

# UPSC Civil Service Mains 2014

## Admit Card Released

Time Table			
Date	Forenoon Session 09.00 AM to 12.00 PM विषय (विषय कोड) Subject (Sub. Code)	Afternoon Session 02.00 PM to 05.00 PM विषय (विषय कोड) Subject (Sub. Code)	(उपकेन्द्र कोड) परीक्षा का स्थान (Sub Centre Code) Venue of Examination
14-12-2014	Essay (98)	English (20)	(004) EXAMINATION HALL, 1ST FLOOR, EXAMINATION HALLS BUILDING, UNION PUBLIC SERVICE COMMISSION, DHOLPUR HOUSE, SHAHJAHAN ROAD, NEW DELHI-110069
15-12-2014	General Studies Paper-I (99)	General Studies Paper-II (99)	(004) EXAMINATION HALL, 1ST FLOOR, EXAMINATION HALLS BUILDING, UNION PUBLIC SERVICE COMMISSION, DHOLPUR HOUSE, SHAHJAHAN ROAD, NEW DELHI-110069
17-12-2014	General Studies Paper-III (97)	General Studies Paper-IV (97)	(004) EXAMINATION HALL, 1ST FLOOR, EXAMINATION HALLS BUILDING, UNION PUBLIC SERVICE COMMISSION, DHOLPUR HOUSE, SHAHJAHAN ROAD, NEW DELHI-110069
19-12-2014	Pol. Sc. & Int.relation Paper-I (37)	Pol. Sc. & Int.relation Paper-II (37)	(004) EXAMINATION HALL, 1ST FLOOR, EXAMINATION HALLS BUILDING, UNION PUBLIC SERVICE COMMISSION, DHOLPUR HOUSE, SHAHJAHAN ROAD, NEW DELHI-110069
20-12-2014	Hindi (04)	No Paper in this Session.	(004) EXAMINATION HALL, 1ST FLOOR, EXAMINATION HALLS BUILDING, UNION PUBLIC SERVICE COMMISSION, DHOLPUR HOUSE, SHAHJAHAN ROAD, NEW DELHI-110069

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## SAARC Summit: South Asia has the potential to break out

At the 18th South Asian Association for Region Cooperation (Saarc) Summit in Kathmandu, Prime Minister Narendra Modi made the point about how "we are neighbours but we are not together" and how "by staying together, our strength can increase manifold". This 'cynicism to

optimism' approach also means regional economic integration being a key issue to seriously bolster the institution of Saarc.

South Asia is one of the least integrated regions of the world. It accounts for just 2% of world trade and 1.7% of world foreign direct investment (FDI). Its intra-regional trade is less than 6% of its total trade and accounts for less than 2% of its GDP.

Compare this with the more than 20% figure for East Asia. Intra-Saarc FDI accounted for a paltry 3% of total FDI inflows. This, despite the fact that the South Asian Free Trade Agreement (Safta) has been in place for some time now. Part of the problem stems from the fact that the tariff reductions undertaken within Safta have not been very deep, and the items that were offered concessions were not of trade interest to member countries.

### **Regional trade**

Efforts to build an effective economic cooperation model have been going on ever since the Saarc was established as a regional group that included Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka in 1985. However, it is only recently that there has been a greater emphasis on achieving a deeper regional economic integration.

Both the governments and businesses in South Asia have started recognising the benefits of greater economic ties in the region, especially in light of the global slowdown. They are trying to improve their business environments, facilitate cross-border trade and accelerate regional economic relations. The most noteworthy development is the rising interest of the private sector in a strong and explicit manner.

In order to help regional trade and investment achieve its potential, private sector firms seek more enabling policies and infrastructure support from their governments. They feel that timely additional support and facilitation by governments is necessary in order to achieve deeper regional cooperation and maximise its impact on regional and national development levels.

### **B2B dialogue**

To structure these requests for support, the private sector is organising itself to strengthen dialogue between business leaders

across the region, exchange ideas with government bodies, and explore exciting new avenues for promoting regional cooperation, trade and investment. However, these business-to-business dialogues are happening more at a bilateral level rather than at a regional level.

