

### **News pertaining to Planning Commission PART A:**



## 16.10.2014

*Compiled by:* 

S. Wadhawan, ALIO

and Communication, IT & Information Division Mrs. Varsha Satija, SLIA **Planning Commission Library** 

आज का विचार (महात्मा गांधी के मूल्यवान वचन)

"हमको अपना वक्त गंवाना हीं चाहिये। एक एक मिनट ईश्वर के लिए हो, ईश्वर के काम के लिए, सेवा के लिए हो" ।

# 1. Plan panel proposes handloom policy to create 'Handmade in India' brand for selling goods to niche markets

### By Yogima Sharma, The Economic Times: 16 Oct, 2014

NEW DELHI: After inviting foreign manufacturers to 'Make in India', the government could take the country's handlooms, handicrafts and khadi products to the world through a 'Handmade in India' initiative. The **Planning Commission** has proposed a standalone comprehensive handloom policy that will leverage synergy between handlooms, handicrafts and Khadi and Village Industries, creating a single brand "Handmade in India" to sell such goods to niche markets through e-commerce.

The proposal comes days after PM Narendra Modi urged people through his first radio address to the nation to use at least one article made of khadi to benefit the poor. Criticising the government's approach to adopt more and more clusters in the sector, the Planning Commission has said in a note that this strategy has not been able to make a substantial impact on improving quality and productivity in the sector.



"Therefore, a review of this approach may be required and government interventions need to focus on identified heritage clusters across the country so as to transform them into vibrant selfsustaining hubs," the note said. Even the Steering Committee on Handlooms and Handicrafts set up earlier for the Twelfth Five Year Plan had recommended a unified approach to leverage synergy and greater convergence between the various handmade sectors. Handloom production in the country is currently governed by the Handloom Reservation Act, 1985, which originally reserved 22 articles to be produced only on handlooms and subsequently the number was halved to 11 in 1996. "A new handloom policy encompassing long-term vision and comprehensive strategy must be considered in which the central pillar would be marketing support and design innovations supported by appropriate technology," the commission has proposed. The handloom sector is one of the largest unorganised economic activities after agriculture in India.

Being labour intensive, the sector provides livelihood to 4.3 million weavers and ancillary workers. It accounts for nearly 11% of fabric production in India while khadi, silk and wool together contribute 1% to the total fabric production. Despite several initiatives of successive governments in the past three decades, the sector has seen a decline in workforce and there has not been much improvement in the living conditions of the people engaged in these activities. The number of people engaged in the sector came down to 43 lakh in 2009-10 from 65.5 lakh in 1995-96.

### 2. Telling the right reform from the wrong

### Written by Pramathesh Ambasta, The Indian Express: 16.10.2014

Moves to dilute labour-material ratio in MGNREGA and focus exclusively on select backward blocks will adversely impact rural poor.

Before the general elections, free-market fundamentalists had lobbied fiercely to reshape so-called wasteful socialsector expenditures. Primary among their targets was the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which, according to them, should become an unconditional cash transfer scheme. Postelections, the late Gopinath Munde's espousal of the MGNREGA went some way to allay apprehensions of a fundamental rejig, but unfortunately he passed away soon after.

The reduction in the labour share means the potential employment available will be reduced.

In June, the chief minister of Rajasthan wanted the MGNREGA changed into a scheme. Her proposal was categorically rejected by the Union minister for rural development, Nitin Gadkari. However, more recently, there have been proposals that are cause for immense concern. Among these is a dilution of the labour-material ratio to 51:49, as against 60:40 mandated in the act. Another official communiquè from the ministry capped budgetary allocations under the MGNREGA to states, so as to exclusively focus on 2,500 most backward blocks. Both moves are inimical to the interests of the rural, Adivasi poor and should be rolled back.

The decision to focus on 2,500 most backward blocks was taken to proactively target the most precarious geographies. In such blocks, a dedicated multi-disciplinary team of professionals is to be placed at custers of about 15 panchayats to mobilise work demand, plan and implement works. This cluster facilitation team (CFT) will plug the critical gap in the effective delivery of the MGNREGA — human resources. The selection of 2,500 blocks is on the basis of backwardness criteria and is a welcome move to build capacities of gram panchayats, which had been identified as a major bottleneck in the efficacy of the MGNREGA. The CFT has the merit of moving away from a target-driven, top-down approach to a bottom-up, demand-driven strategy. However, to restrict financial allocations to states in the guise of such focus is to violate the act. Those in need of work may exist anywhere in rural India and should get work on demand, which is the differentia specifica of the MGNREGA. It also negates the principle of federalism.

It is also puzzling that there seems to be a move to increase the material component, when material costs have not been more than 27 per cent on average since 2011-12. More, the reduction in labour share means that, at current spending levels, potential employment available will be reduced by several crore person-days. Or, to maintain employment at the current low levels, the ministry will need to allocate more money. Estimates cited in reports peg this additional amount at around Rs 8,000 crore. We know that the demand for work expressed in the MGNREGA official data is a gross under-representation of actual demand. Thus, if employment demand were to increase, greater increases in overall expenditure would be necessitated with a higher material ratio. Given that the government is trying to lower the fiscal burden, this is inexplicable and indefensible.

An increase in the material component will also mean an entry of contractors and machinery, bringing corruption of a very high magnitude. The MGNREGA is a major step to strengthen grassroots democracy by giving unprecedented decision-making power to gram sabhas and panchayats. The proposal to lower the labour to material ratio stems partly from an ignorance of the MGNREGA's many achievements and from ideological blinkers, chiefly the notion that earthen work under the scheme is kutcha (temporary) and unskilled or, worse, de-skilling. This itself leads to misconceptions that the scheme just provides doles rather than sustainably pulling the poor out of poverty. Ergo, a higher material intensity will allow for the creation of real assets that are "permanent".

