severely tested.
- The turmoil that has engulfed financial markets world-wide was not anticipated. If, as feared, some of the developed countries slip into a recession and their financial markets continue their downward drift, India's external economy will come under strain to a greater degree than is visualized.

Aiming high in the 12th plan

Economy:

- The Planning Commission, under the chairmanship of Prime Minister Manmohan Singh, has fixed an average growth target of 9 per cent for the 12th Five Year Plan (2012-17), the same as the one set for the 11th (2007-12).
- The identical growth targets for the two successive plans ought not to hide the fact that there have been changes in the macroeconomic environment in the meantime.
- It is not that that India's growth trajectory that looked very promising has suddenly nose-dived. Rather, it is a change in the sentiment both within the country and outside that has made the achievement of a 9 per cent growth look daunting and contingent on the government taking some "difficult decisions." Economic growth in the United States and Europe has petered out and there is a real danger of major economies slipping into another recession. India's growth slowed to 6.7 per cent in 2008-09 after exceeding 9 per cent

for three consecutive years. Since then, it has ranged between 8 per cent and 8.5 per cent, which is still respectable in relation to what obtains in most other countries.

- Improving governance will be a critical and necessary condition for growth to accelerate.
- The approach paper ought to have been the forum for initiating debates on the more politically difficult subjects of reform.
- Fiscal consolidation, achieving a sustainable balance of payments position, and boosting productivity in agriculture and industry have remained unexceptionable goals.
- Fiscal prudence is absolutely necessary for long-term stability without which higher growth rates are not possible. Although the size of the current account deficit is estimated to be well within the prudential range of 2.5 per cent to 3 per cent of the GDP, the financing requirements are large, and at the current juncture, policymakers cannot take capital inflows for granted. Finally, monetary measures to curb the persistent inflation will necessarily entail sacrificing some of the growth momentum, at least over the short-term.

A novel route to battle dengue carrying mosquitoes

- Nearly 50 million people get infected with dengue fever every year in more than 100 countries, India included. And the severity of the outbreaks is showing an upward trend. All conventional methods have so far failed to prevent people from getting infected. Humans get infected with dengue when *Aedes aegypti* mosquitoes carrying the dengue virus bite them.
- It is against this backdrop that two groups of scientists have taken a totally different route to fight the battle. They have made the *Aedes aegypti* mosquitoes completely resistant to dengue virus infection.
- As a result the manipulated *A. aegypti* mosquitoes are no longer the carriers of the dengue virus. Thus the transmission of the virus to humans is blocked. Their work is reported in two papers published today (August 25) in *Nature*.

The mechanism:

- They introduced *Wolbachia* bacterium, a common bacterium which even in nature infects insects and mosquitoes, into *A. aegypti*. Since the bacterium lives inside the host's cells, it makes the mosquitoes resistant to dengue virus.
- Incidentally, studies done already have shown that mosquitoes become resistant to West Nile virus when an avirulent strain of *Wolbachia* bacterium is introduced into them. These papers come at a time when earlier studies had shown that the ability of the *Wolbachia*-infected mosquitoes to block dengue transmission came at the cost of fitness of the mosquitoes.
- The highlight is that the bacterium is maternally inherited and hence the offspring carry the bacterium. That is, the embryos die when *Wolbachia*-infected males mate with uninfected females. On the other hand, the embryos are not destroyed when *Wolbachia*-infected females mate with either infected or uninfected males. Thus in principle, the bacterium can spread through the *A. aegypti* population in the field.
- While the first team led by T. Walker of The University of Queensland, Brisbane, restricted itself to laboratory and caged studies, the second team led by A.A. Hoffmann of The University of Melbourne, Victoria, went a step further. They released the genetically modified mosquitoes in the field in two locations near Cairns in north-eastern Australia in January this year.
- The field studies showed that wild mosquito populations' ability to act as carriers of the dengue virus can be reduced by releasing *Wolbachia*-infected mosquitoes.

- The advantage of such population-replacement approach is, once established, they are self-propagating. And since the mosquito population is simply changed rather than eliminated, effects on the ecosystem should be minimal.

Black money: what more can the government do?

