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INDIAN POLITY

Thorat Committee Recommendations

- The six-member panel constituted to review the cartoons used in social sciences textbooks of the National Council for Educational Research & Training (NCERT) has ordered deletion of several cartoons and words that it says are either “ambiguous”, negative or show politicians and bureaucrats in an ‘incorrect’ way.
- Justifying the proposed deletions, the panel majority headed by S.K. Thorat says in its report: “They [authors] may have reasons to believe that the cartoons used were not offensive but only reflected commonly perceived notions. In a society as vast and as diverse as India is, there can always be room for different understanding of the text and interpretation of visuals, and especially cartoons could be viewed differently by different segment of society. It is more so when multiple sensitivities get involved. The sensitivities, genuine or perceived, have to be taken note of and addressed carefully.”
- With a mandate to review the social and political science textbooks and identify educationally inappropriate material, the panel constituted by NCERT and headed by S.K. Thorat, was expected to take a detailed look at all visual material with the help of subject experts.
- But the number of cartoons asked to be erased from the textbooks and the flimsy and even bizarre reasons given, mark the whole exercise as politically coloured from beginning to end.
- Many of the changes seem to have been recommended with the interest of the political and bureaucratic classes in mind, and not on pedagogic grounds. Some cartoons are to be removed because they convey a “negative message” about politicians and bureaucrats, others because they are politically “sensitive”. A few cartoons were seen as too “ambiguous.”
- Surely, these cannot be grounds for exclusion while preparing instruction material to develop critical thinking among students in Classes XI and XII.
- What is perceived as “politically incorrect” need not be “educationally inappropriate” for students being initiated into critical thinking.
- The National Curriculum Framework from which the current textbooks sprang broke new ground precisely because they sought to encourage young learners to ask questions for which there may not be a single correct answer.
- The authors of the textbook may have gone overboard here and there; a sensible, nuanced review could have easily set things right. But the deletions now being ordered defy all reason and commonsense.
- Agreed, there is nothing sacrosanct about the textbooks and the cartoons they carry. Other cartoons and other textbooks could have served the pedagogic purpose just as well. But inclusion and exclusion of material in textbooks cannot be carried out, as the Thorat committee has done, keeping in mind narrowly defined political sensitivities and imaginary community sensibilities.

Critical Evaluation of Cartoon Controversy

- When an emotional issue erupts in the public domain, argument becomes difficult and secondary to decision-making. That is what happened over the controversy regarding the inclusion of a cartoon depicting Dr. B.R. Ambedkar in a class XI textbook.
- The controversy has become wider in its scope. When the Parliament of the country, almost in one voice, reprimands the inclusion of cartoons in political science textbooks, is there any scope for reason? Thus, argument is the casualty.

Issues to be argued

- Initially, when the controversy broke, concerns were expressed that this has something to do with freedom of expression. But many political leaders have pointed out that they are not opposed to cartoons being published in the media. This has made the debate more focused now.
- The first issue is about “impressionable” minds. Magnanimously, some of the participants in this debate have assured us that cartoons are fine for researchers and postgraduates, just not for young minds, please. And that takes us to one of the larger issues: an authoritarian parental mindset that typically characterises our relations with younger generations and to collective life generally. With the explosion of information and media, issues transcend boundaries of age and this needs to be taken into account when arguing for a protective approach towards dissemination of ideas and knowledge.
- But then, why should we be doing this through these textbooks? And there we come across the second issue: There is a danger of conflating government with autonomous state institutions. That is exactly what one wants to guard against.
- In India, we have adopted a complex structure whereby school textbooks are formally under government jurisdiction, but with a caveat: the government, as such, does not write textbooks or decide what should or should not go into the textbooks. The government only ensures a certain procedure — creation of a body responsible for the task (NCERT in this case); selection of the right persons at the top (the director's appointment is made by the government); and then leaves the rest to those persons and institutions. Saying that the books are sarkari goes against the democratic principle of delegating work and assigning autonomous responsibilities with internal monitoring mechanisms. The perception that these are sarkari books is exactly what the post-National Curriculum Framework textbooks sought to dispel. That achievement of the NCF is now endangered. Are we saying that institutions have autonomy only so far as that autonomy does not become real?
- The third issue that has come up is about the role of cartoons generally. Yes, cartoons — whether in textbooks or in print media — make us laugh, chuckle, and feel a little cheerful. But that is surely not the core function of a cartoon. It would be a gross misunderstanding, therefore, if we said — as some are now saying — that cartoons poke ‘fun’ and hence they are for purposes of cheap criticism — ‘mazaak’. Much more than, and along with, poking fun, cartoons are a powerful art form for locating ironies and bringing forth the inconsistencies of our collective selves. This core value of the art form is not at all appreciated in the ongoing debate.
- Moving on towards the textbook issue again, a fourth point that deserves attention is the pedagogy of textbook writing. The authors and advisors of the now-controversial textbooks do not claim any expertise on this. But they surely had the inputs of experts from the field of education and teaching. Besides, the NCF and its pedagogic approach was the guiding principle for the teams that prepared

those textbooks. Not information but inquisitiveness is what the textbooks want to inculcate. They do not satisfy curiosity but fan more curiosity. They do not dish out opinions as “official wisdom” but help students become their own leading lights on the path of knowledge and understanding.

- Whether cartoons fit in with the pedagogy based on this approach can very well be debated and it could also be argued that they are not the only means whereby these objectives could be achieved. However, the argument about impressionable age and the idea of giving a sarkari version of everything would not stop only at throwing out cartoons: depictions of drought could be objected to; pictorial presentations of domestic violence or communal carnage could be objected to; pictures of destruction caused by war can be objected to — all these unquestionably make a powerful impression on the viewer, young or whatever.
- The issue is: do we want students to have the benefit of all these strategies of dissemination and inquiry? The current series of post-NCF textbooks believes that these are necessary tools if the objective is to encourage creative thinking, imagination and, above all, the spirit of inquiry and critique.
- Finally, another argument in the current debate seems to be this: the books are anti-democratic and show politicians in a poor light. As an aside, is it not somewhat odd and anti-democratic that a democratic society should have a separate “political class” rather than an engaged and active citizenry? But we shall leave it at that. Political science can be and was being taught mainly as formal institutions and rules and procedures such as “what are the powers of the President of India” and “how many members are there in the Rajya Sabha” and so on. Besides being information oriented, this approach is also the least encouraging in terms of producing an active citizen. The current (now nearly abandoned) textbooks did not only wish to make political science “interesting” but also wanted to make political science engage seriously with the political (and hence they have to pay the price for doing that).
- Politics is about creating and running institutions; politics is about power and about power being used for various collective purposes; politics is not a sanitised anthem of democracy but a shrill and not so sweet mix of different sounds. This politics produces governance — and sometimes may even fail to produce governance. Politics is ‘good’ and ‘bad’ — unlike the romantic movie, there are men and women in politics rather than sanitised heroes and heroines and villains and side villains. Is this not a robust and democratic depiction of politics?
- It can be nobody’s claim that this approach towards teaching politics is the only correct approach or that the textbooks have correctly followed this approach. It is for the larger academic community now to go beyond issues of an emotive nature and engage with the questions that the controversy has thrown up.

Gorkhaland Territorial Administration

- The Gorkha Janmukti Morcha’s has decided to contest the elections to the Gorkhaland Territorial Administration (GTA)
- The region was on the boil for nearly three decades, driven by protests over the Gorkhaland demand. In more recent years, a series of shutdowns hit the region, that is largely dependent on tourism.

- A tripartite agreement was signed among the GJM, and the West Bengal and Central governments. The deal provided for the GTA, replacing the Darjeeling Gorkha Hill Council that was formed in the late-1980s.
- While “keeping on record the demand of the GJM for a separate state of Gorkhaland,” the agreement provided for the formation of the autonomous and self-governing GTA through direct elections.
- The State government agreeing to acknowledge in that deal the essentially divisive Gorkhaland dream clearly amounted to appeasement. The government should not go down the placatory path anymore without giving due thought to the disruptive potential of the slogan.
- The whole process cannot be impervious and insensitive to the legitimate political and social aspirations of the people of the Dooars and the Terai in the Darjeeling and Jalpaiguri districts. If they do not want their areas to be part of the GTA, their sentiments should not be ignored.
- Now, putting aside its resistance to the Shyamal Sen Committee’s recommendation to include within the GTA’s jurisdiction only five mouzas in the Terai and the Dooars — against its demand for 396 mouzas — the GJM has decided to take part in the elections to the 45 seats in the new body even before its final territorial contours are clear.
- It is important that the GJM refrains from muddying the waters again, keeping alive and reviving the Gorkhaland demand. Instead, it should help the region realise its development potential and integrate its people with the national mainstream as a truly democratic player. On its part, the State government should stand firm on resisting divisive trends and not seek to bend over backwards to pander to disruptive demands.