This view shows deep ignorance of the tradition of earthen water-harvesting — the johads and talabs of Rajasthan, the ahars and pokhars of eastern India, the keres of Karnataka or the zabo or cheo-ozihi of Nagaland, which have helped combat drought, provide irrigation and contain flood damage in India for centuries. As the experience of watershed development demonstrates, earthen water-harvesting and soil conservation require detailed planning and high execution skills. Most rural, especially tribal, migrant families own land and are "landed labourers", that is, small and marginal farmers, forced to migrate because of unproductive land holdings. Leveraging the MGNREGA on a watershed approach, such farmers can and have been turned around to become productive contributors to growth.

Let us look at some examples: 43 of the153 households in Kathdungri village in Muribahal block of Bolangir district, a distress-migration hotspot of western Odisha, were migrants in 2011. Village wage-seeker organisations, civil society, PRIs and the administration planned and executed earthen water-harvesting structures and ensured wages were paid on time. No one migrates from Kathdungri now. Farmers cultivate their hitherto uncultivable land and earn higher incomes. Several Adivasi farmers in Madhya Pradesh returned to their village after a decade to till their land, once an earthen dam under the MGNREGA began irrigating their fields. Dugout farm ponds or hapas constructed in Bankura district of West Bengal and Raigarh district of Chhattisgarh have helped small farmers intensify crop cultivation and increase farm incomes.

Independent studies have concluded that despite the inevitable lacunae, the MGNREGA has managed to reach benefits to the neediest, and has targeted itself quite well. It has proved to be a boon to women workers, who get fair wages, work near their homes and are spared the ignominy of contractor-driven work in towns.

In his letter to the Rajasthan CM, Gadkari strongly defended the MGNREGA: "the act functions to fulfil the dual objectives of creating employment for the unskilled workers, thereby addressing the issue of under-employment in the lean agricultural season; and that of creating productive assets...". He further argued that skill development is a key national objective but since there is already a programme for it, "we may not need to use the funds under [the] MGNREGA" for it.

The road forward for the government is simple, provided it has clarity of vision and commitment. It needs to acknowledge that the MGNREGA represents the beginning of the coming of age of governance as an idea and the imperative of state delivery as a foundation of development efforts. It then needs to get down to reforming central aspects of the MGNREGA's implementation. This entails ensuring there are sufficient human resources to carry out planning, implementation and monitoring. Investing in such human resources and ironing out bureaucratic hurdles is are the 'reforms' rural India needs.

### 3. Criticism in the age of Narendra Modi

### Pratap Bhanu Mehta, The Indian Express: 16.10.2014



he UPA's biggest disservice in its second term was to induce a kind of fatality about India.

Politics often works on psychological alchemy as much as on policies and programmes. Successful politicians create psychological resonance. What drew Jawaharlal Nehru to Gandhi, for instance, was not his moral authority or ideas. Rather, it was Gandhi's ability to tap into something that suddenly lifted a pall of fear from Indians. There is a curious historical myopia in our contemporary debates over the appropriation of historical figures. There is a pseudo-intellectual war on how far apart Nehru and Patel actually were during their last days, with the right wanting to rid Patel of any vestigial Nehruvianism. But this debate is laughably narrow-minded. In the long sweep of ideas, in visions of modernity and the state, Gandhi was farther away from Nehru than Nehru and Patel were from each other. Yet these were relationships marked by complex psychological interactions, a more intricate appreciation of the demands of the time. At the risk of simplification, one can say that most intellectuals look for clear markers. Most statesmen or even lesser politicians, on the other hand, have what Isaiah Berlin once called "antennae of the greatest possible delicacy", honed in not just to changing circumstances but also to moods and feelings. They juggle the complexity of human nature more deftly than those who write about them. Most politicians, therefore, escape neat grids and categorisations. It is intellectuals who are left gapingly surprised.

This is also true of political leaders in relation to the larger currents of politics. Successful politicians, in their moment of insight, tap into their compatriots' inarticulate thinking and feelings. The central anxiety that Narendra Modi honed in on, with persistence and clarity, was that there was a yearning to defeat defeatism. The UPA's biggest disservice in its second term was to induce a kind of fatality about India. Policy paralysis was the anodyne technical term to describe this state. Underneath was a vast nervousness about whether India could actually change.

It was not that change was not taking place. Growth had produced a new kind of mobility. And even many sticky social indicators, like poverty, moved quite dramatically. As Rukmini Shrinivasan reported recently, the most dramatic number may be the 10 percentage point decline in the number of underweight children born in India — even the bar on malnutrition moved. We can debate the underlying causes and, as always, they will turn out to be more complex than a simple left-right narrative would have us believe. But the UPA's greatest political blunder was to transform even this underlying dynamic of hope into a self-image of despair.

This was the moment Modi stepped into with political finesse, with political antennae that now work overtime, drawing in a bewildering array of symbols and finely honed messages. The main draw was not the coherence of ideas; it was the overcoming of defeatism. This forms a crucial psychological backdrop to the structure of critical engagement that will be possible in this mood in the near future. All of the pet themes that Modi has highlighted so far have this thread running through them. If you thought India could not be cleaned, let me energise Swachh Bharat. If you thought India could not do manufacturing, let us instigate the process so that India becomes the factory of the world. It is true that the support scaffolding to execute this is far from being in place. Only time will tell whether this turns out to be just a moment of bluster or an inflection point that energises large parts of the citizenry.