Socio-economic/ Essay:

- As for black money, the government in recent years has taken a number of steps which may bear fruit over the years.
- There is no need for any immunity or amnesty to buttress the effort, but all that has to be done is to give publicity for the present provisions under the income-tax law giving immunity from penalty under Sec. 273A where any concealed income is disclosed prior to detection. In fact, such publicity in 1986 during the then regime of V. P. Singh as Finance Minister had yielded some results though it was wrongly described as amnesty scheme.
- There is also settlement procedure in complicated cases before the Settlement Commission. There are deterrent provisions by way of penalty and prosecution in the present statute. Confiscation is possible where the offences could be brought under Prevention of Corruption Act, 1988. Even for others not covered by this Act, tax, penalty and interest, besides compounding fee where prosecution is exigible, will far exceed the value of the asset concealed. What is, therefore, wrong is not the law but more amendments and statutes, which may only give a wrong sense of satisfaction that tax evasion and corruption are being tackled without any tangible results.
- Enforcement of law is different from law itself. It is such enforcement which requires to be activated. The present law starting from the Indian Penal Code, 1880, and many more added over the years to make the law more stringent may lead to greater corruption. It is not realised that tax evasion is a crime punishable under the criminal law unlike, for example, in France, where it continues to be a civil offence. Provisions providing for excessive punishment may persuade the courts to infer innocence rather than inflict punishment, which is not commensurate with the offence so as to be self-defeating. Encouragement for voluntary repatriation of assets, which is built in the present law, should go side by side with stringent action against proved tax delinquency.
- What is required is strengthening the administration of the present law rather than many new laws.

The hidden river

Science/Geography:

- The world's largest underground 'ocean' — a water-body about the size of the Arctic Ocean and located 700 to 1,400 km below the ground and extending from Indonesia to the northern tip of Russia — has found its match. Scientists have discovered in Brazil the longest underground river — running for a length of 6,000 km at a depth of nearly 4 km. It flows all the way from the Andean foothills to the Atlantic coast in a nearly west-to-east direction like the mighty Amazon River. The discovery was made public at a recent meeting of the Brazilian Geophysical Society in Rio de Janeiro. The river 'Hamza,' named after the discoverer, an Indian-born scientist Valiya Mannathal Hamza who is working with the National Observatory at Rio, makes it the first and geologically unusual instance of a twin-river system flowing at different levels of the earth's crust in Brazil. If the slowing down of certain seismic waves caused by the damp spot helped uncover the underground ocean, the unusual temperature variation with depth measured in 241 inactive oil wells helped locate the subterranean river. Except for the flow direction, the Amazon and the Hamza have very different characteristics. The most obvious ones are their width and flow speed. While the former is 1 km to 100 km wide, the latter is 200 km to 400 km in width. But the flow speed is five metres per second in the Amazon

and less than a millimetre per second speed in the Hamza.

- Several geological factors have played a vital role in the formation and existence of these subterranean water bodies. The underground ocean, discovered in 2007, has been formed when the plate carrying the Pacific Ocean bottom gets dragged and ends up under the continental plate. Water at such depths would normally escape upwards but the unusual conditions that exist along the eastern Pacific Rim allow the moisture to remain intact. In the case of the Hamza, the porous and permeable sedimentary rocks behave as conduits for the water to sink to greater depths. East-west trending faults and the karst topography present along the northern border of the Amazon basin may have some role in supplying water to the river. If the impermeable rocks stop the vertical flow, the west to east gradient of the topography directs it to flow towards the Atlantic Ocean. Unlike the Hamza, the 153 km-long underground river in Mexico's Yucatán Peninsula and the 8.2 km-long Cabayugan River in the Puerto Princesa Subterranean River National Park in the Philippines have come into being thanks to the karst topography. Water in these places drills its way downward by dissolving the carbonate rock to form an extensive underground river system.

Evaluating the macro-economy

Economy:

- The Reserve Bank of India's latest annual report, released recently, makes a candid assessment of the macroeconomic performance during 2010-11 and the prospects for the current year.
- Although the economy returned to its high growth path, it faced several challenges: investment activity slowed; fiscal consolidation was led by cyclical and one-off factors casting doubts on its sustainability; and inflation remained stubbornly high on the back of new pressures.
- The RBI responded to the challenge of inflation by raising policy rates by 4.75 percentage points on a cumulative basis from March 2010.
- The report points out that high inflation by itself would have brought down growth. When inflation is high, the theoretical tradeoffs between inflation and unemployment or between inflation and growth do not work. Well into the current year, inflation has continued to be the number one concern for policymakers. The RBI is poised to raise interest rates further even though it is well recognised that some of the growth momentum will be lost in the process. Indeed, the lower GDP growth at 7.7 per cent in the first quarter is partly attributed to the high interest rate environment.
- The RBI's GDP growth projections for the current year have been more modest than those of the government.
- However, even with the expected deceleration, growth is likely to remain close to the trend of about 8 per cent. Inflation is expected to remain high for the rest of this year and moderate to about 7 per cent by 2012.
- In the absence of supply side responses, monetary policy has its own limitations as an instrument for curbing inflation, although it can still play an important part in countering the second-round effects of supply-led inflation.
- On current assessment, the fiscal deficit this year is likely to overshoot the figure anticipated in the budget. The deficit will widen further, if the economy slows down, as feared, and the revenues drop sharply from the anticipated levels as a consequence.
- On the other hand, the current account deficit can be contained within a sustainable level of 2.7-3 per cent of the GDP. However, the outlook for the external sector during 2011-12 looks uncertain. The annual report lists six medium-term challenges for the Indian economy. Predictably, bringing inflation and inflationary expectation down to acceptable levels tops the list. It is one thing to get the diagnosis right; it is yet another to come up with the remedy.

Raising the bar

Economy:

- The Reserve Bank of India recently took a measured step towards licensing new private sector banks by releasing a set of draft guidelines.
- Allowing private players to start banks has always been a sensitive issue in India's recent history. More so when it is seen to benefit large industrial houses and business groups, whose questionable practices in banks they owned were one of the justifications for bank nationalisation that began in 1969. The limited attempts at licensing new private banks through guidelines issued in 1993 and 2001 do not offer any valuable lesson for current policymaking beyond the quite obvious fact that only banks with sound promoters do succeed.
- The RBI has therefore done well to insist on "sound credentials", "integrity", "diversified ownership" and a 10-year track record. Prospective promoters should not have even a 10 per cent exposure to real estate and broking businesses. That is ostensibly meant to keep out those from "speculative" sectors.
- The stipulation that a new bank can be set up only through a wholly owned non-operative holding company is an important safeguard designed to ring fence the bank and its depositors from problems in related entities.
- Necessary amendments to the Banking Regulation Act 1949 will be carried out to remove the restriction on voting rights while concurrently empowering the RBI to approve acquisition of shares/voting rights of 5 per cent or more by persons who are "fit and proper." The RBI will get sweeping powers, for instance, to supersede the bank's board in certain cases.
- The minimum capital requirement is fixed at Rs.500 crore and the capital adequacy ratio at 12 per cent.
- New banks will have an up-to-date technology platform from day one and ensure that every fourth branch is located in rural areas. Furthering financial inclusion is one of the main reasons for licensing new banks.
- It is likely that only a small number of applicants will qualify and fewer still will be able to get the licence from an RBI-appointed expert committee. The central bank has said that licences will not be issued to all those who qualify. It is clearly not about to open the floodgates.

Deepening India-Maldives relations

International:

- Located in the Indian Ocean, south-west of India, Maldives is a fascinating conglomeration of 1,200 islands and atolls, of which only 200 are inhabited. The nation faces an existentialist angst, not of the philosophical but real kind — of possible extinction due to the vagaries of climate change. The earth's warming and resultant rising sea levels mean that Maldives could disappear in a century or more, depending on which estimates are reliable. Maldivians, living at an average height of 1.5 metres above the mean sea level, experience the threat on a daily basis.
- Soon after his election as President in 2008, Mohamed Nasheed began to draw international attention to the adverse impact of climate change on island nations. His decision to set aside a part of the national income for possible purchase of land that may serve as an alternative home for his people triggered a controversy, especially when it became known that three countries that may be approached are Sri Lanka, India and Australia. Nothing much seems to have come out of this initiative, but it has successfully highlighted the dangers experienced by the nation and the long-term perspective it is being encouraged to adopt.
- During his recent visit, External Affairs Minister S.M. Krishna discussed long-term cooperation on climate change issues in Male. He conveyed to the Maldivian leadership that "a prosperous, democratic and peaceful Maldives" is in "our mutual interest" and that India remains committed to assisting it "in all possible ways."
- Bilateral cooperation has been "on a high trajectory in recent times," as the Indian side put it, with both sides engaged in a series of "comprehensive, forward-looking, pragmatic and mutually beneficial initiatives and

projects.” Defence and economic cooperation represent two vital pillars of this multidimensional relationship.

- Ever since 1988, when India took daring and speedy action to thwart an attempt by Sri Lanka's Tamil militants to overthrow the Gayoom government, much of the region has understood and respected the deep linkage between the strategic interests of India and Maldives. Over the years India has extended assistance in the form of equipment and training, measures designed to enhance cooperation between the Coast Guards, and help in undertaking hydrographical surveys in Maldivian waters. Cooperation to counter piracy and terrorism is on the rise.