South Asia has all relevant ingredients to emerge as one of the more successful examples of regional economic integration: a geographically contiguous region with a market of 1.5 billion people with rising incomes, consistent economic growth of 5-6% for close to two decades, significant convergence in their macro-economic policies and adoption of a similar approach towards diversifying their respective economies.

In spite of so many enablers, South Asian countries have not been able to embark upon a journey towards economic integration. Pakistan holding out on the Agreement for the Regulation of Passenger and Cargo Vehicular Traffic (Motor Vehicle Agreement), the Saarc Framework Agreement for Energy Cooperation (Electricity), and the Saarc Regional Railways Agreement tell you a story, as does Prime Minister Modi's subsequent comment, "The bonds will grow through Saarc or outside it, among us all or some of us."

Another way to promote regional integration is by way of investment. This strategy has worked for a number of regional economic integration models such as the EU. There is potential for enhancing regional cooperation in the area of direct investment, both for expanding intra-Saarc investments, and for attracting FDI from outside the South Asian region.

### **Drawing lessons**

There is also a need to draw lessons from success stories such as the North American Free Trade Agreement (Nafta) and the Association of South East Asian Nations (Asean).

Like South Asia where India is a dominant economy, Nafta and Asean integration are also centred around large economies like the US and Thailand, Malaysia and Indonesia, respectively. While existence of a large economy helps in various ways in any integration process, smaller economies always fear threats from the larger industry sector of a big country.

Nafta and Asean stand out as successful examples where smaller

economies have benefitted significantly from regional integration.

Creating regional value chains holds importance in any economic integration process. However, poor trade facilitation infrastructure has become the main obstacle in both intra-regional trade and investment. Airports and maritime ports in South Asia are less advanced, resulting in longer waiting time in clearing consignments. Weak land networks across the region pose a formidable barrier to intra-regional trade. The region is also characterised by inefficient Customs procedures and excessive paperwork requirements.

South Asia has the world's largest working-age population and a quarter of middle-class consumers. With greater regional integration, seamless connectivity and removal of trade and investment bottlenecks, the region has the potential to break out.

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## Seriously Saarc

Prime Minister Narendra Modi's call to South Asian leaders to overcome the many shared challenges holding back the region emanates from a stark fact New Delhi has long understood: India's full potential cannot bloom on soil scorched by regional conflict and backwardness. He won't be the first prime minister, though, to realise that while the South Asian Association for Regional Cooperation is great at agreeing to do things, its record on doing them isn't luminous. Even though Saarc members signed on to a preferential trade agreement way back in 1993, trade among member-states makes up just 5.2 per cent of their total foreign trade – and almost all of that is Indian exports to its neighbours. The comparative figure for Asean is 26.5 per cent. The citizens of ECOWAS, the Economic Community of West African States, can travel in the region without visas; not so in Saarc, though its states agreed to give certain categories of visitors that right back in 1988. BRICS, like ECOWAS, has a bank; Saarc doesn't. In 1983, Saarc leaders hoped regular

consultations between them would make conflict less likely. In reality, almost every member state has seen bloody conflicts, often fuelled by neighbours. India and Pakistan, are yet to cooperate even on disaster relief.

The reasons behind this inertia aren't unknown: many of Saarc's members are hostile to each other in varying degrees, and view all regional-level developments through the prism of their bilateral competition. In 1980, when then-Bangladesh president Ziaur Rahman first pushed the Saarc idea, both India and Pakistan feared the other would use it as a forum to corner it. India has since moved forward, signing bilateral agreements with many states outside the Saarc framework. Pakistan has responded by blocking agreements that would facilitate Afghanistan-India ties, and is pushing to bring in China as a counter-weight.

This unhappy record, though, should be reason to get the nuts and bolts fixed right – not throw away the South Asian idea. There is lots of low-hanging fruit governments could pluck with a little administrative will. The fledgling South Asian University in New Delhi has been growing at a glacial pace and, with a little pushing, could emerge as a genuine regional centre for excellence. New Delhi and Islamabad could at least agree to allow journalists to travel to each others' capitals on long-term visas. For all their bilateral tensions, every leader ought to understand that problems like disease and climate change don't recognise national borders. South Asia has to choose between getting serious – or getting left behind.

– See more at:

<http://indianexpress.com/article/opinion/editorials/seriously-saarc/#sthash.sTcx60oV.dpuf>

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# After food security consensus, WTO clinches first global trade deal in its history

The stage was set on Thursday in Geneva for a multilateral boost to the stagnant global trade.