But this does pose dilemmas for critics of the government, not just for opposition parties. And given the likely dominance of the BJP, our democracy will need healthy criticism. What kind of critique is likely to be effective and constructive? This challenge becomes even more acute when public discourse becomes a strange combination of sycophancy and critics merely itching for a fight, sneering at everything.

As critics, we often define our identities by picking out the worst arguments and the worst characters to go after. This is not because of the magnitude of the objective threats they pose. It is because our intellectual victories are easy.

Of course, on some matters that are fundamental to our freedom and dignity, the lines we must draw are clear. The BJP's ascent to power has emboldened a lot of nasty characters to openly express prejudice: the unchecked nonsense on "love jihad" and the representation of floods in Kashmir as a kind of deserved retribution are truly nauseating. This is still, in my judgement, a minuscule tendency; the underlying social dynamics are quite the opposite. But it is a poison that can vitiate the whole.

But for clear lines on these issues to be effective, they will have to be rescued from a broader culture of partisanship and negativism. I think one of the interesting subtle shifts that is happening is this. In India, it is very easy to convince yourself of a story about why a policy is not good or will not work. These cautionary tales are important in so far as they get us to think of obstacles to overcome. But when these tales shade into a congenital scepticism, they become less effective. The demand is for a more affirmative discourse. To join a meaningful debate over Clean India, or Make in India, or "smart cities", an existential stance of mere negativism will have little psychological resonance. This is unfortunately the stance in which whatever little is left of the opposition and even independent criticism have locked themselves into. To be more effective, they will have to move away from saying "no" to articulating how it can be done better.

There is also one elementary psychological insight most critics have forgotten. For criticism to be effective, it presupposes the possibility of praise. And for a ruling dispensation, by the same token, the opposite lesson is true: for praise to be meaningful, it must be premised on the freedom to criticise when necessary. But a neat and predictable stacking up of critics and followers does little to advance the cause of either. One thing oddly astute about Modi so far is that almost none of those who smacked of sycophancy in the last stages of the campaign have been rewarded — again, politicians may have a finer-tuned antenna than we give them credit for. If criticism, or praise, is to have resonance, it will now have to display more judgement than we are accustomed to. It will have to work harder at understanding the zeitgeist than on knocking down opponents.

The writer is president, Centre for Policy Research, Delhi, and a contributing editor for 'The Indian Express' express@expressindia.com



### 4. The new mediocre'

### Rahul Jacob, Business Standard: October 16, 2014

Christine Lagarde, the head of the International Monetary Fund (IMF), looking out at the diminished prospects for the world economy, calls the likely lower growth rates for the foreseeable future "the new mediocre". Browsing through the IMF's world economic outlook released last week, Ms Lagarde's characterisation seemed, if anything, optimistic. The IMF had revised global growth for this year down to 3.3 per cent, a deceleration of 0.4 per cent from its forecast made as recently as April.

The assessment of slower growth in different parts of the world by the IMF was stark. "In the euro area, growth came to a halt in the second quarter, mainly on account of weak investment and exports ... in Japan the decline in domestic demand following the increase in the consumption tax was larger than expected. In Russia and the Commonwealth of Independent States, the weakness reflects the impact of geopolitical tensions on foreign investment, domestic production, and confidence," the IMF report begins before carrying on in much the same vein about lacklustre domestic demand in emerging market economies in Latin America, notably Brazil.

The news of the past few days has reinforced the bearish prognosis. Germany's exports fell by 5.8 per cent in August, the sharpest drop since the financial crisis in 2008. An ING economist departed from economist-speak to describe Germany's current doldrums as "a horror story" and said it would require a "miracle" to prevent Europe's largest economy from tipping over into recession. China's double-digit jump in exports, reported on Monday, on closer inspection turned out to be the kind of statistical anomaly the economy periodically exhibits: the larger reported exports are understood to be largely the result of over-invoicing by Chinese firms to route money from Hong Kong into the mainland to take advantage of the stronger renminibi. Where China is concerned, the worry is that the property downturn in the country is likely to reduce its growth rate from more than seven per cent to five to six per cent. In that property-obsessed nation, property transactions and prices dropped about 10 per cent in the first half of the year, according to Moody's. The ratings agency worries that a "steep downturn" in the property sector in China could "derail the global recovery".

What this all adds up to is a global outlook that - but for soft commodity prices, partly a function of slower growth in China and infighting among the oil-producing countries - is more worrying than it has been since the financial crisis in 2008. It is, in fact, largely a result of the global financial crisis that we have a situation where the large developed economies have interest rates at levels of about 0.5 per cent while public debt levels have grown dramatically.

Think of 2008 as a kind of nervous breakdown for the global economy, especially in the developed world. Since then, the advanced economies, as the Financial Times' Martin Wolf grimly noted last week, have been in a "state of managed depression". In what might be called a world in perpetual need of Prozac, "aggressive monetary policies ... sufficient to halt accelerating deflation (have been) insufficient to produce a strong expansion", writes Mr Wolf. As the IMF outlook reaffirms, all this extended era of near zero interest rates appears to have achieved in the long-term - aside from much needed stability in the aftermath of 2008 - is the likelihood of "secular stagnation" in advanced economies.

