Planning Commission
Government of India

PART A: News pertaining to Planning Commission

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(महान लोगों के विचार)

(Inspiration and genius–one and the same.प्रेरणा और प्रतिभा -एक ही हैं.)

Victor Hugo विक्टर ह्यूगो

1. The Indian economy is showing incipient signs of stirring back to life.
Shweta Punj, Business Today: December 7, 2014

There is a sense that the Indian economy is finally taking-off after several wasted years (Photo: Ajay Thakuri)

It is impossible to not notice the optimism and cheer these days when you speak to any businessman, economist or banker. Whether it is G.M. Rao of GMR Group, Keki Mistry of HDFC, Ajay Banga of MasterCard or Onno Ruhl of the World Bank, everyone agrees on one thing - the worst is over for the Indian economy. And the good times are just around the corner.

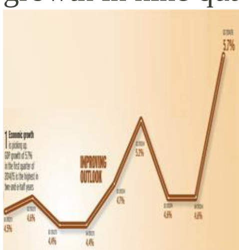
"I am very optimistic a turnaround will happen in a big way in the infrastructure sector," says Rao, Group Chairman of infrastructure giant GMR. Mistry, Vice Chairman and CEO of housing finance company HDFC, is also upbeat. "India is in a much sweeter spot today," he says.

Indeed, businessmen have already started talking of expansion plans, new projects, and fresh deals. Ramesh Chauhan, Chairman of packaged drinking water company Bisleri, is so enthused that he plans to put up one plant a month for the next 12 months. Ajay Banga, who apart from being CEO of MasterCard is also Chairman of the US India Business Council (USIBC), talks of $41 billion in investments from the USIBC members coming India's way over the next three years. And infrastructure and capital goods players such as L&T, Punj Lloyd and Lanco have seen their order books swell as fresh orders stream in.

Bankers are getting ready to lend to new projects again. Consumer loans are in demand once again. The stock markets have been scaling fresh highs. And people are talking excitedly about the prospects of an eight per cent **GDP growth** being just around the corner. And various bodies -

from the Organisation for Economic Co-operation and Development (OECD) to the World Bank - have started projecting that GDP growth will pick up sharply.

Six months after Prime Minister Narendra Modi was sworn in, there is a sense that the Indian economy has got moving after several wasted years. At home and abroad, the buzz about India has returned. Economists point to the improving macro-economic indicators - inflation has been reined in, the current account deficit is down, foreign direct investment (FDI) is picking up and foreign institutional money is flowing into the stock and bond markets. And, finally, GDP growth in the last quarter recorded a big jump. The Indian economy expanded by 5.7 per cent to log the highest growth in nine quarters.



Economic outlook

That is a sea change from just 18 months ago when gloom and doom prevailed, and people, at home and abroad, had nothing good to say about the Indian economy.

Chandrajit Banerjee, Director General of the largest industry body Confederation of Indian Industry (CII), recalls an industry meet late last year in the US where much of the conversation centred around India's 'protectionist attitude'. "We saw a lot of rhetoric on IPR, preferential market access, and a lot of talk on Indians taking up jobs that should have been in the US. There were big billboards against India, a lot of pushback." In contrast, says Banerjee, in October when Prime Minister Modi visited the US, there was a lot of positivity. "There was assurance that if there are impediments, they will be sorted out," he says. Banga says when Modi talked about how a project clearance status can be checked in Gujarat through a mobile app, it impressed everyone.

"Perception has a lot to do with actual business realisation. Perception is very important and at this point there is a swing as far as sentiment and mood is concerned," says Banerjee.

The CII Business Confidence Index, which plunged to its 22-year low last year, turned around in the July-to-September quarter this year to 57.4 from 45.7 in the same quarter last year. "Several companies have expressed intent to invest in India," Banerjee adds. A recent Business Today-C fore Business Confidence survey mirrored those findings. It showed that the business confidence index jumped for the fourth consecutive quarter to reach 60.5 in the July-to-September period,from

56.8 in the previous three months and 51.4 in the January-March period.

Everyone is talking about how quickly the Modi government is moving on a host of sectors - from policy reforms to new programmes. And the way he is intent on making things more transparent and easier for businessmen.

"I met Prime Minister Modi at a welcome luncheon in Japan hosted by five business organisations on September 1, and was astonished by his forceful speech. He announced the establishment of a Japan desk at the Prime Minister's Office... Japanese businesses have high expectations from his actions," said Masakazu Kubota, Director General, Keidanren (Japan Business Federation), in an email interview.

Zhiguo Zhu, Senior Vice President of Trina Solar, a Chinese maker of photovoltaic modules, told BT that his company is keen to set up a factory in India and that the country now figures big time in the plan to expand outside China.