NCTC

Rational behind NCTC

- In the Indian context, the National Counter Terrorism Centre, that will be an important pillar of the new security architecture, is based on the following premises:
- That, under the Constitution of India, countering terrorism is a shared responsibility of the Central Government and the State Governments;
- That terrorists do not recognise boundaries between countries or boundaries between States belonging to a country;
- That many terrorist organisations have foot prints in several countries and have the capacity to commit terrorist acts across borders or boundaries;
- That human resources alone are not sufficient to counter terrorism; technology is the key weapon in this conflict.
- That we have obligations to the international community under the Resolutions of the Security Council.
- That given India’s 7516 km coastline, 15,106 km of international borders with seven countries (Afghanistan, Pakistan, Nepal, Bhutan, China, Bangladesh and Myanmar) and a number of international gateways, State Anti-Terrorist Forces would have to necessarily work with a number of agencies of the Central Government, especially when there are threats in the domain of sea, air and space.
- In the aftermath of 26/11, the home minister announced a new security architecture to fortify the country against terrorist attacks. Instead of a maze of competing bureaucracies for intelligence, security and enforcement, there would be central coordination — a networked intelligence database

(NATGRID), a National Investigation Agency (NIA) and a National Counter-Terrorism Centre (NCTC), which would be ultimately responsible for piecing together information and acting on it.

State's Criticism of NCTC

- Like other counter-terror mechanisms around the world, NCTC would process and interpret the deluge of intelligence data from across the country. However, unlike most global models, the proposed NCTC would also involve itself in investigation and operational supervision.
- While acknowledging the need for a unified anti-terror apparatus, State chief ministers have been united in their alarm about the proposed anti-terror body's apparently untrammelled authority — it will give the Centre powers to search, seize and arrest, cutting into the state's policing domain. They expressed worry about the wisdom of exempting such a powerful agency from parliamentary scrutiny.
- These concerns are valid, and should have been addressed at the very start. However, this government's inability to engage and persuade allies and states has turned the NCTC issue into a confrontation over federalism.

Center's response to the controversy

Earlier the home ministry has softened its stand — limiting and clarifying the conditions under which the NCTC will operate. It will function through state anti-terrorism squads, and it will involve all state DGPs in its council. In the rare cases where NCTC officers need to intervene directly, they will bring in the state police immediately after.

Now center has decided that NCTC will no longer be placed under the Intelligence Bureau — a body that is exempt from parliamentary oversight.

As Centre has put a more acceptable version on the table, but it remains to be seen if the state leaderships are able to cast aside the built-up distrust and meet the Centre halfway.

Anti-Corruption Measures by Govt.

The Group of Ministers (GoM) set up in January 2011 to consider measures to tackle corruption has submitted two reports. In pursuance of this-

1. Government has directed that requests for sanction of prosecution are to be decided upon by the competent authority within a period of three months.
2. Government decided that for all officers of the central government above the rank of Joint Secretary, the competent authority to approve initiation of enquiry/investigation under Section 6A of the Delhi Special Police Establishment Act will be the Minister-in-charge in the Government of India.
3. Government has also accepted the recommendation of the GoM to put in place regulatory parameters for exercise of discretionary powers by Ministers and to place them in public domain.

A comprehensive 'Lokpal and Lakyuktas Bill, 2011' was passed by the Lok Sabha this year.

'The Whistle Blowers Protection Bill 2011' intended to provide protection to whistle-blowers, was passed by the Lok Sabha and is presently with the Rajya Sabha.

India ratified the United Nations Convention Against Corruption in May, 2011. The Convention has entered into force for India on 8th June 2011. With a view to ensuring full compliance with this Convention, 'The Prevention of Bribery of Foreign Public Officials and Officials of Public International Organizations Bill 2011' was introduced in the Lok Sabha. The Report of the Parliamentary Standing Committee on the Bill is under consideration of the Government.

Making all Government services transparent

- The National e-Governance Plan was approved by the Government with the vision to "Make all Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency & reliability of such services at affordable costs to realize the basic needs of the common man".
- A network of more than 100,000 Common Service Centres for electronic delivery of public services to citizens in rural areas has been rolled out.
- Pilots for delivering high-volume, citizen-centric e-Governance services have been implemented in 88 districts across seven states under the e-District Project.
- The MCA-21 e-Governance project for facilitating business by simplifying and reducing documentation was carried forward by enabling online allotment of the Direct Identification Number and integrating it with the Income Tax PAN. This will substantially reduce delays in incorporation of a company.
- A record 15 lakh annual reports were filed during the year with a peak of 70,000 filings on a single day.
- Rules have been amended to facilitate payments by direct credit to the bank accounts of payees. A secured electronic payment system, through "Government e-payment gateway" has been commissioned to facilitate this process. This measure will streamline the process of making payments, minimize the interface of the payees with Government offices and will usher in green banking.

Transparency in Public Procurement Legislation

- The Public Procurement Bill, 2012 has been approved by the Cabinet.
- The Bill seeks to regulate public procurement by all Ministries and Departments of the central government, Central Public Sector Enterprises and bodies controlled by the Central Government to ensure transparency, fair and equitable treatment of bidders, promoting competition and enhancing efficiency and economy in the procurement process.
- The Bill would create a statutory framework for public procurement which will provide greater accountability, transparency and enforceability of the regulatory framework.

Making the Public Service Delivery a right of citizens

- The Right of Citizens for time-bound delivery of Goods and Services and Redressal of their Grievances Bill' was introduced in the Lok Sabha on 20th December 2011, and has since been referred to the Department related Parliamentary Standing Committee. This bill is intended to make the Citizens' Charter statutory and to endow the public with the right to delivery of goods and services.

Increasing people's access to justice and enhancing accountability

- The Judicial Standards and Accountability Bill 2012 has been passed by the Lok Sabha.
- The National Mission for Justice Delivery and Legal Reforms was launched in the Department of Justice for increasing access to justice by-
 - a) reducing delays and arrears,
 - b) enhancing accountability through structural changes and
 - c) setting performance standards and capacities.
- Information such as filing of petition, allotment of cases to courts, generation of cause list, date of hearing and status of the case can be ascertained from judicial service centres set up by district and subordinate courts.

Draft Criminal Law (Amendment) Bill, 2012

- The highlights of the Bill include - replacing the word 'rape' wherever it occurs by the words 'sexual assault', to make the offence of sexual assault gender neutral, and also widening the scope of the offence sexual assault.
- The punishment for sexual assault will be for a minimum of seven years which may extend to imprisonment for life and also fine for aggravated sexual assault, i.e., by a police officer within his jurisdiction or a public servant/manager or person taking advantage of his position of authority etc. The punishment will be rigorous imprisonment which shall not be less than ten years which may extend to life imprisonment and also fine.
- The age of consent has been raised from 16 years to 18 years in sexual assault. However, it is proposed that the sexual intercourse by a man with own wife being under sixteen years of age is not sexual assault.
- Provision for enhancement of punishment and for making acid attack a specific offence have been made.

Ethnic Violence in Kokrajhar

- Ever since the clashes between Bodos and migrant Muslim groups in 2008, Kokrajhar, the seat of administration of the Bodoland Territorial Council (BTC), has held an uneasy peace.
- Trouble had been brewing for the last few weeks, after minority student unions and non-Bodo tribes began pressing their demand for greater representation in the BTC.
- More than 40 lives have been lost and nearly 1.7 lakh people displaced. The army has finally been called in.
- The area under the BTC's jurisdiction has seen undercurrents of tension even after the Bodo Accord of 2003.
- The Bodo movement has its roots in the agitation against tribal land being acquired by immigrants. Land is a fundamental issue in the region that remains unresolved.

- On the other side of the divide, the minorities and non-Bodo tribes allege discrimination in political representation, since the BTC structure has given a larger say to the Bodos. Over the years, this power-sharing arrangement has appeared to rest on increasingly unstable ground.
- Finally, the Bodo Accord failed to ensure a round-up of the arms of the erstwhile Bodoland Liberation Tigers (BLT). Still in circulation, they sharpen the edges of the already fragile equations between groups.
- Both the state and the Union governments appear to have misread and mismanaged the situation in a district that has witnessed large-scale clashes in 1993, 1994, 1996 and as recently as 2008.
- Kokrajhar is the landlocked Northeast's narrow passage to mainland India through the "chicken's neck". If the current trouble had been anticipated and adequate and visible security provided for at the first sign of trouble, the Northeast would not have been virtually cut off from the country.
- The confrontation has been labelled 'ethnic,' but economic and even educational anxieties are as much at work as the desire to preserve socio-cultural and ethnic identities. Insecurities relating to land, forest rights and a shrinking job market have created a combustible mix.
- The long-term goal, obviously, is to re-envision Assam as a place where ascriptive identities do not disrupt civic relationships. The state needs to keep working on achieving the right balance of development activity.
- The key to this will be restoration of mutual trust. This should be based primarily on systematic measures to address fears over loss of ownership and right to land, and concerns over denial of access to resources, development, and means of livelihood.