By contrast, the Fund's Outlook is optimistic about India's prospects - along with the United States, we are one of the few economies for which it forecasts steadily climbing gross domestic product (GDP) growth rates - from 4.7 per cent in 2012 to 6.4 per cent in 2015. Given the worrying prospects for the rest of the world, it is hard to see how we can buck the trend to such an extent. This is borne out by India's September export numbers, showing an increase of just 2.7 per cent, a deceleration from the 6.5 per cent growth between April and September. Gaurav Kapur of RBS was quoted in Mint last month, underlining that monthly exports between November 2010 and August 2014 averaged \$25.5 billion. In September, India clocked \$29 billion in exports. This is in spite of a steep depreciation by the rupee over the past few years. This is what the "new mediocre" likely means in the context of the developing world - or at least where India's mediocre export competitiveness is concerned.

While all eyes have been on the prospects for recovery in the United States, the euro zone and Japan, in a recent blog, Sweta Saxena, an IMF economist, explains that emerging markets have been slowing from an average growth rate of about seven per cent between 2003 and 2008 to six per cent since then to about five per cent between 2014 and 2018. "Despite an uneven recovery, growth in advanced economies is projected to eventually recover. Not so for emerging markets," Ms Saxena writes. "More worrisome is the medium term outlook, where projections have been revised down serially since 2010. In the past, we expected growth to bounce back (and it did). This time seems different."

What this suggests is that focusing on improving India's ease of doing business ratings is a start, but India will need major reforms in improving the skills of our workforce and its productivity and transforming our circa 19th century ports and railways so that they become efficient linkages to the global economy of 2014. The IMF's predictions for India's near-term growth may seem rosy, but the usual caveats apply - that is, we are apt to under-perform. As the same report highlights, India is among the countries where the "serial" downward revisions of GDP growth forecasts in the past few years has been most pronounced.

### 5. Jan Dhan account opening target will be met by Dec-end: FinMin

### Business Standard: 16.10.2014

During the launch of Jan Dhan Yojana, Modi had encouraged the officials to complete the task of opening 7.5 crore accounts before the next Republic Day

The finance ministry on Wednesday exuded confidence that the target of opening 75 million bank accounts under the Pradhan Mantri Jan-Dhan Yojana (PMJDY) would be met by December.

"One thing I would like to say that because of the banks' efforts today, we have been able to reach to these many people. We are very hopeful by December-end we will achieve this target," Minister of State for Finance Nirmala Sitharaman told reporters.

While launching the scheme, Prime Minister Narendra Modi had exhorted the concerned officials to complete the task of opening 75 million accounts before the next Republic Day.

As on October 7, 55 million accounts were opened and a deposit of Rs 4,268 crore had been mobilised under PMJDY. When pointed out that many people were facing problems in getting forms for opening accounts and banks were not cooperating, Sitharaman said the matter would be taken up with the banking secretary. She added banks have been given instructions to help people in opening accounts.

PMJDY is national mission for financial inclusion to ensure access to financial services, like banking/ savings and deposit accounts, remittance, credit, insurance and pension in an affordable manner.

<u>PART B</u>	
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<b>Economy</b>	<b>:</b> RBI Governor May Shift Focus to Bonds from Rupee
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### The Indian Express

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## For the first time, BJP largest party in Maharashtra, Haryana: Exit polls

The Election Commission, going by the data available, said Haryana had a record 76 per cent voter turnout. The turnout was higher than the 71.86 per cent that the state recorded in the Lok Sabha polls this year.

Maharashtra, on the other hand, recorded 64 polling, with Mumbai seeing 53 per cent polling, the highest in decades.

Two incidents of violence were reported from Gadchiroli district in Maharashtra. While there was exchange of fire between security forces and Naxalites in one case, a CRPF personnel was injured and had to be airlifted to Nagpur in a mine blast.

In Haryana, reports of skirmishes were reported from 25 places across the state. As many as 30 Electronic Voting Machines had to be replaced before voting began and another 23 had to be replaced once voting got underway due to malfunctioning. As many as 15 VVPAT (Voter Verifiable Paper Audit Trail) machines, too, had to be replaced due to paper jams and other technical problems. In the run-up to the these polls, the EC seized a record Rs 17.92 crore of unaccounted cash and Rs 10.19 crore worth of illicit liquor in Maharashtra. Drugs and narcotics worth Rs 4 lakh were also seized from the state.

In Haryana, EC teams seized Rs 3.10 crore of unaccounted cash and illicit liquor worth Rs 2.69 crore, in addition to drugs worth Rs 1.21 crore.

Of the total 348 complaints of paid news registered in Maharashtra, the EC has confirmed 73 cases as paid news.

In Haryana, of 197 complaints registered, 67 were confirmed as paid news.

### The Economic Times

### Date: 16 10 2014 Page No. 08

# **RBI Governor May Shift** Focus to Bonds from Rupee

### The central bank may intervene to prevent sharp fall in G-Sec yields amid easing rates

#### Govardhana.Rangan @timesgroup.com

Mumbai: As market forces test Reserve Bank of India Governor Raghuram Rajan's resolve to hold interest rates high in his fight against inflation, the central bank may be shifting its strategy to intervening in the government bond market instead of the forward currency market to keep its policy relevant.

The build-up of risk in the currency market due to low level of hedging of foreign exchange exposure by companies because of high forward premiums may also lead to RBI lessening its purchases in the rupee forward market. Sale of ₹6,582 crore of government bonds this week by RBI and the surplus that the banks are depositing with the central bank in reverse repos indicate that more government securities will find their way to the market from RBI's vaults.

That banks are lowering deposit rates and interest rates are falling despite RBI's high interest rate stance might force the central bank to actively intervene to prevent the yields on government bonds from falling sharply, say analysts. "The unexpected RBI's OMO (open market operations) sale signals its intent to chain the 10-year around 8.5% for now," says Indranil Sengupta, economist at Bank of America Merrill Lynch. "Rajan likely wanted to



Reserve Bank of India Governor Raghuram Rajan

break the ongoing G-sec rally below 8.5% to emphasise his still hawkish monetary policy stance."