The World Trade Organization removed, by a special general council resolution, the perceived ambiguity over the permanency of a peace clause for the benefit of developing countries breaching limits set on product-specific support to agriculture. It also approved a protocol on the trade facilitation agreement (TFA), meant to add \$1 trillion to the global economy by easing customs rules.

Commerce secretary Rajeev Kher confirmed that the WTO general council at Geneva approved the deal late on Thursday. Commerce minister Nirmala Sitharaman will make a statement in Parliament soon, he added.

This is the first major deal for trade reform in the WTO's 19-year chequered history, and was supported by all its 160-member countries.

A July 31, 2014, deadline for finalising the TFA protocol could not be met as India, with support from a tiny group of developing countries, insisting that their concerns on public stockholding for the food security purpose be addressed with the same seriousness as TFA, for the world body's December 2013 Bali package to be implemented.

What enabled Thursday's resolution is an agreement between the US and India in the run-up to the G-20 summit at Brisbane in Australia, underlining the perpetual nature of the peace clause till a lasting solution to the vexed issue is found. The ice was broken during Prime Minister Narendra Modi's meeting with US President Barack Obama in Washington in late September.

The peace clause ensures that WTO members will not challenge developing countries' food security programmes at the WTO

dispute settlement body until a permanent solution regarding this issue has been agreed on and adopted. *FE*

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## CBI in the sunlight

It has been a winter of discontent for the CBI. An incumbent director was excoriated by the Supreme Court. A former director is under a shadow for keeping company with people of doubtful reputation. Its closure reports in key cases have been rejected by courts. Its officers have been faulted for poor marshalling of evidence and delays. Several key questions are staring at the CBI, on credibility, accountability and commitment to transparency, among others. To reduce the recent developments to the aberrant behaviour of a few individuals is to turn away from issues vital to the CBI and its future. The nation's premier investigating institution is strong enough to face the stark truth.

The country's institutions were systematically and ruthlessly weakened during the Emergency. Some recovered but many could not. Something changed almost permanently. The political class dropped all pretence of allowing institutions to discharge the functions for which they were established. No longer coy about using the institutions' powers for political advantage and to cause fear in adversaries, they seemed to have taken a leaf out of Machiavelli's famous dictum – a prince was better off feared than loved. The politician had acquired the power to save the dishonest from the consequences of their actions as well as to demoralise the honest by setting the CBI on them. What about the CBI's functioning discomfited the honest? Transparency is now universally acknowledged as a requisite for a well-governed, professional organisation. But the CBI has demonstrated a strange unease about transparency. The ostensible reason was that it needed to protect itself from prying eyes so that it could perform its professional duties. But was that the real reason? Or was it that the CBI needed the cloak of secrecy to ward off uncomfortable questions about the way it worked?

The politician was only too willing to oblige. By letting the CBI operate in secrecy, he was keeping a powerful investigating agency in good humour, and his relationship with the agency under wraps. Secrecy allowed him to weaken or delay cases against political bigwigs and key allies, reopen old cases against adversaries, help well-heeled suspects elude the reach of law, start investigations against intrepid, independent-minded civil servants on flimsy grounds and charge long-retired civil servants with misdemeanours, taking the heat off politicians.

The removal of the CBI from the remit of the RTI Act was the culmination of this collusive action. At some point in this entire process, the professionalism of the CBI had come under serious strain. The recent indiscreet behaviour of its director is only the surface manifestation of a malaise whose roots lie deeper. How is it that the CBI director is not afraid of being held accountable?

Possibly, he was complacent that secrecy would prevent revelations about his actions. He was also confident that no one would hold him accountable for his move to close cases, until he was surprised by the sense of duty displayed by the government's lawyers. To call this an aberration, as some commentators have tried to do, is to sweep the dirt under the carpet. Accountability is an important hallmark of a professional institution. It would be interesting to know whom the CBI is answerable to. In all corruption cases, the Central Vigilance Commission (CVC) has superintendence over the CBI. But the CVC's superintendence stops short of investigations and prosecutions. With court after court castigating the CBI for inept investigation and prosecution, who enforces accountability and ensures that things get better? Each year, the CBI starts a large number of "discreet enquiries", some of which are converted to "preliminary enquiries" (PEs). The CBI website says nothing about the cases that have not been put through a PE. We cannot be sure if the CVC even knows about them, as they do not figure in its annual report to Parliament. With such unscrutinised freedom to work, it comes as a surprise when the CBI demands more autonomy. Such a demand would be a lot more persuasive if the CBI had a demonstrable record of adhering to higher norms of accountability and transparency, without which autonomy is