He was aware that in the last few years, Chinese players such as Shanghai Electric needed nearly three years to register a company in India and telecom players such as ZTE and Huawei went through several processes and profiling. "This is a matter of the past. Now, under the new regime, we expect things to be faster and more fair."

RE-ENERGISING INDIA

Most businessmen and economists agree expectations soared when the Bharatiya Janata Party scored a historic win in the Lok Sabha elections, picking up 282 seats on its own. It became the first party since 1984 to have a simple majority of its own in the lower house.

Initially though, the expectations were belied as the government took time to settle down. Finance Minister Arun Jaitley's first budget merely tinkered at the margins. He did not repeal the retrospective taxation law that had been blamed for keeping foreign investment away. Nor did he slash the mammoth subsidy bill.

But since then, policy and programme announcements have come in quick succession. The ambitious 'Make in India' programme was announced first with great fanfare, promising investors rapid response times and all help for new project clearances.

The Supreme Court's decision on coal block cancellations could easily have proved a millstone around the new government's neck. But the immediate announcement that auctions would be held soon, and the ordinance that followed was widely appreciated by even those whose blocks had been cancelled.

Labour reforms were announced for small and medium industries. Self certification of documents by citizens was announced. Announcements of irrigation projects, environmental clearances and others followed. It was not just an announcement a day without follow-ups. Some 40 projects that had been stuck for lack of environmental clearances got the nod. About 181 projects are now getting off the ground.

Jayant Sinha, the Harvard-educated parliamentarian and Minister of State for Finance, lists out schemes declared by the government which he says are of "extraordinary importance". (Sinha was a member of the Standing Committee on finance at the time he was interviewed for this story).

The Pradhan Mantri Gram Sinchai Yojana seeks to take irrigation water to each and every field in the country. It includes a soil health card for farmers that will have information on the status and production capability of the soil.

"If you are able to switch a field from a rain-fed field with one crop a year to three crops a year, you are able to drive income, increase food supply. We could double our agriculture productivity," says Sinha, son of Yashwant Sinha, finance minister in the Atal Bihari Vajpayee-led National Democratic Alliance government from 1998 to 2002.

GETTING LUCKY

Economists also point out that the Modi government has been extraordinarily lucky in some ways. The plunge in crude oil prices, from $110 a barrel when he took over to $80 now, helped the Modi government cut its import bill and allowed it to de-control diesel prices, which would otherwise have been difficult.

"Inflation is coming down. The commodity prices world over are down. Oil, which was once predicted to be $180 [a barrel] by research firms, is now at $80 levels. Lower oil prices will help in further reduction of the current account deficit," says Mistry of HDFC, who expects interest rates to fall in the next 12 months.

Reserve Bank of India Governor Raghuram Rajan's decision to keep interest rates high has played a major role in cooling inflation, and that is aiding the Modi government. The improvement in the US economy is having rub-off effects. The fact that the other BRIC (Brazil, Russia and China) countries are seeing a slowdown or deteriorating performance has also helped India look all that more attractive to foreign investors.

In that sense, it is also true that the Manmohan Singh-led United Progressive Alliance (UPA) was unlucky as it had to deal with a global financial crisis and then rising commodity prices, though its policy paralysis and mis-governance were equally responsible for the sharp decrease in GDP growth.

A NEW BEGINNING

What experts are still divided on is whether the Modi government's economic thought represents a clean break from the past - or is merely evolutionary, with the odd big changes thrown in.

The mood in Yojana Bhawan, which houses the **Planning Commission** that had been created by India's first Prime Minister Jawaharlal Nehru to guide the nation's economic destiny, is pretty dismal. A year ago, it was one of the few power centres of New Delhi under the UPA government. Chief ministers of states needed to pay their respects to the mandarins at the Planning Commission to get their share of largesse.

But after taking charge as Prime Minister, Modi announced dismantling the commission. He did not make it clear what he was replacing it with. But he did indicate he was overturning the current model of centre-state relationships. The commission was the symbol of an all-powerful Centre allocating scarce resources to supplicant states. The Modi model is more about an evolved federalism.

Then, the announcements that the government wanted to repeal 287 outdated laws hindering business in double-quick time, and the willingness to relook at the labour laws - considered sacrosanct till a few months ago - gives a boost to the theory that Modi is willing to change everything that have defined India's economic policy making till date.

And yet, senior economists point out that Modi is also faithfully adhering to the UPA government's economic thinking in many ways.

The Congress itself has had major twists and turns in its development and economics ideology over the years. The first government of independent India led by Nehru was committed to long-term planning, based loosely on the Soviet model. It envisaged the public sector as taking care of the heavy industrial needs of the country. At the same time, it was not inimical to private enterprise - and private businesses thrived in a variety of sectors.