RBI which has committed itself to 6% inflation reading as measured by the consumer price index by January 2016 is facing challenges on many fronts. Banks are dropping deposit rates as they do not want more funds in the absence of demand for loans from companies. Yields on short-term securities are falling and the excess liquidity in the market has pushed down yields on benchmark government bonds 70 basis points to 8.40% from a high of 9.10% on April 7 this year. A basis point is 0.01 percentage point.

The so-called impossible trinity – managing exchange rate, free capital flows, and monetary

policy-may be at play.

RBI has been buying US dollars in the forward market instead of the spot market to avoid flooding the local market with rupees. But that has lifted forward premiums to a high of 8% which led to many companies skipping hedging their currency liabilities. That has since exposed them to volatility which could worsen if the global currency market turns volatile due to impending US Federal Reserve's interest rate increases.

"Our sense is the unhedged exposures are significantly higher than they ought to be and people are getting a little too comfortable with the stability of the rupee," Rajan said recently. "The extent of hedging by our measures has come down. And we have to be worried about that."

Since January, RBI has bought \$38.4 billion US dollars in the forward market. To encourage hedging, RBI may shift to buying US dollar inflows from the spot market. But the catch is how it sucks out the rupee it sells. The most preferred option is to sell some bonds from its books. "RBI may need to balance its books by selling some of the government bonds it accumulated during Subbarao days (to improve liquidity), and increase foreign assets," says head of trading at an international bank who did not want to be identified. "If he wants real interest rates to remain positive, he has to keep selling bonds.

But some believe that the RBI bond sales could be just a liquidity management activity as it may not look to manage yields. Furthermore, the government borrowing, though lesser by ₹8,000 crore, needs to be funded which if rates fall may help the government. "If the yields go up due to intervention, it is pushing up the costs for the government, which it has to bear for 10 years, or 15 years," says head of fixed income trading at a bank.

### The Economic Times

# **Govt to Embark** on 'Handmade in India' Mission

### Handloom Sector Needs a Leg-up

Planning Commission has proposed comprehensive handloom policy

### HANDMADE SECTORS

HANDLOOMS, HANDICRAFTS & **KHADI & VILLAGE INDUSTRIES** 

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> Yogima.Sharma @timesgroup.com

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The proposal comes days after PM Narendra Modi urged people through his first radio address to the nation to use at least one article made of khadi to benefit the poor.

Criticising the government's approach to adopt more and more clusters in the sector, the Planning Commission has said in a note that this strategy has not been able to make a substantial impact on improving quality and productivity in the sector.

"Therefore, a review of this approach may be required and government interventions need to focus on identified heritage clusters across the country so as to transform them into vibrant selfsustaining hubs," the note said.

the various handmade sectors

### **Bread & Butter**

India

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It aims at leveraging synergy among

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# India to stick to food security stand at WTO panel meet

### BS REPORTER

New Delhi, 15 October

A day before the World Trade Organization (WTO)'s trade negotiations committee meets in Geneva, India on Wednesday said during the negotiations, it would stick to its stand on food security.

Speaking to reporters here, Commerce & Industry Minister Nirmala Sitharaman said, "Our position remains intact...we will underline the fact that India has a sovereign duty to protect its poor. India has a sovereign right to hold foodgrain for that purpose. Therefore, our negotiations with WTO will be on reiterating this position."

In July, India had clarified it wouldn't ratify a trade facilitation agreement until a permanent solution on food security was arrived at. It had asked WTO to amend the norms for calculating agriculture subsidies so that it could continue to procure foodgrain from farmers at the minimum support price and sell these to the poor at cheaper rates, without violating norms.

WTO norms limit the value of food subsidies at 10 per cent of the value of overall foodgrain production. However, the subsidy is computed after taking into consideration the prices two decades ago. India is seeking a change in the base year (1986-88) for calculating food subsidies. It also wants the calculation to factor in inflation and currency fluctuation.

There is apprehension once India completes implementing its food security programme, it could breach the 10 per cent cap. In case a member country drags India to WTO, it might lead to imposition of hefty penalties. According to a WTO filing, India has given farm subsidies of \$56 billion. Of this, \$13.8 billion (for 23 commodities, including rice and wheat) has adversely affected trade, the WTO says.

### "Our position remains

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Commerce & industry minister

An official said in 2010-11, India's food subsidy towards paddy stood at only six per cent of the commodity's overall output, in terms of value.

On September 22, WTO chief Roberto Azevêdo had expressed concern over the fate of the Bali package, saying the deal was "at risk" and the future seemed "uncertain".

The meeting of the WTO's trade negotiations committee on Thursday comes ahead of a meeting of the WTO's general council. The meeting of the council, the WTO's highest decision making body, is expected to be held in Geneva on October 21.

The mandate for commencing negotiations for the trade facilitation agreement, as part of the larger Doha Development Agenda, was decided in 2004. Member countries agreed to sign an agreement in this regard at the ministerial meeting in Bali in December 2013. However, the deal could not be signed the July 31 2014 deadline, as India sought concessions on stockpiling of foodgrain.

# Gas might be priced 15% lower on fall in crude rates

### JYOTI MUKUL New Delhi, 15 October

With global crude oil prices hitting a four-year low, global gas buyers, led by those from Japan, are asking sellers to shift to gas-to-gas pricing, rather than linkage with crude oil prices.

In India, the notified Rangarajan formula, which is yet to be implemented, has attempted such a linkage by considering the average price of the gas imported, as well as those in global markets. Most of this gas remains linked to crude oil prices.