nothing more than a demand for the divine right to do wrong. Secrecy and weak accountability are the bane of the CBI. The sooner its leaders address these concerns the better it will be for the organisation they all serve, with legitimate pride. The writer is a former secretary, ministry of personnel, and former chief information commissioner – See more at: <http://indianexpress.com/article/opinion/columns/cbi-in-the-sunlight/2/#sthash.LhgECbSn.dpuf>

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## Being neighbourly

When I visited Bangladesh in April 1972 – my first visit to Dhaka after the liberation – I felt depressed. I had dreamt of a prosperous society, oblivious to the fact that West Pakistan had exploited what was then East Pakistan. I saw at Dhaka airport a frustratingly long queue inching past immigration authorities and confusion at the baggage counter. Still, I heard passengers shouting “Joi Bangla (Victory to Bengal)”. They looked like people returning to the “promised land”. I found signs of strain on their faces, but pride was also writ on each of them. There was a feeling that Sheikh Mujibur Rahman, the founder of the country, would solve all problems. As happens in every liberation struggle, a better way of life is expected from the day the guns fall silent.

The nine months of oppression by the Pakistani army had wreaked havoc. All tiers of administration had been replaced by the army apparatus. There was practically no official response to people’s dire needs. But what could the government do when Pakistan, as Mujib told me, had tried to “kill every Bengali and destroy Bangladesh”? I wondered then whether the country would ever make it.

On a recent visit, I found it confident and determined to cope with the problems of poverty and unemployment. Bangladesh has maintained a growth rate of 6.2 per cent for the past two decades. People from the rural areas do not now flock to Dhaka even after heavy floods. Villages have become self-sufficient. The result is that even villages have pucca houses. A top

businessman who met me in Dhaka said he had recently flown over most of Bangladesh by helicopter and found that there would not be more than 2 per cent houses that still had thatched roofs.

What oppresses them, however, is corruption, even at the village level. Petty functionaries want money before processing even a routine paper. High-level corruption is beyond conjecture, and reportedly runs into millions of dollars. The disappointing part is that even the judiciary is not untainted. Allegations that the judges are on "sale" may be too sweeping. Yet, there is a grain of truth in this. Even worse is the case of appointments to the bench, which are manageable, if you have the wherewithal and right connections. The two main parties, the ruling Awami League headed by Sheikh Hasina and the Bangladesh Nationalist Party (BNP) chaired by Khaleda Zia, are said to have made a lot of money when in power. This may be the reason why the leaders do not hurl charges of corruption at one another. Allegations are said to be there by the dozen, but these are only meant to score points and not seek punishment for the individuals concerned. This is in contrast to what happened in India, where political parties hound politicians and even provide lists of disproportionate assets. Yet, the plus point for New Delhi is that some ministers, however few in number, have been punished for corruption. In Dhaka, no one has been, as far as I know. There are so many reasons for mutual irritation between the two countries. Yet, I was pleasantly surprised to see that relations were amiable. Both countries have been through rough weather. But they have now normalised the situation. Prime Minister Hasina has a lot to do with it, because she has worked hard to improve relations, even when the pro-India line does not go down well. Zia and her BNP tend to project themselves as pro-Pakistan, if not anti-India. Zia has, unfortunately, not given up her anti-India tirade. For example, she does not regret that she absented herself from the banquet in honour of Indian President Pranab Mukherjee when he visited Dhaka sometime ago. Nevertheless, my personal disappointment is that we, a democratic, pluralistic society, are diffident when it comes to playing any role in the region. There is a tit-for-tat tendency. The foreign ministry has officials with a particular mindset, who take the narrative to