During the Indira Gandhi years, government control became stifling. Nationalisation of a host of sectors - from banks to coal mines to airlines - brought private enterprise to its knees. The licence raj became extreme, and exorbitant taxes virtually killed all new private enterprise. The draconian labour laws added to the problems.

Under the Rajiv Gandhi government, unshackling of the licence raj was initiated but many policies it followed (and those followed by its successor, the VP Singh-led government), brought the country to the brink of bankruptcy. It was left to PV Narasimha Rao, prime minister from 1991 to 1996, and his finance minister, Manmohan Singh, to liberalise the economy.

The Vajpayee government accelerated the reforms initiated by Rao. It pushed ahead with disinvestment and ushered in India's telecom revolution.

The two UPA governments led by Manmohan Singh tried to push through reforms while also increasing subsidy in a host of sectors - a throwback to the socialist policies followed by earlier Congress governments.

Now, the Modi government is making drastic changes in some areas - like abolishing the Planning Commission - while also faithfully carrying forward the UPA government's reform ideas in areas like FDI in defence and insurance. It has also adopted some socialist schemes of its predecessor - like the food security bill, and the direct transfer of subsidies using Aadhar, a unique identification number given to all citizens. Clearly, Modi is changing what seems to be broken, while retaining and finetuning policies that he considers sensible, even if they were initiated by his predecessor governments.

"Free enterprise should be encouraged. Their (Modi-led government's) economic thinking is free-enterprise oriented... This government is opening up FDI in real estate. Swacch Bharat is a brilliant campaign - he [Modi] is very development oriented," says Adi Godrej, Chairman, Godrej Group.

However, Ashok Desai, who worked closely with Manmohan Singh on the 1991 reforms, says this government, like the last one, does not have any economic models. "All the Leftists were shocked that we were doing this (reforms) and that the International Monetary Fund and World Bank had forced us to open the economy. The Rightists didn't think much of Manmohan Singh, he had worked in the government for 20 years and had shown no leaning towards liberalism. Economies are not driven by models, they are driven into models," says Desai.

The fact is that the Modi government inherited a broken economy and fixing it was not the easiest of tasks. The UPA had to deal with several problems, and governance too had been compromised with massive corruption scandals.

It also brought out the ugly face of what Harvard Professor Lant Pritchett describes as a "deal economy" - the nexus between politicians, bureaucrats and business - as opposed to "rule economics". Rule economies are those where one can predict the outcome on the basis of rules. Deal economy is dependent on the deal or the relationship one has with the economy or policy makers.

Pritchett calls India a flailing state that is trying to transition from deal economics to rule economics. "My diagnosis is that India is a flailing state because it is very much a deal economy. No investor comes in saying I don't worry about the politics of the state. In a deals economy there is no underlying rules protection," says Pritchett. "...In the last two years of the Congress rule, the certainty of the deals environment disappeared. There were no obvious centres of power that they will make a deal - and stand by the deal."

If the Modi-led government tries to turn into a rules economy overnight, there could be a serious economic backlash. "These things don't happen overnight. In the short run, I am super-optimistic that Modi can provide good deals. India is a really attractive country to do business in. In the long run, India will have to move towards a rule-based economy. Investors crowd in and crowd out depending on the signals in a deal economy," he adds.

But Modi is taking all the right steps, says Surjit Bhalla, Managing Director of Oxus Research and Investments. He says that the previous UPA government took some negative measures. Modi is undoing that damage and taking positive steps such as freeing up of oil prices. The Modi government also seems to be serious about bringing in long-term reform in agriculture, says Bhalla. Modi is also focusing on infrastructure, point out both Godrej and Mistry. For instance, smart cities and other similar projects are likely to give a big fillip to housing, they say.

MILES TO GO

Most experts agree on one issue though. The government has made the right start, but it will be a while before its policy announcements bear fruit and the country returns to its 8 per cent growth trajectory. Equally important, while some steps have been initiated, they now need to be followed up with detailing and policy implementation. And because of the enormous expectations, there is every chance that disillusionment can set in if things do not move fast enough.

Rajiv Kumar, Senior Fellow, Centre for Policy Research, points out that while the coal ordinance was a good, quick step, he would have been happier if the government had thought things out before the announcement. "The government could have taken more time and come out with a more detailed policy. The government ought to denationalise Coal India," he said.

"There is so much hope and excitement. Prime Minister Modi needs to show this excitement is warranted. Every government has a honeymoon period, but people's memories are short," cautions Michael Cohen, President of the Michael Cohen Group, a research firm.

But Cohen is optimistic nonetheless. "Modi seems to have embarked on a policy with little successes that can lay the foundation on which bigger things can get built... You have a man with a proven track record who wants to stimulate the economy," he points out.