Economic cooperation:

- While strengthening economic cooperation, policymakers in New Delhi have to factor in the small size and vulnerable nature of the Maldivian economy. With tourism and fishing as the main sources of revenue and the country needing to import everything, it is not surprising that bilateral trade largely comprises exports by India. Investments by Indian companies have been increasing in sectors such as education, hospitality, renewable energy, health and waste management and marine products. India Inc's involvement has enriched the relationship, which has been dominated so far by government-funded projects.
- Mr. Krishna announced a rich package of measures including renovation of the Indira Gandhi Memorial Hospital, construction of the Faculty of Hospitality and Tourism by 2015, establishment of a development finance institution, setting up of an Information Technology Village in Male, and promotion of Maldives as a film shooting destination. Another important step is to enhance connectivity through the launch of a passenger-cum-cargo ferry service between Kochi and Male by November 2011. Further, India would provide \$40-million line of credit for the housing sector and \$100-million as soft loan for a comprehensive economic development package.

Cultural bonds:

- India-Maldives relations go beyond diplomacy and economics. Despite the high visibility of political and economic themes, it is basically the scope and depth of the people-to-people relations at the ground level that ultimately determines the level and warmth of relations between the two countries. Guided by this concept, fresh efforts are under way to impart momentum as is evident from the decision of the Indian Council for Cultural Relations (ICCR) to set up the Indian Cultural Centre in Male.
- Maldives will host the next South Asian Association for Regional Cooperation (SAARC) Summit in November, for which India is extending all necessary assistance. These efforts can perhaps be broadened by involving our youth. For example, a group of university students from Kerala and New Delhi should be drafted to serve as volunteers to help delegates. Most tourists to Maldives still come from Europe; this must change by developing attractive packages for well-to-do tourists from Indian cities. More efforts are required by our media organisations to step up coverage of developments in Maldives. To invest in raising awareness and interest within India about relations with our smaller neighbours is promoting self-interest, not altruism.
- Above all, we should draw appropriate lessons from India-Maldives relations for the management of other neighbourhood relationships. Greater efforts and sensitivity — not just by the government but we as a nation — are certain to yield rich dividends. Without a friendly, peaceful and prosperous South Asia, India's ambition to be a great power may remain unfulfilled.

The real policy challenges

- The UNCTAD's Trade and Development Report gives a fresh perspective to the policy challenges that governments around the world have been facing since the 2008 global financial crisis. It questions the prevailing orthodoxy, the growing practice of governments resorting to tight monetary and fiscal policies.
- In the recovery phase, economic growth has been uneven across the world. The “two speed” recovery — developing countries have outstripped the developed ones and remain the engine of growth — is based on different sets of economic circumstances prevailing in the two broad categories.
- Most striking is the vast difference in domestic demand. In developing countries, strong wage growth and public

support have sustained the recovery in investment and consumption demand.

- For countries such as India, the task before policymakers is to rebalance demand from consumption to investment by inducing more people to save.
- On the other hand, in most developed countries, private demand is subdued because of stagnating wages and high unemployment.
- The report disapproves of the fiscal-tightening measures the developed countries led by the United States seem keen on adopting. At this juncture not only will such belt-tightening be counter-productive, but when adopted by some of the biggest economies, it will pose a major risk for the global economy.
- Policymakers do not appear to have learnt the right lessons from the crisis. There is hardly any justification for the current shift towards austerity, says the report.
- Fiscal imbalances were not the cause, but the consequence, of the crisis. Fiscal retrenchment, especially the moves to cut the fiscal deficits, and curbing public debt are inappropriate responses and, when projected as something that needs to be done to regain the confidence of the financial markets, self-defeating.
- The much anticipated reform of the global financial and monetary systems, especially the regulatory aspects, has been slow in coming.
- It is well recognised that financialisation of commodity markets has affected the prices of such basic goods as food staples and energy. Urging greater transparency in derivatives, the report wants an internationally-coordinated, tighter regulation of financial investors.
- To remove the disconnect between foreign exchange markets and macroeconomic fundamentals, the report calls for a rules-based system to monitor exchange rate movements at the multilateral level. These suggestions are by no means original. But seldom has a U.N. agency so eloquently called for a check on the unbridled expansion of global finance as UNCTAD has done now.

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