Sectoral Innovation Council of I&B

- The Sectoral Innovation Council of the Ministry of Information & Broadcasting (I&B) is the first amongst the various Sectoral Innovation Councils set up in various sectors of the Government to submit its Report to the concerned Ministry.
- The primary objective of the Council was to design a policy ecosystem in which new ideas would be integrated into the mainstream and get converted into policy initiatives by the Government.
- The Sectoral Innovation Council was set up as part of the Government of India's initiative of declaring 2010- 2020 as the Decade of Innovation. Accordingly, the Government set up a National Innovation Council with Shri Sam Pitroda as Chairman and 16 distinguished members and other Sectoral Innovation Councils.
- The Council in its Report has analysed the growth potential of the Media & Entertainment Industry by recommending changes in critical areas such as broadcasting, print media, animation, gaming and VFX, Media education and films. Some of the key recommendations are:
- A comprehensive policy media policy, that integrates all existing media segments and addresses the emergent issues. The council has recommended to bring out a National Media Policy that addresses the new media landscape.
- The Government may look into the existing licensing procedures and requirements to ensure further liberalization and reforms in the broadcasting sector.
- Content innovation is required in the radio segment which would be possible only if the Government comes up with a separate licensing model for niche channels.

- Ministry of I&B, as the policy head of public service broadcasting and community radio service could come out with a formal arrangement by which community radio stations (CRS) could provide community based programme content to AIR and AIR could provide capacity building and training to CRS workers in content creation, management and operation of stations.
- The process of digitalization in DD and AIR was likely to release airwaves which after due utilization in house could be used for creating a public service broadcasting fund in line with USO fund of telecom sector. This fund could be utilized exclusively for public service broadcasting.
- In view of the potential in the films sector, the Council has recommended a National Film Policy that will address the role of the Government vis-à-vis the private sector.
- Film Institutes in the country may be upgraded to Centre of Excellence. In the long term, these Centres of Excellence could become part of a Central University of Films, Broadcasting and Animation by an appropriate legislation.
- The Government must have a National Policy for Animation, Gaming and Visual effects (VFX).
- The Government should go for co-production treaties in the animation sector to ensure flow of international projects to India. Ministry could also consider giving responsibility to the Children's Film Society and Doordarshan to produce animated content and create Indian IP.
- Reliable Single Source Data on all mediums of advertising should be made available by the Government so that advertisers are able to take decisions on reliable data.
- Government should interact with key stakeholders and expedite a consensus on developing an alternative to TAM (television audience measurement) so that an appropriate mechanism is developed with industry participation to study audience viewing and listening behaviour and bring out reports on weekly basis.
- Government should regulate media education to ensure orderly growth of the discipline as part of higher education.
- Like medical education and technical education, Media Education be regulated by a new organisation known as Media Education Council, to be a part of I&B. The academic course for media education should be in line with UK/ US Universities and Vocational courses as part of requirement of the industry. The Media Education Council should be assigned the task of setting up curriculum for all levels so that standardised curriculum with national accreditation becomes a possibility.
- New Media should be utilized for media campaigns by the Government.

Indian Fishermen Killings

- The emergence of maritime terrorism and the revival of piracy have added a new dimension to the hazards that have traditionally confronted seafarers, and innocent fisherfolk have now come in the line of fire.
- An Indian fisherman was killed and three others, besides an Emirati national, injured when US navy personnel on board the Rappahannock, a replenishment ship, opened fire on a small motor vessel off the coast of Dubai.
- According to an official statement from the US navy, the vessel was fired upon, in accordance with doctrine, after it "rapidly" approached the ship, disregarding repeated warnings.

- The incident has, however, caused great indignation in Tamil Nadu to which the unfortunate fishermen belonged, and India has asked the UAE authorities to open a criminal investigation into the incident.
- In yet another incident in February, two Indian fishermen were shot dead by marines carried on board the Italian merchantman MV Enrica Lexie.
- This tanker, on passage from Singapore to Egypt, was reportedly between 14 and 22 miles from the Kerala coast (outside territorial waters but within the contiguous zone) when it encountered the fishing vessel. Mistaking it for a pirate skiff, two marines, borne by the ship for protection, opened fire, killing two of the fishermen. The Italian ship was asked to enter Kochi port where the two marines were placed under arrest and await trial for murder.
- For a warship captain, it would be inconceivable that a band of outlaws, no matter how well armed, should threaten or attempt to board his ship, and he would act resolutely in accordance with the clear-cut rules of engagement (RoE) given to him.
- As the Rappahannock incident clearly shows, the latest RoE framed by the US navy have been, rightly, relaxed in terms of the discretion that they give to the man on the spot. This is appropriate in the current threat environment.
- In the case of merchantmen, since there are normally no combatants on board, the ship's master, having taken all possible preventive and evasive measures, has no choice but to permit boarding by the pirates/ terrorists and take his chances. It is only recently that merchant ships have been allowed to carry privately contracted armed security personnel (PCASP) in high-risk areas.
- The guidance issued by the International Maritime Organisation (IMO) with regard to PCASP states that a ship's master will exercise command and will retain the overriding authority on board. This guidance does not provide any RoE nor does it offer any directions about the use of lethal force. Moreover, it deals only with civilian contracted personnel and not with the presence of military personnel on board merchant ships
- Should the Indian government take the same view of this incident as it did of the Enrica Lexie, it could, in theory, ask the UAE government to prosecute the US navy personnel that she carried on board or extradite them to India. However, a more fitting option would be for India to formally ask the US government to conduct an inquiry and deal appropriately with errant navy personnel.
- There are a number of complex issues that need consideration.
- Firstly, the fishermen fraternity in our part of the world is focused on earning their livelihood, and frequently disregard hazards and warnings, with tragic consequences.
- Secondly, the PCASP, if carried, need to be properly briefed about the graduated application of force; and conditions under which lethal force may be used.
- Finally, uniformed personnel, if deputed, need to be indemnified by multilateral consent against legal action by other states for bona fide actions in the line of duty.
- These are vexed issues that need to be urgently addressed, and this is an opportune moment for concerned maritime states to jointly evolve procedures for ensuring protection of shipping, without endangering safety of innocent fisherfolk. India, with one of the world's largest fishing communities, must take the initiative.

Opinion

Role of President

- Under the Indian Constitution, the President has no executive role to play, but his or her actions — whether, for instance, in approving Bills or sending these back for reconsideration, or in forming a new government or in asking the incumbent to face a vote of confidence — have political import.
- People do look upon him also as a person having some authority in the governance of the country, and he can justify his position only by tendering such advice and giving such suggestions as he considers necessary to the cabinet before it takes any decision.
- The President is no rubber stamp, and is not required to sign on the dotted line irrespective of the issue at hand. While there are strict statutory limits to his discretion, his advisory or cautionary role is well recognised by the Constitution.
- The occupant of the highest office of the land is also the custodian of the Constitution. The oath administered to the president-elect is therefore quite different from that administered to the prime minister, chief ministers and the ministers of the Union and states. While they owe their allegiance to the Constitution, the president takes the oath to preserve, protect and defend the Constitution. The president also promises to dedicate himself/ herself to the service and well-being of the people.
- While the president's function as the protector and defender of the Constitution has been adequately highlighted, the role played by the president to serve and promote the well-being of the people of India has not received much attention.
- Granville Austin, an American historian who is an expert on the Indian Constitution, described it first and foremost as a social and economic document. In preserving and protecting it, the president has to protect the well-being of people — that is central to the working of the Constitution.
- There is a subtle influence of the office of the president on the executive and the other arms of the government and on the public as a whole. It is a position which has to be used with a philosophy of indirect approach. There are one or two things which you can directly do in very critical times. But, otherwise, this indirect influence that you can exercise on the affairs of the state is the most important role he can play. And, he can play it successfully only if he is, his ideas and his nature of functioning are seen by the public in tune with their standards -there must be some equation between the people and the president.
- An ideal President is one who becomes a source of wise counsel to the Prime Minister; it is easier said than done. The Prime Minister must feel comfortable driving down to Rashtrapati Bhavan and the obligation of consultation should not become a joyless burden; just as the President must remember that the Prime Minister of the day has his share of political difficulties and constraints. If the President joins hands with the Prime Minister, the two can become a powerful source of constitutional and political wholesomeness. A President can help the Prime Minister ward off unhealthy demands of coalition partners. Or, similarly, the President can play a welcome corrective part in the matter of judicial appointments by the simple stratagem of keeping a dubious file pending, just as President Kalam once did.
- In the era of coalition politics and government, the role of the president is of critical significance. The provisions of the Constitution coupled with the precedents set by the successive presidents constitute the source of inspiration and guidance to the future presidents of our country.

- Today, a President can easily succumb to the temptation of muddying the waters and dominate the news waves. The Indian republic finds itself at a crossroads when every institution is seeking to maximise its reach and influence at the expense of the executive. It should be remembered that Rashtrapati Bhavan is not a rival centre of authority. It is against the letter and spirit of the Constitution to inject the notions of an 'activist' President.