the assistance provided to Bangladesh during the liberation struggle and expect obedience. I found Bangladeshi youth to be confused and bewildered. They want employment or openings for business that a big country like India can provide. Delhi is hardly bothered. And since there is distrust between Dhaka and Delhi, relations do not reach the stage of friendship and mutual confidence. Things have, no doubt, improved a bit, but that is because the bureaucracy on both sides has reduced prejudice. Most people in Bangladesh did not doubt India's secular credentials, but the phenomenon of Prime Minister Narendra Modi's success has made them sit up. The growth of the Jamaat-e-Islami and the watering down of secularism in Bangladesh have made an ordinary person prone to fundamentalism, despite the fact that the fundamentalists were against the liberation of the country. No one mentioned to me their need for water from the Teesta river. But that is what they badly want. West Bengal Chief Minister Mamata Banerjee is in the way, although Delhi wants to accommodate Dhaka on this point. Former West Bengal chief minister, the late Jyoti Basu, was farsighted and won over Bangladesh by being generous with the Farakka waters. Riparian countries must have a generous approach towards each other. In the case of Bangladesh, a more accommodating attitude is all the more necessary. India should not behave squeamishly. It should realise that a place where the blood of Indian soldiers mixed with that of its freedom fighters is sacred. Delhi cannot but be friendly when it comes to Bangladesh. – See more at:  
<http://indianexpress.com/article/opinion/columns/being-neighbourly-3/2/#sthash.bveFnEWS.dpuf>

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## **Bad enactment, no enforcement**

*In response to public clamour against corruption, Parliament has been passing anti-graft legislation. But lawmakers, public servants and enforcement agencies, who have among their lot a vast majority of the corrupt, have been seeking loopholes in the law*

India's approach in tackling the age-old problem of corruption has been Janus-faced. On the one hand, being responsive to public clamour for the eradication

of corruption of all kinds, grand or petty, India's Parliament has been steadily engaged in passing legislation, commencing with the extension of powers granted to the wartime Special Staff in 1942 till the enactment, in 2014, of the Lokpal and Lokayuktas Act. On the other hand, lawmakers, public servants and law enforcement agencies, who can count among their lot the vast majority of perpetrators of corruption, have been seeking loopholes in the law and avenues to avoid punishment. Political and administrative expediency, not principles of good

governance and the rule of law, rule the roost, regardless of which set of political parties is in power.

### **CBI's colonial antecedents**

Even though the Indian Penal Code, which came into operation on January 1, 1862, defined the 'public servant' and identified offences that can be classified as 'corruption', the British Raj did not demonstrate any great anxiety about prosecuting its officials for abusing their authority and robbing the public. The onset of World War II forced the Government of India, the chief supporter of Britain's war effort, to draw urgent attention to the different forms of corruption prevalent in the War Department. The War Resources Committee created, in April 1941, an outfit (called Special Staff) to investigate and check 'bribery and corruption' in various supplying departments.

When the war ended, emergency laws enacted during its duration lapsed. The Special Police Establishment (SPE) became the Delhi Special Police Establishment (DSPE) by an ordinance, followed by the Delhi Special Police Establishment Act, XXV of 1946, which still governs the operations of the Central Bureau of Investigation (CBI). The scope of the DSPE was expanded through a new Act of 1952 to cope with the new situation when new institutions and financial concerns arose and developmental activities expanded. The DPSE was empowered to investigate corruption in statutory corporations and entities administered directly or indirectly by the Union government.

In 1962, in the aftermath of a high profile corruption scandal (the Mundhra scandal) which led to the resignation of the then Finance Minister, T.T. Krishnamachari, in 1958, the Government appointed a committee under the chairmanship of K. Santhanam. In the first of its two reports, submitted in 1963, the Santhanam Committee recommended the creation of a Central Vigilance Commission headed by a Central Vigilance Commissioner (CVC) with considerable autonomy and status so as to consolidate the fragmented anti-corruption work that was being performed by the various ministries of the Union government. In April 1963, the government set up the CBI to investigate not only cases of bribery and corruption, but also violations of Central fiscal laws and serious crimes committed by organised gangs and thugs, besides collecting supporting intelligence, statistics of crime and conducting research to inform policy-making. The CBI drew its power of investigation from the Delhi Special Police Establishment Act, 1946. It has been reported that the DSPE Act will be again amended to enable selection of the CBI Director by a body which includes the leader of the largest Opposition party in the Lok Sabha (as there is no Leader of the Opposition now) and also to specifically state that vacancies on the selection panel should not vitiate the selection.