In fact, almost all the measures announced are likely to impact the real economy in the medium term. The 'Make in India' campaign has identified 16-17 sectors, in which four sectors - defence, railways, space and electronic components - can attract additional investments.

Some of these though have high strategic value even if their economic multiplier effect is relatively low compared to other sectors. Take defence production or bullet trains or even space technology, for instance. They are all capital intensive and showcase technology prowess, but they do not create many jobs or show quick trickle-down effects. Onno Ruhl, Country Director, World Bank, for instance, talks about the Mars Mission as an important accomplishment that projected India as a nation that can do something that many others have failed in.

Ruhl points out that all reforms need not be painful, as was the opinion of the previous government. "I think in India there is a tendency to overestimate how unattractive reforms are from an electoral standpoint. Not all reforms are actually difficult," says Ruhl.

The other sectors the government is focusing on - such as electronic components - will have long-term benefits on jobs. Creating jobs is important as India stares at an impending crisis if it does not realign its model towards generating employment and skilling its workforce. While skilling and jobs seems to be at the heart of Modi's Agenda, creating 30,000 jobs a day is a daunting task. "The renaissance has to be real empowerment of people, by expanding opportunities of productive employment. There is no point in being a growth wala or a poverty wala [UPA]. You can be both by being an employment wala," says Rajiv Kumar.

Ajit Ranade, Chief Economic Advisor, Aditya Birla Group, says that if the government follows through on its measures, theinvestment cycle will pick up again. Ranade and many other economists feel GDP growth can reach 8 per cent in 18-24 months from now. The thrust on increasing manufacturing's share to 25 per cent of GDP, could increase India's overall capital-output ratio, which at 4:1 is among the lowest in the world. China's capital output ratio is 7:1.

Nirmala Sitharaman, Minister of State for Commerce, Industry and Finance, says the government is ready to change laws if they stand in the way of business. From the Land Acquisition law to the Companies Act, she says the government is willing to tweak them if they prove business unfriendly. "We won't mind looking at a few exceptions that can be added to the land acquisition bill. It should not become a yoke around the neck. We are willing to look at it," she says. The sentiment was also expressed by Finance Minister Jaitley recently.

The commerce ministry is taking a re-look at the free trade agreements India has with several countries to understand which pacts have benefited local traders. Special Economic Zones are being reassessed for their competitiveness and efficiency, and so are more than 1,000 laws that seem to hinder industry.

On the ground, the government still has to keep its promise of bringing 'acche din'. The world is watching if Modi, who has managed to convince investors from across the world about his track record in Gujarat, will deliver. This perhaps is India's biggest opportunity in recent times to once again take centre stage and emerge as a force to reckon with. Hopefully, the Indian lion is ready to roar.

Modi government's report card

(inputs from Anand Adhikari, Venkatesha Babu and Anilesh S. Mahajan; Research inputs by Jyotindra Dubey)

2. Fund fillip for Andhra Pradesh's backward districts

The Times of India: Nov 20, 2014, 01.42 AM IST

Narendra Modi may adopt Varanasi villageSanjjanaa to meet Narendra Modi today?Narendra Modi wishes Lata Mangeshkar on birthdayPM Narendra Modi meets top military commandersPM Narendra Modi to visit Visakhapatnam tomorrow

HYDERABAD: In the first major compensation for Andhra Pradesh after the bifurcation of the united state, the Centre is all set to approve a financial package of nearly Rs 20,000 crore as special development fund for seven districts in the residuary state.

Four Rayalaseema districts __ Anantapur, Chittoor, Kadapa and Kurnool __ and three north coastal Andhra districts __ Srikakulam, Vizianagaram and Visakhapatnam __ will get the funds under this package. According to reliable sources, the Centre also agreed to the AP government's request to allow the state to utilize the funds released under the package for the upliftment of 42 identified backward areas in East and West Godavari, Guntur and Prakasam districts.

The AP government has requested Rs 24,350 crore under the package and highly placed sources told TOI that the Centre is likely to sanction around Rs 20,000 crore based on the recommendation of the Union ministry of planning. "The **Planning Commission** approved the package over a month ago after which the Union planning ministry has okayed it. It has to be cleared by the finance ministry and the Prime Minister. We hope to see the formal announcement of the package by PM Narendra Modi in a week or two," a senior AP official negotiating the package with the Centre told TOI.

"The planning and finance ministries have assured us that 90 per cent of what we have asked for under the special development package will be sanctioned," he added. Officials managed to score a point by securing funds for 42 identified backward areas in four south and central coastal districts even though section 46 (3) of the AP Reorganisation Act defines only the Rayalaseema region and north coastal Andhra as backward areas eligible for the package.