Regulations for Media in Democracy

- In democracies, the media have a critical role in highlighting abuses in markets, abuse of political power and in the interaction of the two. They play an essential role in public opinion formation and the democratic process.
- However, most media institutions face particular dilemmas because they are, simultaneously, key elements of an effective democracy and commercial entities operating in markets seeking not only substantial and growing audience share, but also revenue from them or advertisers. They benefit from favourable government decisions about media (and other) policies affecting their non-media assets. These market interests can potentially distort the role that media institutions play in the formation of public opinion and, consequentially, in our democracy.
- Conversely, the privileged access that media corporations gain from politicians seeking a good press can skew decisions politicians have to make in ways that distort markets while also undermining democracy.
- Democratic competition needs to be carried out on a level playing field. If most of the playing fields are owned by those barracking for one side and using their ownership to tilt the field, democracy is in peril.
- In order to fulfil their critical role of speaking truth to power, media enterprises claim privileges that others do not have to protect sources, and exemption or limitation of the reputational and privacy rights of those on whom they report. If they use their powers and privileges to fulfil this role, those claims are justified. Otherwise, they are merely traders for profit in assertions about the private lives of others.
- How can we ensure that the powers and privileges of the media are used for vital democratic purposes for which they are claimed rather than abused for increase in the influence and non-media wealth of major shareholders?
- Our approach does not rely on more government regulation. Nor does it rely on the diversity of views held by plutocratic owners.
- Instead, it centres on strengthening the profession of journalism through "institutional integrity", a concept that the Supreme Court of India had used to strike down the appointment of a Central Vigilance Commissioner who was himself under investigation.
- "Institutional integrity" requires a set of mutually reinforcing codes for journalists, editors and media board members, plus institutional arrangements for independent interpretation, guidance and enforcement. These codes and institutions can be seen as a form of "integrity system" that promotes the key role of the media in democracy rather than the abuse of media power that undermines it.
- Integrity systems include ethical advisers outside the chain of command for journalists and editors; a Media Integrity Commissioner to assist journalists, editors and board members to develop their codes

and give authoritative advice on their application; and a complaints body to adjudicate complaints and order the publication of any adverse findings as prominently as the original reports.

- Media activities undertaken under these codes would enjoy enhanced versions of the protections and privileges media currently enjoy. Those that do not would be subject to normal corporate regulation and defamation laws — with the possibility of U.S.-style damages for those whose libels and privacy invasions were due to negligence, recklessness or political motivation.
- This will provide a very large economic incentive for news organisations to either pursue professional journalism with appropriate integrity measures, or engage in entertainment that leaves real people alone and avoids all controversial statements because the cost of getting them wrong is too great in the absence of those integrity measures.
- It would be unscrupulous for media outlets to attack reforms that would compel them to be more ethical. Unethical media organisations might well do so — offering their support to a political party in return for it opposing these reforms. This is why cross-party agreement would be critical. If all major parties agreed to refuse to modify their policies and ignored promises of favourable election-time coverage, such inducements lose their sting.
- Political parties must recognise that giving in to pressure is a dangerous strategy. Each time they give something away to a media organisation for favourable coverage, they do three things:
 - Increase the effective power of the media organisation;
 - Whet its appetite;
 - Skew the media in favour of those who would do such deals against those who would not.
- That is, such an approach, despite its short-term tactical attraction, damages the long-term interests of even the party engaged in it and weakens the future effectiveness of the government offices they seek to win.
- This is why we would like to see all major parties engage in a “virtuous conspiracy” to improve the effectiveness of the media in democracy. In doing so, they will also do a great favour to the media, business and themselves.

Judicial Activism

- The grave problem that courts are often faced with is this: on the one hand, the Constitution is the supreme law of the land and, on the other hand, in the garb of interpreting the Constitution, the court must not seek an unnecessary confrontation with the legislature, particularly since the legislature consists of representatives democratically elected by the people.
- The court certainly has power to decide constitutional issues. However, since this great power can prevent the full play of the democratic process, it is vital that it should be exercised with rigorous self restraint.
- The philosophy behind the doctrine of judicial restraint is that there is broad separation of powers under the Constitution, and the three organs of the State, the legislature, the executive, and the judiciary, must respect each other, and must not ordinarily encroach into each other's domain, otherwise the system cannot function properly.

- Also, the judiciary must realise that the legislature is a democratically elected body, which expresses the will of the people (however imperfectly) and in a democracy this will is not to be lightly frustrated or thwarted.
- Apart from the above, judicial over-activism deprives the people of “the political experience and the moral education and stimulus that comes from fighting the problems in the ordinary way, and correcting their own errors”.
- In *Asif Hameed vs. The State of J&K*, the Indian Supreme Court observed: “Although the doctrine of separation of powers has not been recognised under the Constitution in its absolute rigidity, the Constitution makers have meticulously defined the functions of various organs of the State. The legislature, executive, and judiciary have to function within their own spheres demarcated in the Constitution. No organ can usurp the function of another. -- While exercise of powers by the legislature and executive is subject to judicial restraint, the only check on our own exercise of power is the self imposed discipline of judicial restraint.”
- Judicial restraint is particularly important for the Supreme Court for two reasons:
 - a) Of the three organs of the state, only one, the judiciary, is empowered to declare the limits of jurisdiction of all three organs. This great power must therefore be exercised by the judiciary with the utmost humility and self restraint.
 - b) The errors of the lower courts can be corrected by the higher courts, but there is none above the Supreme Court to correct its errors.
- Some people justify judicial activism by saying that the legislature and executive are not performing their functions properly. The reply to this argument is that the same charge is often levelled against the judiciary. Should the legislature or the executive then take over judicial functions? If the legislature and the executive do not perform their functions properly, it is for the people to correct them by exercising their franchise properly, or by peaceful and lawful public meetings and demonstrations, and/or by public criticism through the media and by other lawful means. The remedy is not in the judiciary taking over these functions, because the judiciary has neither the expertise nor the resources to perform these functions.
- If judicial aggression is to be the rule some basic issues remain:
- “First, how legitimate is government by Judges? Is anything beyond their reach? Will anything be left for ultimate resolution by the democratic process, for, ‘that wide margin of considerations which address themselves only to the practical judgment of a legislative body representing (as Courts do not) a wide range of mundane needs and aspirations?’
- “Second, if the Supreme Court is to be the ultimate policy making body without accountability, how is it to avoid the corrupting effects of raw power? Also, can the Court satisfy the expectations it has aroused?
- “Third, can the Supreme Court Judges master the complexities of every phase of citizen’s life? Are few men wise enough and good enough to wield such power over the lives of millions? Are Courts institutionally equipped for such burdens? Unlike legislatures, they are not representative bodies reflecting a wide range of social interest. Lacking a professional staff of trained investigators, they must rely for data almost exclusively upon the partisan advocates who appear before them. Inadequate or misleading information invites unsound decisions.
- “Finally, what kind of citizens will such a system of judicial activism produce, a system that trains us to look not to ourselves for the solution of our problems, but to the most elite among elites: Judges

governing our lives without political or judicial accountability? Surely this is neither democracy nor the rule of law.”

- In *Divisional Manager, Aravali Golf Course vs. Chander Haas* (2006) the Indian Supreme Court observed: “Judges must know their limits and not try to run the government. They must have modesty and humility and not behave like Emperors. There is broad separation of powers under the Constitution, and each of the organs of the state must have respect for the others and must not encroach into each other’s domain.”
- “Courts are not representative bodies. They are not designed to be a good reflex of a democratic society. Their essential quality is detachment, founded on independence. History teaches that the independence of the judiciary is jeopardised when Courts become embroiled in the passions of the day, and assume primary responsibility in choosing between competing political, economic, and social pressures”.
- The moral of this story is that if the judiciary does not maintain restraint and crosses its limits there will be a reaction which may do great damage to the judiciary, its independence, and its respect in society.
- It is not my opinion that a judge should never be activist, but such activism should be done only in exceptional and rare cases, and ordinarily judges should exercise self restraint.

Empowering voters in our Democracy

- How democratic, actually, is Indian democracy?
- India is a representative democracy, where people select their representatives once in five years to make laws and policies on their behalf. Limiting the participation of the people merely to voting once in five years has significantly reduced the responsiveness of the representatives to the people.
- Further, representatives often make policies that are not aligned with the wishes of the people. A key reason for this is that political parties require huge funds to contest elections, which are usually provided by moneyed special interests. Once elected, it is these special interests to whom our representatives often cater, rather than the interests of the people.
- So, what institutional mechanism do the people have to make their voice heard, if their representatives do not represent their interests?
- This problem is not unique to India. Representative democracies around the world have searched for solutions to this structural flaw. One innovative solution tried in numerous countries is the Referendum (R) and the Initiative (I). These are instruments whereby some decisions of policy and law-making are ‘referred’ to a direct vote by the electorate, rather than solely being decided by their representatives. They provide a formal, institutional channel for the voice of the citizens, if they feel that their representatives are not adequately representing them.
- The Referendum (R): The citizen-initiated Referendum is an instrument whereby citizens, by a direct vote, can decide whether a legislation passed by Parliament should be rejected. Citizens sceptical of a certain law or policy can gather signatures of a small percentage of the electorate which can force a direct vote, by the entire electorate, on the legislation in question. If a majority vote opposes the legislation, then their rejection is binding upon Parliament.