Aditya Gandhi, director, Sapient Global Markets (India), says as Brent crude oil prices have fallen about 19 per cent and Henry Hub prices eight per cent, the price based on the Rangarajan formula should decline about 15 per cent.

"In fact, people have started debating whether gaslinked pricing will end up being costlier than oil-based pricing in the near term and some companies are already seeking to lock in some of their US liquefied natural gas (LNG) in long-term sales to the European Union to reduce the exposure to this."

He added the industry expected by 2017, about 60 per cent of LNG contracts would be oil-based and 15 per cent gas-based; the rest would remain un-contracted and traded in spot markets. "Today, the spot market and hub-based pricing contracts account for a much smaller percentage but are starting to

### GAS-TO-GAS PRICING

 The notified Rangarajan formula, yet to be implemented, has attempted such a linkage by considering the average price of the gas imported, as well as those in global markets

 Industry expects by 2017, 60 per cent of LNG contracts will be oilbased and 15 per cent gas-based; the rest will remain un-contracted

show active growth, with more and more buyers looking to book hub-based contracts and more and more sellers leaving some volumes un-contracted, to be able to sell in spot markets."

GAIL India, the country's biggest marketer of natural gas, buys about 30 per cent of its imported gas at prices linked to Henry Hub; 70 per cent is linked to crude oil prices.

B C Tripathi, chairman and managing director of GAIL India, termed the fall in crude oil prices "a phenomenon", adding gas prices, too, were falling. In the US, the Henry Hub price is \$3.6 per million British thermal units (mBtu). "These will soften further," he said.

GAIL has a contract to



GAIL India, the country's biggest marketer of natural gas, buys about 30 per cent of its imported gas at prices linked to Henry Hub; 70 per cent is linked to crude oil prices

import natural gas from the US in LNG form from 2017.

According to the Federal Energy Regulatory Commission, the estimated landed price of LNG in India was \$17.63 per mBtu in March; now, this has declined to \$14.10.

Prices of domestically produced natural gas are decided by the government. Last month, the Centre had decided to defer a decision on gaspricing till the end of November.

Reliance Industries, the country's largest private petroleum company, is selling gas from its KG-D6 basin at \$4.2 per mBtu. A price revision for its gas has been due from April 1 this year.

For full reports, visit www.business-standard.com

### The Statesman

Date: 16 10 2014 Page No. 01,07

# Black money: Swiss agree to help

PRESS TRUST OF INDIA Berne/New Delhi, 15 October

As India steps up its pursuit of black money stashed abroad, Switzerland today agreed to assist Indian authorities on a priority basis and provide requested banking information in a timebound manner.

The Swiss authorities would also "assist in obtaining confirmation on genuineness of bank documents on request by the Indianside and also swiftly provide information on requests related to non-banking information".

The breakthrough, which comes after Switzerland's repeated refusal to share information with Indian authorities on alleged cases of black money stashed in Swiss banks, was achieved at a high-level meeting between senior government officials of the two countries in Berne.

"... the Swiss competent authority will provide the Indian side with the requested information in a timebound manner or else indicate the reasons why the cases cannot be answered within the agreed timeline," a Swiss-Indian joint statement said after a high-level meeting between the officials of the two countries on tax matters.

The meeting took place in Berne between Revenue Secretary Shaktikanta Das and his Swiss counterpart, State Secretary for International Financial Matters, Jacques de Watteville.

There has been a huge political uproar over Indian black money allegedly stashed in Swiss banks and the new government has said it is committed to tackling this menace. As per Swiss National Bank's latest data, the total money held by Indians in Swiss banks stood at over Rs 14,000 crore as on December 2013, up by nearly 42 per cent from a year ago.

Today's meeting followed a Swiss delegation's visit to New Delhi in February 2014 and was the first high-level meeting between the two countries' tax and financial authorities since the new Indian government took up office in May this year. Switzerland, which also

Switzerland, which also agreed today to consider including India among the nations for automatic exchange of information, has been repeatedly rejecting India's requests for information on Indians named in a so-called HSBC list.

India has sought information on bank accounts and other details of the persons named in this list, but Switzerland has been refusing to cooperate saying these names were obtained "illegally" or through sale of stolen data by ex-employees.

The Indian and Swiss governments have been in talks for the past few years on the matter of alleged black money parked by Indian citizens in banks in Switzerland, but there has been no major breakthrough despite having a bilateral treaty in this regard.

In July, Finance Minister Arun Jaitley had informed Parliament that Switzerland had raised some legal issues with regard to providing details of Indian citizens who had parked illegal funds in Swiss banks.

Asserting that the government was making all efforts to get details of such accounts, Jaitley had also said it was collecting evidence in this regard.

Modispeaks to new Afghan Prez

### STATESMAN NEWS SERVICE New Delhi, 15 October

The Prime Minister, Mr Narendra Modi, today said India would extend assistance to Afghanistan in building a strong and stable, peaceful, democratic, inclusive and prosperous nation.

Mr Modi spoke to the newly elected President of the Islamic Republic of Afghanistan, Dr Ashraf Ghani, and conveyed to him that India would stand with him as a friend and as a partner.

Congratulating Dr Ghani, Mr Modi expressed confidence that his exper-



tise, global experience and grassroots knowledge would help in implementing bold agenda of economic reforms and development in Afghanistan. He said Dr Ghani's experience would also be beneficial for India and the region.