### **Offences by public servants**

The CVC was accorded statutory status in 2003 only after a directive in the judgment of the Supreme Court in *Vineet Narain v. Union of India*. In September 2010, the CVC released the Draft National Anti-Corruption Strategy, a good document that deserves more attention than it has received. It contains a thoughtful critique of shortcomings in India's legislative framework. The CVC Act 2003 gives the CVC powers to inquire into alleged offences committed by officials under the Prevention of Corruption Act, 1988. The CVC does not have direct powers to investigate and must depend on the CBI for that. The requirement of obtaining prior sanction of an appropriate authority before any court takes cognisance of an offence by a public servant is a serious limitation. There have been long delays before sanction is accorded. The provision serves to protect public servants though a wrong has been committed because the sanctioning authority is normally a senior officer of the "accused" officer. A sanction after having been accorded can be challenged at the trial stage and cases have been discharged on the basis that the sanctioning authority had not applied its mind while according sanction. This provision goes beyond the protection offered under the Code of Criminal Procedure, 1973 (which only protects actions in discharge of official duty).

It is desirable to remove prior sanction requirement in cases where a public servant officer is caught red-handed. A time limit should be prescribed for decisions sanctioning prosecution. However, the power of public servants in India is vast and strong. Instead of easing prior sanction requirements, an amendment Bill was tabled in Parliament in August 2013 which increases the protection of public servants from prosecution.

The Supreme Court had earlier struck down the "single directive" that had provided immunity to senior civil servants from suo motu action of the CBI. The government has restored this provision through statute and entrusted the authority of pre-inquiry scrutiny to the secretary of the administrative department. This has diluted the powers of superintendence of the CVC and the CBI. There is a system of dual control over the CBI – one exercised by the CVC in respect of corruption cases only, and the other by the Central government in respect of all its other work.

Administrative control of the CBI by the Central government makes it vulnerable to the criticism that the agency often compromises its corruption investigations of government officials. During the last decade, at least four former Directors of the agency have been given high-level government positions such as appointments as State Governors. There is criticism of the CBI's highhandedness and a lack of sensitivity to a loss of reputation of senior members of the bureaucracy against whom it announced inquiries. There have also been selective leaks to the media of material gathered by the CBI in the course of investigation.

### **Lokpal and Lokayuktha**

The Santhanam Committee, in effect, recommended that the CVC should also function as an ombudsman in India, taking cognisance of cases of maladministration as well as corruption. The Government of India ruled out accepting this recommendation claiming that the importance and urgency of providing machinery to look into the grievances of citizens against the administration and to ensure the just and fair exercise of administrative power would require a separate agency. But no such agency was created. It took a Gandhian-style movement led by Anna Hazare to put this matter back on the policy

agenda of Parliament in 2011. During 2012, little was done with the Lokpal Bill except for the proceedings of the Rajya Sabha committee. The United Progressive Alliance (UPA) government, led by the Congress Party, meanwhile lost Assembly elections in Chhattisgarh, Delhi, Madhya Pradesh and Rajasthan, forcing it to yield ground on the Lokpal Bill, accept all amendments adopted by the Upper House, and pass the Bill on December 17, 2013. The Lokpal law came into force on January 16, 2014.

In brief, the Lokpal is empowered to investigate complaints against the Prime Minister, other ministers, current and former legislators, government employees, employees of firms funded or controlled by the Centre, societies and trusts that collect public money, receive funds from foreign sources, and have an income level above a certain threshold. Bodies creating endowments for or performing religious or charitable functions have been excluded from the Lokpal's purview. Inquiries are to be completed within 60 days and investigation to be completed within six months. The Lokpal shall order a probe only after hearing the public servant. Inquiry against the Prime Minister has to be held in-camera and approved by two-thirds of a full bench of the Lokpal. The Lokpal will exercise superintendence over the CBI in relation to the cases referred by it. CBI officers investigating cases referred by the Lokpal can be transferred without its approval. The Lokpal can initiate prosecution through its prosecution wing before the special court. Lokpal-initiated trials are to be completed within two years. States are expected to set up Lokayuktas by law within 365 days and have the freedom to determine the powers and the functions of the Lokayukta.