- The Initiative (I): While the Referendum is an instrument that allows citizens to accept or reject legislation passed by the Parliament, an 'Initiative' lets citizens initiate a new legislation or constitutional amendment, by putting their own proposal on the political agenda that Parliament is ignoring. A bill drafted by a group of citizens and supported by a small percentage of the electorate (again established by signatures) is put to a nationwide direct vote.

Benefits

- The primary value of I&R is to align legislative behaviour closer to public opinion. The mere presence of I&R, even when it is not used, makes the legislature more aligned to public opinion, since they know that citizens have the I&R channel to “trump” them.
- Second, I&R results in significant governance reforms — an area in which the legislature is least likely to act, since it typically curtails their own power. There is a conflict of interest, and the lawmakers typically ignore or even sabotage such reforms.
- Third, an important impact of the I&R process is the educative and transformative effect it has in creating a more politically informed and participative citizenry.

Challenges

- One logistical challenge is conducting in direct voting at the national or even state level. Various solutions exist, including the employment of information and communication technologies (ICT) in innovative ways. Further, the content of the ballot to be voted on, needs to be structured in a way that is easily understood by a wide variety of voters with varying linguistic backgrounds and levels of literacy. Here again various solutions exist.
- Another challenge has to do with voter competence in making informed judgment on matters of law and policy. One response to this concern is if our elected representatives (who are clearly not experts on many of the issues they take decisions on) can make decisions on laws and policies taking into account the views of experts, so can the people.
- Additionally, in referendums it has been found that even when voters do not understand the complexity of issues, they are able to take simple cues — like who is supporting or opposing the proposition — to make informed and ideologically consistent choices. They also try to educate themselves on the issues to be voted on by listening to views of experts on the topic and engaging in debate. Mechanisms to make diverse expert opinions available in an easy to access manner need to be devised.
- Yet another challenge is to prevent moneyed special interests from influencing the I&R process, by sponsoring high-spending misleading campaigns.
- One response to this concern is that it is far more difficult and expensive for moneyed special interests to convince citizens at large than to convince a smaller set of lawmakers through lobbying. That said, there is need to have safeguards that limit or eliminate campaign financing in the I&R process.
- Whatever be the challenges in introducing such democratic reform, the time has come to discuss such a change to ensure that our government truly represents the people.

INDIAN ECONOMY

Regulation of commodity futures market

Challenges

- There is understandable excitement regarding the significant growth of commodity market in India, but it cannot be denied that there are also apprehensions among some quarters whether the market is truly achieving its objective of price discovery and price risk management and helping farmers and hedgers.
- It is well known that hedgers transfer their risk in this market which is assumed by the speculators who bring in the liquidity and that greater participation and volumes lead to a more efficient price discovery, thereby reducing the possibility of price manipulation.
- An analysis of the trade volumes on futures market indicates that in case of some commodities, the volumes are much higher than the open interest, thereby indicating that the extent of hedging is much less than the speculative volumes generated.
- It is also seen that in respect of a number of commodities, the volume of participants is not very significant. It is a matter of concern, as this will result in poor quality of price discovery in such contracts.
- Number of studies and reports do indicate that futures trading in commodities cannot be said to be responsible for price rise. It is, however, possible that if futures-market is not aligned properly with the physical market, price discovery in the futures platform may become distorted which may be misused by vested interests.
- Such a situation can only be avoided when hedgers and potential hedgers are encouraged to participate in this market in large number.

Steps taken

- Forward Markets Commission (FMC) has been taking a number of initiatives to address the above challenges. There is need to create awareness among the hedgers and industry associations about these critical issues – it is here industrial bodies such as FICCI should play their important role in creating such awareness.
- The FMC has also started a comprehensive exercise for alignment of futures market with the physical market. A staggered delivery system has been introduced in a number of agricultural commodities. This has already resulted in significant reduction in excessive speculation in the near month and in reduced price volatility in these commodities.
- The FMC is also reviewing all the futures contracts traded in the market to examine if those are suited to the needs of the physical market participants.
- One of the primary objectives of Commodity Markets is to help farmers to get best possible price for their produce. The farmers, especially small and marginal, are not able to participate in the market directly. They do so through aggregators. Therefore, the FMC has asked the exchanges to promote

aggregators on a pilot basis in the agricultural commodities so that the market benefits the farmers much more.

- The Price Dissemination Project of the Commission is being implemented across the country. The price signals coming from futures market also help farmers to take important sowing and marketing decisions. Farmers would be benefited far more by introduction of options which would be possible after the amendment of the FCR Act
- Introduction of investor protection measures will instill a sense of confidence in the retail clients encouraging them to participate in large number. Investor Protection Fund has been set up in each exchange and a trust is being set up to operate the fund.
- There is also a need to undertake a major media campaign in collaboration with the Exchanges to increase investor education in all the States on a sustained basis.
- The need for strengthening regulatory mechanism through Amendment of FCR Act has been discussed over the years and it is certainly necessary to strengthen this mechanism. The proposed amendment Forward Contract Regulation Act (Amendment) Bill, would enable the FMC to play a more effective role in regulation of these markets.

Inland Waterways

- Since January, PMO has identified and fast-tracked implementation of key projects in the National Waterways - 1, 2 and 3 (NW - 1,2,3). These are the Varanasi- Haldia stretch of the Ganga (NW-1), the Brahmaputra in Assam (NW-2) and the inland stretch in Kerala (NW-3).
- IWAI has since moved forward on large scale private investments to transport coal and fertilizer on NW-1, foodgrains and coal on NW-2 and a lot of cargo on NW-3.
- The share of Inland Water Transport (IWT) in the total domestic transport during 2007-08 was 0.24 % compared to 50.12 % for the road and 36.06 per cent for the rail sector in terms of tonne km.
- The development and regulation of the waterways which are declared as National Waterways are under the purview of Central Government, while the other waterways remain under the purview of the respective State Governments.
- The Government has been taking various steps to develop Inland Water Transport (IWT) which, inter-alia, includes
 - ensuring targeted depth and width in the navigational channels,
 - aids for day and night navigation,
 - fixed/floating terminals at specified locations for berthing and loading/unloading of vessels and intermodal connectivity at select locations.
- Besides these, Central Government also provides 100 per cent Grants-in-aid to the States in the North-Eastern Region for development of IWT.
- A Committee has been constituted to scale up private investment in Inland Waterways Sector under the Secretary, Planning Commission. This Committee would undertake a systematic effort to identify new areas for private investment, both in infrastructure and in transportation. It will also identify multiple business models which could then be bid out through concessions.

- Geonkhali-Charbatia stretch of East Coast Canal (217 km), Charbatia- Dhamra stretch of Matai River (39 km) , Talcher- Dhamra stretch of Brahmani- Kharsua- Dhamra River system (265 km) along with Mangalgadi- Paradeep stretch of Mahanadi delta Rivers (67 km) having a total length of 588 km. in the States of West Bengal and Odisha have been declared as National Waterway (NW-5) w.e.f. 25th November, 2008.
- The efforts to develop more commercially viable stretches of NW-5 under Public Private Partnership (PPP) mode with Viability Gap Funding (VGF) under India Infrastructure Project Development Fund (IIPDF) and PPP Pilot Project Initiative under the Asian Development Bank (ADB) Technical Assistance are in process.

The Inland Waterways Authority of India

- The Inland Waterways Authority of India (IWAI) was constituted for development and regulation of the Inland Water Transport sector in October 1986 after which five waterways have been declared as national waterways for their systematic development for shipping and navigation.
- IWAI strives to promote inland water transport infrastructure by providing the targeted depth and width for most part of the year in the navigational channels; aids for day and night navigation; fixed/ floating terminals at selected locations for berthing and loading/ unloading of vessels; and intermodal connectivity at selected locations.

AIR India Pilot Strike

- The de-recognised Indian Pilots' Guild has decided to call off its nearly two-month-long strike after Delhi High Court directive, but the government would do well to acknowledge this: the end of the strike is going to help neither Air India nor the taxpayer. Resumption of full operations will only mean a return to status quo.
- Unless AI reforms or is forced to, it will continue to make losses. Only a transformative rethinking of AI that entails immediate disinvestment and downsizing of the behemoth can make a difference.
- The latest package of Rs 30,000 crore had come with the attached caveats of 90 per cent on-time performance, 73 per cent passenger load and improved yields.
- The government had decided to take away AI's monopoly over bilaterals and right of first refusal, but there must be movement on allowing more efficient private Indian carriers to increase their overseas operations.
- Above all, what's needed is genuine reform — such as allowing foreign carriers to hold equity in Indian airlines. This would, for instance, help struggling Indian carriers to raise capital.
- AI must be fixed, if not abandoned, to help the civil aviation sector.