Mr Modi lauded Dr Ghani's wisdom, statesmanship, and his commit-



ment to unity, peace and progress in Afghanistan. The Prime Minister noted that India's relations with Afghanistan have been forged by ancient cultural links and timeless bonds of mutual affection and admiration, which had grown deeper in recent years as the Afghan people have striven to rebuild their lives and their nation.

The Afghanistan President conveyed his appreciation and described India as the foundation of Afghanistan's diplomacy and economic strategy President Ghani complimented Mr Modi on his electoral success and his development vision.

The Afghan President also accepted an invitation from Mr Modi to visit India at the earliest opportunity. He suggested immediate commencement of dialogue between the two governments, including between their national security advisors and economic advisors.

### **Business Line**

Date 16/10/2814 Page No.01

# 2G auction: TRAI for 10% hike in 1800 MHz base price

Cites higher data usage by consumers; mixed reactions from industry

### OUR BUREAU

New Delhi, October 15

Telecom regulator TRAI on Wednesday recommended a hike of around 10 per cent in the price of 2G spectrum in the 1800 MHz band, in 20 circles, at ₹2,138 crore per MHz, during the next round of auctions.

The regulator said that due to the paucity of airwaves in Maharashtra and West Bengal in the 1800 MHz band, auctions should not be held in these states.

The hike had been recommended due to the increase in data usage by consumers, it said. However, the suggested price per MHz is lower than in the February auction when the Government had received bids valued at ₹2,270.4 crore per MHz in the 1800 Mhz band.

The regulator has also recommended that the DoT take a fresh look at the proposed implementation of the extended GSM (E-GSM)s band.

Some industry members and analysts said the base price hike will help broaden connectivity.

However, Ashok Sud, Secretary-General of the Association of Unified Service Providers of India, said: "We are disappointed. We thought our suggestions (on the pricing of 1,800 MHz spectrum) were more reasonable." The body had suggested a price of 80 per cent of the last discovOther proposals

- 1.2 MHz spectrum in 900 MHz band should be taken back from BSNL when licences expire in 2015-16
- \* DoT should take a fresh look at the implementation of E-GSM band
- \* Unused spectrum in the Defence band should not be kept idle
- Government should also announce the roadmap for the auction of spectrum in 700 MHz band
- All efforts should be made to make spectrum available in contiguous form
- Spectrum should be put to auction in a block size of 2x200 KHz in both the 900 and 1800 MHz bands

ered price (last auction prices) for valuing the spectrum.

"We are also unhappy about the decision to relook at E-GSM spectrum (an extension of the GSM-900 frequency)," he added.

#### 900MHz band

TRAI has also suggested a price of ₹3,004 crore per MHz for the 900 MHz band, in which the mobile signal covered is about twice that of the 1800 MHz band.

The said amount per band will be applicable only in 18 of 22 circles as spectrum in this band is not available in J&K, Delhi, Mumbai and Kolkata.

"In the 900 MHz band, spectrum becoming available because of 'expiry of licences' (in 2015-16) is the only spectrum that can be put to auction. The amount of spectrum held by these licensees in the 900 MHz band is 184 MHz," the TRAI statement said. Operators holding spectrum in the 900 MHz band include Airtel, Vodafone, Idea and Reliance Communications, whose licences expire in 2015-16.

### Spectrum shortage

The telecom regulator has said that a dialogue needs to be held at the level of the Finance Communications, IT and Defence ministries to ensure additional spectrum for commercial use.

"The Authority is also of the view that the auction should be carried out only after a clear roadmap is available for vacating spectrum in 2100 MHz band from Defence and in 900 MHz band from BSNL," it said.

### **Business Line**

## Date 16/10/2019 Page No.04

## PM to launch labour reform programme today

#### OUR BUREAU

New Delhi, October 15

To pave the way for companies to participate in his call for 'Make in India', Prime Minister Narendra Modi will unveil the Pt. Deendayal Upadhyay Shramev Jayate Karyakram here on Thursday to usher in key reforms in the labour sector.

The programme will include various initiatives being taken to create a conducive environment for industrial development and doing business with ease, as well as protect workforce interests.

"One of the major hurdles for industrial growth... is the multiplicity of labour laws and the difficulty in their compliance," the Labour Ministry said in a release, adding that there was not only a need



Key reforms Prime Minister Narendra Modi will initiate a slew of labour reforms which will ease doing business in India

for amending labour laws to make them flexible, but also ensure that compliance becomes easy for employers, particularly in the medium, small and micro sector involved in manufacturing.

Universal account number During the launch, Modi will dedicate Shram Suvidha Portal, Labour Inspection Scheme and Portability through Universal Account Number for Employees Provident Fund as well as release a booklet on National Brand Ambassadors for Vocational Training and a souvenir for All India Skill Competitions.

The Apprentices Protsahan Yojana, to support one lakh apprentices till March 2017, will also be launched. The launch will be attended by State labour, health and vocational training Ministers among others, to ensure its effective implementation, as labour is a State subject.

Quoting World Bank's annual report for 2014, which carried out a comparative study on Indian labour laws, the Ministry said it had established the fact that Indian States with flexible labour laws and easier compliance mechanism had fared better in terms of industrial development, than those where labour laws were rigid.

For employers, the Ministry is developing a Unified Labour Portal and Labour Inspection Scheme in the Central sphere to facilitate online registration through a unique labour identification number (LIN), which will be soon allotted to six-seven lakh industrial units, filing of self-certified and simplified single online return, uploading of inspection reports by labour inspectors and quick redressal of grievances.

For employees, provident fund portability will be ensured through Universal Account Number (UAN), which has already been allotted to four crore subscribers to the Employees Provident Fund Organisations.

"To ensure financial inclusion of the economically weaker sections, the UAN is being seeded with bank accounts, Aadhaar cards and other KYC details," the Ministry added.