In its twilight hour, when its days were ended, when according to Hegel, the owl of Minerva spreads her wings and wisdom dawns, the UPA government managed to enact legislation to partially protect whistle-blowers, but none of the other complementary laws, which India is obligated to pass after becoming party to the U.N. Convention Against Corruption, has been enacted. The present government does not seem to be in a hurry to constitute the Lokpal and enact those complementary anti-corruption laws, including the Judicial Standards and Accountability Bill, 2010, the Citizen's Charter and Grievance Redressal Bill 2011, the Public Procurement Bill, 2012, the Prevention of Corruption (Amendment) Bill of 2013, and the Prevention of Bribery of Foreign Public Officials and Officials of Public International Organizations Bill, 2011. Maybe Prime Minister Narendra Modi is a modern-day Tacitus who claimed: "The more corrupt the state, the more laws." Sadly, our lot seems to be both the non-enactment of essential legislation and the non-enforcement of laws we already have.

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## [Dining at the G-20](#)

The US  
and China signing an agreement on climate change excludes  
India from

the G-2 consensus on this critical issue. A decade ago, India and China, both members of the G-20, were invited to be permanent invitees to the G-8. This was on account of the efforts of the then Canadian prime minister, Paul Martin, who was so dedicated to seeing this happen that, in the week of the election he lost to Stephen Harper, he flew down to the G-8 meeting in the Bahamas to argue this case. Martin contended that India and China must not be excluded because, as shown by the Canadian policy analyst, John Kirton, head of the G-8 Research Group at the Munk School of Global Affairs, Toronto, their economies were in the top eight. I invited Kirton to the G-20 meeting in Delhi last year. It was Jim Balsillie, the Canadian chief of BlackBerry, which is headquartered at Waterloo, who spearheaded this effort. The book, *Reforming From The Top: A Leaders' 20 Summit*, was this effort's bible. In this book, edited by John English, Andrew Cooper and Ramesh Thakur, the case was made for direct diplomacy at the world's high table to solve global problems. Anne-Marie Slaughter, then dean of the Woodrow Wilson School at Princeton, pushed the agenda and is now advisor to the US State Department. Juha Jokela, in his by now well-known 2011 paper, "The G-20: A Pathway to Effective Multilateralism?", tracing the history of the G-8 since then, documents the role that India played in bringing

the developmental needs of poorer countries to the world high table. As an Indian, my argument in a paper cheekily called "Sherpas and Coolies" in *Reforming From The Top* was that supping at the high table was productive only if India's concerns on water, energy, nutrition and trade were taken on board. Jokela traced precisely whether this had happened or not.

The position recently stated by the prime minister's G-20 sherpa is that India's views on climate change and, therefore, energy ought to be different from China's, because energy and emissions issues have to be looked at in per capita terms, and not as absolute numbers. This is important, the argument goes, because poor countries must be allowed to pursue development, and domestic and global policies have to be designed to enable growth to be sustainable. Historical emissions on account of, say, a large cattle population in India, are recorded, and it is the magnitude of change that is important. In per capita terms, both India and China are way below the developed world in energy intensity. In absolute terms, India may burn half a billion and China more than two billion tonnes of coal. The Chinese have, of course, in a sense already decoupled and formed the G2 with the US.

India pursues three objectives at the G-20. The first is to seek

stability to enable reform. The second is improvement in the global and national architecture to deepen financial markets in pursuit of inclusive growth. The third is concerned with how these two link to trade policy. India's phased process of reform, with the ultimate goal being complete capital account convertibility, stated initially during my stint as planning minister in the Ninth Plan document, was to be protected from the wild swings of global financial markets, which were particularly evident after the East Asian meltdown. India wanted the rules to be clear and the paths to be flexible. At the G-20, India must constantly project the art of following its own interests and championing the growth of poor countries as two sides of the same coin. Having increasingly utilised the market in its larger economic policies, Indians tend to be appreciative of the consensus on formulating country-specific commitments for G-20 initiatives like the Mutual Assessment Process, leading to action plans for higher growth. At the measurement and operational levels, India correctly argues that commitments emerge from domestic policies, and the necessary global push is absent. It also has a somewhat realistic approach to the rebalancing doctrine, recognising the scales of the US and German economies but

asking for creative institutional experimentation to encourage trade between the faster-growing developing economies. This is needed to avert global crises and push growth rates higher. However, uncoordinated rebalancing may make things worse. Tax reforms and public sector reforms are also important areas of concern at the G-20. India's central bank chiefs have always been involved in the pursuit of transparency and rules-based operations in global financial flows. Concerns over corruption and illegitimate money flows are shared globally. With a conservative banking system and strong regulatory central banking tradition, Indian central bank chiefs such as Y.V. Reddy and his successors are recognised names in the search for financial transparency. India must work to consolidate their reputation.