Critical Evaluation of Pilots' Demands

- Before the merger, the government made the country believe that the losses incurred by Air India (AI) and Indian Airlines (IA) stemmed from competition between the two airlines, that they could not survive on a standalone basis. The creation of a merged entity would help them consolidate and capture the world market. At the same time, both the airlines claimed that their respective old fleets

were a bane. So the government ordered 100 new aircraft and merged the two airlines in 2007, inventing a perfect recipe for disaster.

- Currently, AI has a debt of around Rs 46,000 crore, accumulated losses of Rs 22,000 crore, a working capital loan of Rs 20,000 crore and other sundry debts, such as dues to oil companies, airports and catering, amounting to another Rs 10,000 crore. In AI, we have an airline owned and run by the government with implications of financial mismanagement of over Rs 1 lakh crore. Sadly, the government has agreed on a Rs 32,000 crore package for a turnaround — this comes after it has already invested some Rs 2,000 crore.
- There are many reasons why AI is in such a pitiable state, but the recent strike by pilots from the pre-merger AI is a perfect example of how the airline had been run earlier and how the employees, from loader to top management, have arm-twisted an organisation said to be our national pride.
- The government has needlessly poured in money from the public exchequer to suit the whims and fancies, not of passengers or the people of this country, but of AI employees, the babus and even politicians.
- Now let us examine what the agitating pilots had asked for. First, they had said that they would not, in any situation, accept pilots of the erstwhile IA being sent for training on Boeing 787 Dreamliners, or for that matter, any other aircraft flown by the striking pilots — the 777s or the 747s. Where in the world do employees decide their own terms of employment and those of their colleagues too? Over the years these young captains, and their predecessors, have served AI while enjoying the privilege of flying the most beautiful aircraft. This was a privilege not many other young trained pilots had. Having gained experience, undergone training and then having qualified at a huge cost to the company, they decide to set their own terms of employment. The government, after investing huge resources, is threatened by arm-twisting and pilots can go on strike at their own sweet will. They stand protected as “workmen” under our labour laws, which put our captains at par with carpenters, electricians and others.
- The second demand the pilots had made is that if they have to operate anywhere in the world as staff on duty, they should be given a confirmed first-class seat, provided the seat has not been fully paid for by a passenger already. The cost of the first-class seat to New York or Toronto would almost equal the salary of the captain. If the first-class seat has been paid for by a passenger, the captain will decide whether he wants to travel business class or not. But in no situation will he agree to fly economy.
- Third, the pre-merger AI pilots had said that they will only fly to the West and those destinations should be theirs exclusively. Former IA pilots could fly to Eastern destinations; under no circumstances should they look West.
- Fourth, at some point of time earlier, the management had agreed, under duress, that if a captain did not become commander in 10 years, due to his own professional abilities or because the management had failed to put him on command training, he should be given the perks and remuneration of a commander. This proviso, signed between the management and the Indian Pilots Guild, was inherently atrocious. The pilots now propose to reduce it from 10 to 6 years, which means that a captain who fails to achieve the competence of a commander in six years should still be treated as one.
- It is time the government takes a final call and sets everything in order, something it has failed to do since the merger in 2007.

Producer Price Index

- The Reserve Bank of India (RBI) has proposed a Producer Price Index (PPI), which would measure the average change over time in the sale prices of domestic goods and services.
- In its present structure, the Wholesale Price Index (WPI) does not capture the price movement of services. Also, it is a hybrid of consumer and producer price quotes. For example, the index captured the price of important commodities such as milk from the retail markets; not at the producer level.
- In contrast to Consumer Price Index (CPI), PPI measures price changes from the perspective of the seller. Sellers' and purchasers' prices differ due to government subsidies, sales and excise taxes, and distribution costs. For these reasons, it is, therefore, desirable that we move towards PPI.
- Theoretically, CPI, which measures changes over time of the general level of prices of goods and services that households acquire for the purpose of consumption, is considered a better measure of inflation than WPI.
- But, the new comprehensive CPI did not have adequate history to support data analysis and to be used as a sole headline measure of inflation.
- The structural changes in our economy over the past decade have created an unprecedented demand for commodities. In the absence of a supply response, this has resulted in a lasting change in the price level. Therefore, headline measure of inflation will necessarily have a larger momentum than core inflation.
- Core inflation was usually estimated by excluding food and energy prices from the basket of goods and services that represents a household's typical spending.
- In an economy like India where food constitutes nearly 50 per cent of the consumption basket and fuel has a weight of 15 per cent, can a measure of inflation that excludes them be called core? Inflation in fuel and certain protein food items has been persistent over the last three years. Can a persistent component be excluded from the core measure ?

Levy on Small ISPs

- Last month, the government decided to levy on stand-alone Internet service providers (ISPs) a licence fee of 4 per cent of their adjusted gross revenue (AGR). This is a huge jump from earlier notional licence fee of Re 1 only.
- For bigger players who provide telecom and Internet-telephony services, such as Airtel or BSNL, the fee will be 7 per cent - a one percentage point hike from the earlier 6 per cent.
- With this order, the government has unwittingly become the de-facto controller of the 'private highway', allowing big telecom companies to rule the roost on the roads, pushing smaller and mid-sized ISP's into the ground.
- Independent and local ISP's operate on thin margins, and cannot absorb the cost of such a levy. The result will be an increase in prices for their small, lower to middle-class, customer base.
- The emerging dispute between small ISPs and the government underscores the core weakness of the Internet economy. In order for millions of Indian citizens to reach the multitude of online services that compete for their attention, they must first get past the bottleneck that is not competitive at all: broadband access.

- The decision to levy such a fee is driven by the government's intent to address alleged underreporting of revenue by the large companies that derive most of their revenues from telecom services. Telecom licences attract larger revenue shares of up to 10 per cent. The government has found some of these companies reporting their telecom revenues under the Internet to pay a lower fee.
- Instead of taking action against the big players for their wrong-doings and failing to audit them properly, they are penalizing the smaller ISPs. This is a disaster. An increase of four per cent of the annual licence fee would cascade and lead to an effective fee of 21-28 per cent as smaller ISPs would be taxed multiple times, as they purchase bandwidth from the telcos.
- For most independent ISPs, small margins are inevitable in an era of dropping broadband prices due to competition even as last-mile costs such as setting up infrastructure have remained more or less unchanged over the years.

India's 3rd Major Stock Exchange

- The approval for MCX-SX to set up India's third major stock exchange comes in a year when interest in the financial markets among retail investors has reached its nadir. So, as a move to perk up interest among investors, this is a step in the right direction.
- The primary justification for a stock market to exist is to provide liquidity to companies listed there and create an easy investment avenue for the middle class.
- As the world economy lurches through a prolonged recession, with daily liquidity at the cash market in India's National Stock Exchange plummeting to just about Rs 12,000 crore, it will be interesting to observe how the new exchange is able to ramp up liquidity.
- The Indian financial sector has lagged behind the rest of the economy as a means to raise funds to maintain a trend GDP growth rate of 8 per cent per annum. Since interest rates too are higher in India than in comparable economies, the combination of shallow liquidity and high rates has encouraged a raft of companies to move their financial requirements overseas.
- In the calendar year 2010, before the economy tumbled, the total primary issue was only Rs 48,654 crore. Compared with an aggregate bank credit of Rs 35,82,048 crore, this looks paltry and shows the extent to which the Indian economy depends on the latter [Bank Credit]. This asymmetry needs to be addressed.
- To the extent that the new exchange is able to make retail investors come in to trade and small enterprises to list, the depth of the markets will improve.
- For the Indian economy, this will be the measure of the success of this bold new venture.

PAT (Perform, Achieve and Trade) Scheme

- The PAT Mechanism is an important initiative under National Mission for Enhanced Energy Efficiency (NMEEE) programme of Government of India under the eight national missions of NAPCC.
- It is a market based mechanism to further accelerate as well as incentivize energy efficiency in the large energy-intensive industries.
- The scheme provides the option to trade any additional certified energy savings with other designated consumers to comply with the Specific Energy Consumption reduction targets.

- The Energy Savings Certificates (ES Certs) so issued to those who exceed their saving targets, will be tradable on special trading platforms to be created in the two power exchanges (Indian Energy Exchange and Power Exchange India).

Monitoring of PPP Projects

- With an increasing reliance being placed on PPP projects across many wings of the government, it has become necessary to adopt a well-defined institutional structure for overseeing contract performance effectively.
- The Institutional Framework requires project authorities to create a two-tier mechanism for monitoring the performance of PPP projects:
 - i. APPP Projects Monitoring Unit (PMU) at the project authority level
 - ii. APPP Performance Review Unit (PRU) at the Ministry or State Government level, as the case may be.
- The PMU is to prepare a report to be submitted to PRU within 15 days of the close of the relevant month. The report is to cover compliance of conditions, adherence to time lines, assessment of performance, remedial measures, imposition of penalties, etc.
- The PRU is to review the reports submitted by the different PMUs and oversee or initiate action for rectifying any defaults or lapses.
- In addition to following the guidelines for the mechanism, the respective Ministries will send a quarterly compliance report to the Planning Commission with a copy to the Ministry of Finance. Planning Commission, in consultation with the Ministry of Finance, will prepare a summary of these reports along with the recommendations relating to further action/improvements which would be placed before Cabinet Committee on Infrastructure (CCI) once every quarter for the next two years. Based on the experience gained any necessary modifications would be made in the Guidelines.
- It will ensure good governance, accountability, efficiency and economy in spending. The Planning Commission will have a central role in ensuring high quality monitoring. The Cabinet will have a chance to monitor every quarter.