### The Pioneer

# Road plan along McMahon raises China's hackles

Ladakh incursion to dominate bilateral talks on border today

PTI NEW DELHI/BEIJING

hina on Wednesday sharply reacted to Indias plans to construct a road network along the McMahon Line in Arunachal Pradesh and expressed hope that India will not take any action which may complicate the situation before a final settlement is reached to end the boundary dispute. Meanwhile, the over threeweek-long standoff in Ladakh last month after the incursion by the Chinese Army is expected to figure prominently during the India-China talks on border mechanism in New Delhi on Thursday.

"We still need to verify the specifics. The boundary issue between China and India is left by colonial past. We need to deal with this issue properly," Chinese Foreign Ministry spokesman Hong Lie said at a media briefing here.

He was reacting to comments by Union Minister of State for Home Affairs Kiren Rijiju stating that plans are afoot to construct a road network along the international boundary from Mago-Thingbu in Tawang to Vijaynagar in Changlang district of Arunachal Pradesh to match China's infrastructure development.

"There is a dispute about the eastern part of the China-India border. Before final settlement is reached we hope that India will not take any action that may further complicate the



There is a dispute over the eastern part of the China-India border. Before a final settlement is reached we hope that India will not take any action that may further complicate the situation Chinese Foreign Ministry spokesman

Hong Lie

situation," Hong said. "We should jointly safe-

guard the peace and tranquility of the border area and create favourable conditions for the final settlement of the border issue," he said.

India's concerns arise out of extensive road, rail air network developed by China in Tibet which could play pivotal in moving the troops and equipment at a greater speed in the rugged Himalayan region.

Besides extensive highways, China's rail network came close to Sikkim border and Beijing has announced plans to build a new *Continued on Page 4* 

## **Road plan along McMahon...**

### From Page 1

rail network up to Nyingchi which is close to the border of Arunachal Pradesh. China has build about five airports in the Tibet region. Beijing asserts that the infrastructure development is part of efforts to develop remote parts of Tibet.

of efforts to develop remote parts of Tibet. China claims Arunachal Pradesh as a part of Southern Tibet and disputes McMahon line. Chinese position is that the border dispute is confined to 2,000 km mostly on Arunachal

Pradesh where as India asserts that the dispute covered the western side of the border spanning to about 4,000 km.

The two countries have held 17 rounds of Special Representative talks so far to resolve the boundary dispute.

The issue also figured during last month's talks between Prime Minister Narendra Modi and Chinese President Xi Jinping during his visit to India. The two leaders agreed to make efforts to resolve the border dispute at the earliest.

Date: 16/10/2014

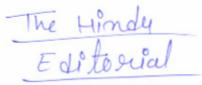
Page No. 01,04

The India-China talks on border mechanism in New Delhi on Thursday will discuss various issues pertaining to the maintenance of peace and tranquillity in the border areas, according to Indian officials.

The Chinese incursion in Demchok and Chumar overshadowed the talks between Chinese President Xi Jinping and Prime Minister Narendra Modi last month when latter raised "serious concerns" over the repeated incidents along the border and sought an early settlement of the boundary question.

Tomorrow's meeting will be the first interaction between the two sides after the new government in India took office. Established in 2012, the Mechanism has played a major role in addressing the issues arising of aggressive patrolling by both sides of the disputed border including last year's standoff at Depsang Valley.

Meanwhile, officials in Beijing said the meeting will focus on a number of issues of mutual interests concerning the boundary patrolling and management.



Taming monopolies

THURSDAY, OCTOBER 16, 2014

t is usually not easy for laymen to appreciate the work that fetches the Nobel Prize in Economics or, for that matter, the relevance of such work in everyday life. It is not so this time, with the award going to French economist Jean Tirole, the second Frenchman to win a Nobel this year - the other being Patrick Modiano who got the Literature Nobel. Mr. Tirole's body of work deals with the interesting and complex subject of regulating monopolies or, as a Nobel official put it so well, it is "about taming powerful firms". The subject has immediate resonance in today's world where government monopolies in areas such as electricity and transport are being dismantled and privatised and new monopolies are establishing themselves in sectors such as information technology and the Internet. Before Mr. Tirole came up with research using game theory and contract theory that aid regulation in situations of asymmetric information between regulators and the regulated, simple methods were used to regulate monopolies. Capping prices and prohibiting cooperation between competitors in the same market were two such methods used, but Mr. Tirole proved that they were not always effective and in some instances caused more harm than good. Price caps, for instance, can force dominant firms to cut costs, which is good but they could in the process lead to excessive profits for the firm, which is not so good.

Mr. Tirole published a paper in 2006 jointly with Jean-Charles Rochet that dealt with the interesting subject of "two-sided" markets that has direct relevance to today's buzzing world of e-commerce. These markets bring together buyers and sellers on a platform they own, enable interaction between the two and charge both sides. Amazon and Flipkart are good examples. Or for that matter, taxi aggregator firms such as Ola Cabs or Uber. Mr. Tirole's work showed that the platforms often favour one side to attract the other. For instance, deep discounts on e-commerce platforms are used to drag in buyers and in the process bring in more vendors who pay the platform for its services. Regulators often do not understand the practices due to asymmetry of information. Mr. Tirole's work is also important in the context of today's "Google-world" where the Internet giant strides like a colossus in the search domain and regulators are struggling to understand Google's strategies and then figure out ways and means to regulate it. This year's Economics Nobel is remarkable not just because it is the first time since 1999 that an American does not figure in it but also because the Committee has picked a work that has practical value.

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