Four major areas have been identified for utilization of funds: Expansion of road network and connecting them with the state and national highways, for which Rs 7,500 crore has been requested by the state government. To provide safe drinking water, quality power supply, minor irrigation and tanks development, the state has sought Rs 8,500 crore. For setting up new regional hospitals with modern medical infrastructure and improving the human development index by strengthening women and child welfare programmes, AP has sought Rs 1700 crore. It would cost Rs 3,000 crore for improving education infrastructure and sanitation programme in the backward areas, the TDP regime has said.

Apart from these areas, funds released under the package will be spent to develop small ports in Srikakulam, Vizianagaram and Visakhapatnam. The residuary state has asked for Rs 700 crore to expand information technology by providing higher bandwidth and internet in these seven districts. Modernisation of agriculture, setting up of cold storages and green house farming will also get funds. Separate funds have been sought for skill development programmes so that employment opportunities can be improved.

Once approved, the funds will be released in a phased manner over a five-year period beginning April 2015. "However, the chief minister had in a letter dated June 23 this year requested the Prime Minister to release at least Rs 5,000 crore during the current financial year in view of the Rs 16,500 crore revenue deficit the residuary state is facing post-bifurcation,. We are still making efforts to get the funds released under the package advanced to this financial year instead of April next year," said sources.

3.'Sterilization tragedy in Chhattisgarh was waiting to happen'
Syeda Hameed, The Times of India: Nov 20, 2014, 07.23 AM IST

Chhattisgarh sterilization deaths: Accused doctor blames adulterated ...Chhattisgarh sterilization deaths: Dead woman's thumb impression on c...Sterilization deaths: Drugs had rodent-killing chemicalBotched sterilization surgeries: 16 more women admitted to hospital i...

The sterilization tragedy that claimed 16 tribal women in Chhattisgarh was waiting to happen. Notes from a visit made eight years ago...

As a member of the **Planning Commission**, I had gone to Takhatpur in 2006.Very few in India had heard of this sleepy tehsil in Chhattisgarh's Bilaspur district back then. Now, with the death of 16 young tribal women post sterilization, Takhatpur has gone viral all over the world.

The purpose of my visit to Takhatpur was to look at the work of a group of young doctors who had set up a hospital in this remote part of the state to give decent healthcare to poor tribals. Around 20% of the district's population consists of tribes such as Gond, Muria, Bhumja, Baiga, Kanar, Kawar and Halba. Most of them are Primitive Tribal Groups (PTG), whose protection is mandated by law because they are becoming extinct. Despite this clear directive, it was young women from this group who became victims of the State's targeted approach to population stabilization last week.

Eight years ago, I had written a report on my visit as a wake-up call to the central and state governments on the public health situation. My objective was to showcase the work of the group of private doctors who had set up free healthcare for the tribals as a contrast to what the state had provided. I wanted to list good practices such as this, which I saw across the country , and hold them up as worthy of emulating and upscaling. At the end of my first term at the commission, I had also turned my experiences into a book.

My experience of Jan Swasthya Sahyog, the organization which had set up the hospital for these PTGs in a village called Ganiyari, was one of the best. I saw how this team of doctors provided them with caring and dignified treatment, subsidizing their medicines and giving them nourishment to enable the medicines to be effective. I had seen how they had used locally developed health innovations to cut costs -from water purifiers to cheaper diagnostic equipment to detect sickle cell anemia which is rampant amongst this population.

The public health set-up stood in stark contrast.While going to the Jan Swasthya Sahyog facility, I drove through Achanakmaar National Park. On the way I saw a sign: CHC Block Headquarters, Kota. As was my practice, I stopped the government vehicle and went inside the facility. The building itself was desolate. No doctor was in sight. The operation theatre was locked.Outside, I spotted a young man in a white lab coat.

"Why is the OT locked?" "Madam, it is for safety -to ensure that no equipment is stolen."

"Where is the key? Open it."

He shifted uncomfortably on his feet. "It is with the medical officer."

"Call him."

"He is not here."

I realized then that he was the only one in this desolate place."Where are the other doctors? What if there is an emergency?" Silence. "Where are the other patients?' Silence.

"How many beds?" "Thirty ."

"How many people does this CHC cover?" "Two lakh."

"How many specialists?" "None."

All of the above was part of my report and my book.

Looking back, I can see that it was at such a centre that the sterilizations were carried out. At that time I saw all signs of a possible disaster.At the annual Plan discussion with the state, which was an important part of our work at the Planning Commission, these facts were brought to the attention of the chief minister. He took cognizance of my field report and personally went to see the work of JSS. I felt a great sense of fulfillment that my work had achieved the desired result. But with 16 deaths of young women in a botched-up case of alleged medical negligence in a desolate, unused hospital administering spurious medicines, there was obviously no followup -a huge gap between intention and implementation.