Electronics Manufacturing Clusters (EMCs) Scheme

- Electronics Manufacturing Clusters (EMCs) would aid the growth of the Electronics Systems Design and Manufacturing (ESDM) sector, help development of entrepreneurial ecosystem, drive innovation and catalyze the economic growth of the region by increasing employment opportunities and tax revenues.
- The proposed EMCs scheme would support setting up of both Greenfield and Brownfield EMCs.
- The proposed scheme is expected to help flow of investment for the development of world-class infrastructure specifically targeted towards attracting investment in the ESDM sector.
- Nearly 28 million persons are expected to be employed, directly or indirectly for the ESDM turnover to reach USD 400 billion.
- The policy covers all States and districts and provides them an opportunity to attract investments in electronics manufacturing.

- The importance of clusters in ESDM is a well accepted phenomenon worldwide. A well developed cluster can give a unit located in it a cost advantage of 5 to 8% because of various reasons such as increased supply chain responsiveness, consolidation of suppliers, decreased time-to-market, superior access to talent and lower logistics costs. The cluster development approach also helps in the development of entrepreneurial ecosystems which drive innovation and catalyze the economic growth of a region by increasing employment opportunities and tax revenues.

Background - Draft National Policy on Electronics

- As part of the vision to make India a leading destination for the ESDM sector, the draft National Policy on Electronics (NPE) proposes to achieve a domestic production of about USD 400 Billion by 2020 in the ESDM sector by creating an industry friendly policy framework and ecosystem which provides a level playing field for the domestic industry.
- The draft NPE also proposes to set up two semiconductor wafer manufacturing facilities and to create and sustain a vibrant research and development and innovation eco-system in the ESDM sector. Setting up of EMCs is an integral part of this strategy.

Steps taken to Combat Misuse of Tatkal Tickets

- To prevent misuse of the facility, Railways have taken steps like debarring the agents to book tickets during the first two hours, installation of CCTVs in all major booking centres to monitor the movement of touts, non issuance of duplicate in lieu of the lost Tatkal tickets and non-refund on cancellation of unused Tatkal tickets.
- The requirement of indicating Mobile number of the passenger in the application form is also being insisted to cross verify the genuineness of the passenger.
- Single user registration on one e-mail ID with email verification has been implemented.
- Only two tickets can be booked per IP address between 10-12 AM. IP address check has helped in preventing multiple bookings from same office complex/internet café etc. This also helps in facilitating bookings by genuine users and prevents bookings for commercial gains.
- Besides these measures, attaching the photo copy of identity proof of passenger has been made mandatory for booking of Tatkal tickets and carrying of ID card have also been made compulsory for all passengers of AC classes.
- In addition, it has further been decided to change the time of booking of Tatkal tickets at the counters from existing 8.00 A.M. to 10.00 A.M. with effect from 10th July, 2012 to avoid congestion in the morning hours at counters for the normal advance booking passengers. The restriction on the agents for Tatkal tickets booking during the first two hours shall also continue.
- The surprise inspections and preventive checks are being conducted regularly at reservation centres to contain the activities of the unauthorized agents and touts. These checks are intensified during peak/rush period and festival seasons
- IRCTC, has also taken several steps to prevent touts and unauthorized agents from their illegal activities. Several technological innovations like increase in the bandwidth of internet, augmenting E-Ticketing software licences, technical evaluation of mobile based technology etc. are regularly being undertaken to cope up the demand and minimize the misuse of the system by unscrupulous people.

RBI's Financial Stability Report (FSR)

- The RBI's latest Financial Stability Report (FSR), attempts to share the results of the central bank's macro prudential surveillance with the markets. The objective is not only to bridge the knowledge gap in a crucial area but to encourage debate and create awareness of the vulnerabilities of the financial system.
- Given that it is the financial sector's weaknesses that spawned much bigger economic crises in many countries recently, the need to keep a tab on vulnerabilities can hardly be overstated.
- The FSR's major finding is that the country's financial system remains robust despite increases in risks stemming from global factors and macroeconomic conditions.
- Domestic growth is threatened by the twin deficits of current account and fiscal imbalances. Inflation risks remain.
- Foreign exchange and equity markets have corrected themselves and are experiencing a high degree of volatility.
- Banks, however, remain resilient to credit, market and liquidity risks and would be able to withstand macroeconomic shocks given their comfortable capital adequacy levels. There has, however, been a deterioration in the quality of assets — inevitable, perhaps, in a slowing economy.
- Liquidity issues have come to the fore recently. Banks are mobilising fewer deposits. Their advances are also lower but their level of outside borrowing has increased.
- The growing "interconnectedness" in the financial sector is a major concern. Among others, it has increased the scope of asset-liability mismatches in the banks, which have been borrowing for short periods from mutual funds to fund their long-dated assets.
- Finally, "distress dependencies" between banks have risen. The systemic importance of "the most connected" banks has increased, warranting closer monitoring. Any failure here will have large negative implications for other banks, mutual funds and insurance companies, which have lent extensively to banks.

Srini mega food park

- Srini mega food park at Chittoor in Andhra Pradesh is the first mega food park in the country.
- This new-age facility is equipped with Central Processing Centre and Primary Processing Centres.
- Srini Food Park provides world-class facilities for pulping, IQF, bottling, tetra packing, modular cold storage, warehousing and advanced testing lab.
- It enables basic and supply chain infrastructure, cluster farming and is ably backed by field collection centers, self help groups and individual farmers.
- A mega food park provides various facilities to food processors, farmers, retailers and exporters, thus help in fast growth of food processing industries.

Project Clearance Board

- To review the status of clearances of Oil & Gas Blocks awarded under the NELP, it was decided that a Project Clearance Board along the lines of Foreign Investment Promotion Board (FIPB), would be constituted under the chairmanship of the Cabinet Secretary for review and issue of one-time clearances, including security clearance.

- This Board will include representatives from the Ministries of Home, Defence, Environment & Forests, Commerce, Coal, D/o Space and other infrastructure and energy related Ministries/ Departments.
- It will meet regularly on a monthly basis to review the status of clearances for energy and infrastructure projects and expedite issuing of security and other clearances. Ministries would report to this Board the status of issuing of clearances after following their internal due diligence processes.
- For the Petroleum & Natural Gas sector, the special cell for clearances being set up in DGH will act as the secretariat. A common mechanism for all sectors will be evolved soon and the Board will be set up in the coming weeks.

Tax Return Preparer Scheme

- It is an initiative of the Income Tax Department to help small and marginal tax payers in filing of their Income Tax Returns. This Scheme is applicable to individual and Hindu Undivided Family (HUF) tax payers who can take assistance of Tax Return Preparer (TRP) in preparation and filing of their Income Tax Returns.
- The TRPs are self employed graduates who are trained by the Income Tax Department for filing of Income Tax Returns as well as quarterly TDS statements.
- The TRPs are authorized to collect nominal charges of Rs. 250 or less from the tax payers for preparing their Income Tax Returns. The Department also pays incentive to the TRPs for preparing of returns of tax payers which is a percentage of the total tax paid as per the returns prepared by the TRP subject to a maximum of Rs. 1000/-.
- In order to make the Income Tax Return filing experience even more convenient, the Income Tax Department has started two more taxpayer friendly initiatives 'Register for Home Visit' and 'Online Tax Help'. Now a taxpayer can take help of trained professionals either online or at their homes.

Opinion

India's BoP Situation

- The latest balance of payments (BoP) data for India released by RBI highlights the grim economic situation faced by the country.
- It could mean further rupee depreciation, stress on balance sheets of companies who have borrowed in dollars, a higher import bill, difficulties for banks whose clients have borrowed in dollars, higher inflation as the price of tradables rises, and capital flight from India.
- The data shows that for the year 2011-12 India ran a current account deficit of 4.2 per cent of the GDP. The main sources that financed this overspending were portfolio flows and dissaving through depletion of reserves. In the coming quarters we cannot expect these two to be the stable sources to fund our overspending.

- Many observers argue that FDI is a stable source of funding. But during the period in which there has been a crisis in international banking and poor investment sentiment, and lack of FDI-related reforms in India, many foreign firms have pulled money back.
- One view of the large current account deficit is that it is driven by gold imports, and is thus not truly a current account deficit as gold is an asset. So the money spent on gold imports should be treated as a capital account outflow rather than an outflow on the current account.
- However, this ignores the question of why there has been a sudden fall in bank deposits and an increase in gold purchase by Indian households in the last one year. If we ignore this story, we do not take into account the problem of inflation and the household response to it, and the implications for the balance of payments.
- The fundamental problems that are causing India's balance of payments crisis are -
- On the one hand, on the current account, the country faces a twin deficit situation — a large fiscal deficit spilling over into a large current account deficit. At the same time, spending on the most import-intensive consumption item, oil, does not fall even when the rupee price of oil changes as firms and households do not face higher prices, thanks to a product subsidy. Inflation has undermined the value of the rupee, and households have moved towards gold where again additional demand is met through imports.
- On the other hand, on the capital account, the inflow of foreign capital has become highly unstable. The global economic situation was bad enough with European banks deleveraging and foreign portfolio investors flipping between risk-on and risk-off mode after the crisis in the US and Europe. We added to our woes by announcing the GAAR, violating rule of law through the Vodafone tax issue, stalling large projects, proposing investor unfriendly policies and killing the India growth story.
- Instead of only managing the exchange rate of the rupee, and hiding the problem, the government will need to address the disease and not its symptoms.

India's Bilateral Investment Treaties

- Recently India's Bilateral Investment Treaties (BITs) have been caught up in investment disputes as the many foreign companies have accused India of violating these BITs
- For instance, Sistema a Russian corporation, has send notice to the Indian government to amicably settle the investment dispute, under the India-Russia Bilateral Investment Treaty (BIT). The dispute had arisen because of the cancellation of the 2G licences by the Supreme Court. After the deadline expires, Sistema reserves the right to begin proceedings against India in an investment treaty tribunal. Similar notices have been issued by other foreign corporations like Telenor and Vodafone.
- An important aspect of BITs is that they bestow on foreign investors the right to prosecute their claims against the sovereign regulatory actions of the host state (investor-state dispute settlement), independent of their home country governments. This monumental provision plays an important role in enabling BITs to provide real protection to foreign investment.

- Apparently, some in the Indian government are of the view that the challenge posed by BITs should be dealt with by deleting the investor-state dispute settlement clause. However, not having this clause in a BIT will noticeably reduce the efficaciousness of these treaties in protecting foreign investment.
- It will add to the existing policy and regulatory upheaval, further dampening the spirit of foreign investors to invest in India.
- Moreover, deleting the investor-state dispute settlement provisions in BITs will negatively affect many Indian companies who have invested majorly in Africa, Latin America and other countries like Nepal, and put Indian investment abroad in peril.
- Also India's flawed understanding of the real character of BITs has given rise to some myths and half-truths.
- The first myth is that BITs can be invoked only against the actions of the government, that is, the executive. This is erroneous. In addition to the executive, sovereign actions of the judiciary and the legislature can also violate international law contained in a BIT, for which India, as a country, will be liable.
- The second myth is that BITs do not apply to issues related to taxation. The fact is they are a part of the host state's sovereign regulatory functions and hence fall within the ambit of BITs, unless explicitly excluded.
- The third myth is that only foreign direct investment (FDI) falls under the ambit of BITs. Yet they define investment in an extremely broad manner, covering all kinds of assets. The definition of investment in all Indian BITs covers investment, portfolio investment, intellectual property rights, rights to money or to any performance under contract having a financial value or business concessions conferred under law or contract.

Way Forward

- The daunting challenge posed by BITs does not stem from the investor-state dispute settlement provision, but from the broad substantive protections covered in the treaty, which do not balance investment protection with India's right to regulate. The way forward for India is to focus on renegotiating such provisions and narrowing their scope as per its developmental priorities.
- Renegotiating BITs is not as difficult a job as it is often made out to be — most obligations under them are for 10 years, with the option of reviewing the BIT after this period.
- Further, renegotiating a bilateral treaty is easier than renegotiating a multilateral treaty like the WTO, for example. India has a pretty successful track record in renegotiating Double Taxation Avoidance Agreements (DTAAs) in order to address concerns related to tax evasion and black money. If bilateral DTAAs can be re-negotiated, so can BITs.
- India must aim to balance its right to regulate with investment protection.
- Savage attack on managers at Maruti plant highlights need for urgent reform of archaic labour laws

Reforming Labour Laws

- India has developed a strong trade union movement but it has insufficient legal safeguards against unreasonable and militant trade union activity, which is harming the formal sector and discouraging investment.

- Within two decades of Independence, agitations had severely damaged Maharashtra's textiles industry, and wiped out heavy industries and jute mills in West Bengal. This is because labour laws had excessively valorised labour's right to employment over the entrepreneur's right to security, both personal and fiscal.
- Today, almost 200 Central and state laws impinge on labour relations and markets — including the archaic Industrial Disputes Act of 1947.
- Dispute resolution is painfully slow, with tens of thousands of cases pending for years.
- Besides, as economists have pointed out, laws governing labour markets were written simplistically. Rigid strictures on hiring and firing protected jobs without regard for the implications for productivity, or the strategies that entrepreneurs would use to get around them.
- Because of this lack of perspective, the formal sector has grown to only a fraction of its potential while the unorganised sector has burgeoned, though it offers no protection to labour or employers.
- Incidents like the one at Manesar are local red alerts. But the government should recognise that they indicate a structural sickness which must be solved nationally.

Need for Nutrient-Based Subsidy in Urea

- Inadequate supplies of natural gas will limit capacity additions in urea, leading to an increase in imports. Increased urea imports (where the subsidy burden per tonne is higher compared to domestic urea) along with high global prices of raw materials for complex fertilizers are likely to derail the government's efforts to contain fertilizer subsidies in the medium-term.
- Natural gas is the predominant input in the manufacture of urea, which accounts for 50 per cent of fertilizer consumption in the country. The government has accorded priority to allocation of natural gas to fertilizer units, but experts do not expect any fresh urea capacities to come on stream in the next few years due to gas scarcity.
- Another major disincentive for capacity addition in the fertilizer sector has been the government's policy of price control, because fertilizer is a key agricultural input. Fertilizer cost accounts for 6-8 per cent of total cost of cultivation of major principal crops such as wheat, paddy, bajra, and maize. Due to negligible capacity additions, imports have played a significant role in the sector.
- And, despite the introduction of schemes such as the nutrient-based subsidy (NBS) scheme for complex fertilizers (aimed primarily at reducing the government's subsidy burden), imports will remain significant even in the next few years, due to a steady growth in demand and high raw material prices.
- The dependence on imports will be particularly true in the case of complex fertilizers. India is the single biggest buyer of DAP (di-ammonium phosphate, a phosphatic fertilizer) in the global market, as it imports around 52 per cent of globally-traded DAP, or equivalently 60 per cent of its domestic consumption. Similarly, the country imports all its requirement of muriate of potash (a potassic fertilizer). Together, these two fertilizers account for around 23 per cent of total consumption. Further, in the case of domestically-manufactured DAP, India imports nearly 90 per cent of its requirement of phosphoric acid (which is the raw material in the manufacture of DAP).

- Farmgate prices of urea (a nitro-nitrogenous fertilizer) and complex fertilizers have traditionally been controlled by the government. Consequently, any increase in the cost of production for fertilizer companies was reimbursed by the government in the form of a subsidy.
- To rein in the ballooning fiscal deficit, the government, in 2010, introduced an NBS regime in complex fertilizers, under which the subsidy was fixed for each nutrient. Simultaneously, farmgate prices of complex fertilizers were decontrolled. It was thought that the new regime would give pricing flexibility to the manufacturer, and partly insulate the Centre's subsidy burden from the volatility in global raw material as well as product prices.
- However, the scenario since introduction of NBS in complex fertilizers has been mixed. The subsidy payout was lower in 2010-11, but since then international prices of raw materials for complex fertilizers have risen continuously, necessitating an upward revision in subsidy on more than once to avoid sharp increase in retail prices.
- However, despite such temporary blips, NBS is a step in the right direction. Already, one negative consequence of not implementing NBS in urea while implementing it in complex fertilizers is that the sharp difference in the retail prices make it more attractive for farmers to purchase urea.
- At present, the government is able to restrict this practice because it controls 50 per cent of urea supply. Any tilt towards urea consumption would disturb the targeted nutrient ratio and increase the dependence on imported urea. NBS in urea is, therefore, an imperative not only to achieve balanced nutrient consumption but also to improve the government's finances.

SOCIAL ISSUES

Social Schemes

MGNREGA

Statistics

- 'MGNREGA Sameeksha' which is brought out by the Ministry of Rural Development, gives us some vital statistics about this scheme.
- In 2010-11, nearly 5.50 crore families, or nearly one in four rural households, were provided over 250 crore person-days of work under the programme.
- The Scheme scores high on inclusiveness. The share of Scheduled Cast/Scheduled Tribe families in the work has been 51 per cent and that of women 47 per cent.
- The average wage per person-day has gone up by 81% since the Scheme's inception. Wages are indexed to protect workers from the ravages of inflation.
- Nearly 10 crore bank/post office accounts have been opened and around 80 per cent of Mahatma Gandhi NREGA payments are made through this innovative route, an unprecedented step in the direction of financial inclusion.



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