Last week, 40 civil society groups presented their charter of demands to the state government on the deaths of young tribal mothers. It needs to heed that, take on board good practices, and transform its dismal public health scenario.

The writer is former member, Planning Commission

4. From equity to intensity

Nitin Desai, Business Standard: 20.11.2014

India must now match the offers from China, the US and Europe with an emissions-reduction plan that goes beyond what it has already offered

In a few weeks, the parties to the United Nations Climate Convention will meet in Lima, Peru, to prepare for their Paris meeting in 2015. This is the culmination of a process that began in Durban in 2011 with the aim of securing agreement to reduce greenhouse gas emissions to a level at which there is a two in three chance of restricting the average global temperature increase to two degrees Celsius above the pre-industrial level.

The meeting will take place just about a month after the Intergovernmental Panel on Climate Change (IPCC) released its synthesis report, which summarised the outcome of its fifth assessment drafted by over 800 authors and reviewers from 85 countries. This assessment report is more categorical in asserting that the observed changes are not just a natural fluctuation but a consequence of anthropogenic emissions of greenhouse gases. It is also more insistent on the need for immediate action.

The risks of climate change depend on cumulative emissions. The IPCC synthesis report presents a global carbon budget for containing the likely temperature increase to two degrees Celsius above pre-industrial levels. To meet this goal, cumulative emissions would have to be limited to 790 gigatonnes of carbon (GtC) - of which we have used up 515 GtC, leaving us with 275 GtC. To stay within this budget, global emissions will have to come down by 40-70 per cent of the 2010 level by 2050 and to zero by the end of the century. The negotiations are about how what remains should be shared.

In 1992, when the convention was signed, the confrontation was not between North and South but between those who were sceptical about the reality of anthropogenic impact on climate change and those who were convinced that it was sufficiently proven. There was also a United States-Europe confrontation on burden-sharing. The developing countries were not under any sort of pressure and their demand for common but differentiated responsibility was accepted.

Today, 20 years later, the situation is very different. Rapid growth and the heavy dependence on coal has pushed China into the number one position of emitters in the aggregate. Its per capita emissions are also now at 7.2 tonnes of carbon dioxide, comparable to Europe. They are now under pressure to join in the mitigation effort, and the first concrete result of this is the recently announced United States-China deal where the United States has committed to an absolute reduction in emissions of 26-28 per cent relative to 2005 level before 2025 and China has committed to peaking its emissions not later than 2030 and raising the contribution of non-carbon energy sources from the current 10 per cent to 20 per cent of primary energy supply.

The United States commitment does involve some additional effort on their side. But China got away easily. Its peaking commitment does not stop it from continuing to increase its emissions to 2030 when they may reach 10-12 tonnes per capita, more or less comparable to the United States. The doubling of non-carbon energy is a more serious commitment but readily achievable given the way China is pushing solar and wind energy.

In some ways, the most significant element in the deal is that the United States has accepted differentiation in the nature of the commitment between the two countries. Differentiation on the basis of capacity or developmental need maybe acceptable to the United States. Their problem is with differentiation based on culpability for past emissions.

The fact that the two countries that are quite prepared to be in a minority of one in multilateral negotiations have come up with something positive that they can put forward as the "intended nationally determined contributions" (INDC) will put pressure on others to come up with something credible. Europe has already raised its commitment to a 40 per cent reduction in emissions by 2030 relative to 1990 levels and raising the share of renewables to 27 per cent. Japan, no doubt, will also announce something soon.

This puts India in the cross hairs. We will have to come up with our offer on the mitigation front. Now that China has broken ranks, and South Africa and Brazil have always been more willing to accept some obligation, India will be under pressure to offer a credible contribution to the global effort to manage climate risks.

We need not fear this. We cannot make an offer on a peaking year. Our per capita emissions at 1.7 tonnes are way below China and there is no reason to equate us with them. However, we have a reasonable story to tell on energy efficiency. We can also offer commitments on renewables that are at least as substantial as China's or Europe's promise. The metric that we should push for is of carbon efficiency per unit of gross domestic product (GDP). The report of the Expert Group on Low Carbon Strategies for Inclusive Growth has outlined a path that could give a 42 per cent improvement in carbon efficiency by 2030 at a cost of a little over $800 billion of investment. The merit of this offer is that it gives a basis for demanding equally precise commitments from the developed countries on finance and technology.

An offer to contribute to carbon emission mitigation through carbon efficiency gains need not involve a substantial growth penalty. In the medium term, it will rely on energy efficiency, which is desirable in any case, and renewables, which are fast becoming an attractive proposition in terms of costs. It will also strengthen the case for effective international action on adaptation support, which would be welcome given the substantial adaptation measures we will have to take even if the temperature increase is contained at two degrees Celsius.

Uncontrolled climate change will be hugely harmful to India, and it is in our national interest to do what it takes to get an effective climate agreement. A failure in Paris in 2015 is not in our national interest. We are justified in emphasising equity, and we should insist that it should be a factor in the assessment of the adequacy of the national offers that are put on the table, an assessment that should also take into account developmental needs and capacity. But we must now match the offers from China, the United States and Europe with an offer that looks beyond the 2020 carbon intensity goals that we promised at Copenhagen.

5. Swachh Business Abhiyan
Kanika Datta, Business Standard: 20.11.2014

Indian business and industry have never been so openly overjoyed about a political victory as when Narendra Modi became prime minister. Traders powered the BSE Sensex past 25,000 in anticipation of his victory.

Mr Modi has duly returned this regard with myriad promises and cryptically reassuring statements via the multiple social media sites to which he subscribes.

Both see mutual benefit in the relationship. Industry salivates at the thought of putting the days of ennui and corruption behind them and finally attaining the kind of business paradise that has eluded India since, well, 1947.

Mr Modi, with quite as much touching if naïve sincerity, hopes to make business and industry the deux ex machina to power a disciplined, obediently homogenised nation into the ranks of the rich and prosperous.

There are undeniably honourable intentions on both sides of the equation. But the problem with this heart-warming symbiosis is the lack of a Swachh Business Abhiyan, to purloin the label of Mr Modi's pet scheme.

Indian business has many legitimate grievances against the political class for not delivering an optimal business environment. Corporations complain of the insidious harassment of petty officialdom that demand premiums for services for which they are legitimately due. That is only one, admittedly irritating, aspect of the issue and it is not in any central government's control. But when Indian industry complains of corruption in public life it scarcely does so from the vantage point of the moral high ground.

Indeed it's the massive and intentional leveraging of money power to access public resources - bank credit to coal mines, telecom spectrum and land, to name a few - and manipulate pricing and approvals that weaken its case. It is true that the United Progressive Alliance foundered on the blatant evidence of corruption; it is strange that the corporate sector has escaped public censure despite Arvind Kejriwal's best efforts on power and gas pricing. Many of those who did or sought to benefit from the earlier regime are now making blatant overtures to the current one.

Nor has Mr Modi's accession to the prime ministerial office noticeably changed that perception. Though the former chief minister of Gujarat has a conspicuously clean image, shares of Adani Enterprises, the flagship of Gujarat-based Gautam Adani's group of companies, soared 60 per cent in the month ahead of the national elections, almost as if the investor community was anticipating a link between Mr Modi's rise to power and Mr Adani's corporate destiny.

The surge in Mr Adani's fortunes only reinforces the notion. In May, around the time Mr Modi was celebrating his party's stunning victory, Mr Adani acquired Dhamra Port in a Rs 5,500-crore deal, the group's first acquisition on India's east coast. In July, the environment ministry approved his port and special economic zone in Mundra with some conditions about conservation.

Unwarranted? Perhaps, but recent developments Down Under have raised, for the first time, misgivings about the arm's-length nature of the Modi-Adani relationship. This was the $1-billion (approximately Rs 6,000-crore) loan that government-owned State Bank of India (SBI) has pledged to lend Mr Adani's coal-mining venture in Australia during the prime ministerial visit. This deal raises so many questions - the viability of the project in a falling commodity cycle, the enormous debt on the group's balance sheets and SBI's own bad loan portfolio* - that it is impossible to ignore the hint of crony capitalism implicit in the deal.

Not that Mr Adani should be singled out. In August this year, The Economist wrote a devastating leader on Mukesh Ambani, head of India's largest private sector company by market capitalisation and the country's richest man, "Reliance is a rotten role model for corporate India. When it comes to governance this secretive and politically powerful private empire is not a national champion but an embarrassment."

Watching the rise and rise of the Reliance empire from the mid-1980s, it is difficult to refute this statement. But it is galling when India's corporate image is dominated by such examples. But then, from real estate to pharmaceuticals, Indian companies have earned a reputation that is unlikely to attract admiration.

Should this matter? In his book Conquering the Chaos, former Microsoft India chairman Ravi Venkatesan has argued that India is no worse than other emerging markets when it comes to a "doing business" environment. It may also surprise many to know that Indian corporations performed the best among the BRIC countries in terms of corporate reporting in Transparency International's report. China, it turned out, is a major laggard.

But before we congratulate ourselves, it is worth remembering that China is somewhat sui generis in terms of business practices. Indian businesses, on the other hand, like to project themselves as adopters of global best practices. Given that, the reality of this mutually reinforcing political-industry complex detracts from India's image as a place to do business as much as any other metric. If Mr Modi can use his considerable moral clout to curb this dynamic, India would be so much better for it.

6. Why India needed to stand up to WTO

Tulsi Jaya Kumar, Business Line: 20.11.2014

Seeing green India's grain exports have led to a global backlash TACSTOCK1/SHUTTERSTOCK.COM

The WTO's objections over our grain stockpile do not make sense. Hence the July stand-off and the recent resolution

India's tough stance at the World Trade Organisation over public stockpiling of food grain and its dispute resolution with the US is being portrayed as another instance of the trade brinkmanship. With the signing of the indefinite "peace clause", India can continue with its food subsidy programme pending a permanent settlement of the issue. But is it right to look upon this as brinkmanship?

While India seems to have won this round, South Asia security affairs expert Teresita Schaffer suggests that the incident may strengthen and vindicate India's stance to use 'brinkmanship tactics' in trade negotiations, in turn souring relations with Washington.

Earlier too, Western commentators had criticised the Government's refusal to play ball with regard to the Trade Facilitation Agreement (TFA).

India's stance was seen as compromising the consensus-based approach of the WTO, threatening the credibility and the very future of the WTO. But the reality is more complex.

Not in agreement

It is true that the earlier UPA government had agreed upon the TFA and a reversal of stance by the new government in July may have raised questions on the credibility of India's political system.

Equally, India’s refusal to approve the TFA in July had only a handful of supporters among the 160 WTO members. That India had a point however, was amply demonstrated in the few voices that spoke out in support.

Thus, South Africa in a strong statement to the General Council on the issue, said: “Repeated failure to deliver meaningful outcomes on issues of interest to the poorest members… can equally be characterised as harming the credibility of our organisation”.

Developed countries oppose developing country food security programmes based on the contention that they represent implicit subsidies under the WTO’s Agreement on Agriculture (AoA).

India’s national food security programme — which involves government procurement of food grain at administered prices and their distribution to the target sections either free or at subsidised rates — was seen as one such subsidy.

The difference between the (higher) administered prices and current market prices represented a subsidy under AoA, which, it was alleged, could be used to build food surpluses that could be dumped into international markets.

These allegations of implicit subsidies were problematic. One, the ‘subsidies’ appeared larger on account of the AoA’s selection of international prices in 1986-88 as the reference point. The food price changes since then render this base outdated. A more recent base year is called for to accurately assess the real value of the subsidy.

More importantly, a deeper analysis of the economics of the food security row reveals the hypocrisy of developed countries — especially the US and the European Union — with their larger food support programmes.

US domestic support in 2010 under the AoA, for instance, amounted to $120.5 billion, as opposed to India’s $12 billion in food subsidy.

Food exports

The two major food grain distributed under India’s food security programme are wheat and rice. A perusal of Reserve Bank of India (RBI) data indicates that for the period 2000-01 to 2013-14, the government’s procurement of rice and wheat went up by 47 per cent and 53 per cent, respectively.

The Government’s additions to stocks of rice over the period were of the order of 31 per cent. In the case of wheat, paradoxically, stocks fell by 17 per cent over the period.

These numbers are not significant enough to suggest that the Government influenced international food grain availability and prices, through official stocks.

Perusal of export data presents a different picture. Indian exports of rice are mainly of two types — the aromatic Basmati and the non-Basmati rice varieties.

While the quantity of basmati rice exports increased by 316 per cent, that of non-Basmati exports rose by 862 per cent over 2000-01 to 2012-13; the quantum of wheat exports rose by 279 per cent.

More staggering is the increase in the value of rice and wheat exports in US dollar terms.

Thus, while the value of rice exports over the period increased by 670 per cent, that of wheat exports increased by a whopping 2029 per cent.

Which means the food security row seems to have little to do with increased government procurement and release in the form of export surpluses.

At the heart of the row are the growing Indian exports of food grains, and their potential effects on global food grain prices.

Brinkmanship?

The TFA sought easier market access for developed countries through improvements of ports and other trade infrastructure such as customs regulations of developing countries.

This involved additional capital costs for developing countries together with opportunity costs in terms of developmental expenditure foregone.

Moreover, the TFA was only one element of the Bali package; food security and policies to support least developed countries constituted the remaining two elements.

The latter two, however, had vague commitments and distant deadlines and compromised the “single undertaking” principle governing the package.

By ‘reneging’ on its ‘commitment’ to implement the TFA, India seemed to have used trade brinkmanship to threaten, “the first global trade reform since WTO was set up in 19 years”.

However, even a suggestion of such a nature represents a failure to understand the true economics of the food security row, as also a genuine concern of developing country needs.

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PART B

NEWS AND VIEWS

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