– See more at:

<http://indianexpress.com/article/opinion/columns/dining-at-the-g-20/2/#sthash.qckj6ivt.dpuf>

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## [GST, finally?](#)

The winter session of Parliament that begins today could see the tabling of significant legislation that paves the way for a nationwide

goods and services tax (GST). The Centre appears to have got the states on board for the Constitution amendment bill that would enable the GST to come into force.

True, key differences remain: states want the GST to be levied on all traders whose annual turnover exceeds Rs 10 lakh, while the Centre favours a higher Rs 25 lakh threshold. States also don't want the GST to cover petroleum, alcohol or tobacco. Further, they have demanded that the bill incorporate provisions to compensate them for revenue losses arising from GST implementation, whereas the Centre is unwilling to give any such explicit guarantee.

The above differences are, however, not irresolvable. The right forum to discuss them is the GST Council, comprising the Union finance minister and his state-level counterparts, which the bill proposes to create. The priority today should be to get the bill – which empowers the Centre to tax sales of goods (that only the states can now do) and the states to tax services (currently the Centre's preserve) – passed in the coming session itself, so that the GST can be rolled out from April 1, 2016. All contentious details, including deciding the so-called GST revenue-neutral rate, can be sorted out during the interim period. And that is eminently possible with some large-heartedness on the Centre's part. The least it can do is establish a compensation fund to be administered by the GST Council. This fund could cover any

revenue

losses of the states in the short run based on clearly defined parameters for projecting tax collections under alternative GST/ no-GST

scenarios. It also helps that Prime Minister Narendra Modi has been a

chief minister. An assurance from him on compensating them for genuine

revenue losses would certainly carry credibility.

But any federal compensation has to be made conditional upon the

states agreeing to subsume all local levies, including octroi/entry

tax, under the GST. Moreover, no product should be exempted from the

GST, which aims at taxing every good and service on the value-added

principle. In a regime where producers at each stage of the value chain

can claim a refund for taxes paid on their inputs, exemption of any

product or levy will only lead to the cascading of taxes.

Taxing every

commodity on value addition, including services, would ultimately be

conducive to economic activity. The resultant revenue

buoyancy, in turn,

would also not necessitate pegging the combined GST rate as high as 27

per cent, which is what the states are now pushing for.

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**US 'cautiously optimistic' about ties with India**

# TFA linked to meeting Bali conditions: U.S. official

Visiting U.S. Trade Representative Michael Froman said here on Monday that despite positive developments such as the easing of the foreign direct investment cap in the Defence sector, the U.S. remained "cautiously optimistic" about relations with India as the Modi government had raised tariffs.

Mr. Froman said the "so-called Peace Clause," proposed in the recently concluded Indo-U.S. World Trade Organisation (WTO) agreement, would depend on whether India's foodgrain buffer programme met the conditions set in Bali.

The WTO's Bali package included onerous conditions on making public details of food security programmes, which India has so far not complied with.

"We have already seen some positive signs: projects approved, foreign equity caps in key sectors such as defence and railways lifted. But we have also seen certain tariffs increased, and there is a long way to go on reform. So we are optimistic, but we are cautiously optimistic," Mr.

Froman said. He was addressing businessmen at a Federation of India Chamber of Commerce and Industry event.

On the WTO agreement, Mr. Froman said: "As part of the deal to allow the Trade Facilitation Agreement to be fully implemented, we agreed to intensify efforts to find a permanent solution to the food stockpiling issue and eliminate any ambiguity in the Bali package about

the availability of the 'so-called Peace Clause' in the meantime, provided that food stockpiling programmes meet the conditions set in Bali."

The breakthrough at the WTO, said Mr. Froman, would not have been possible without the personal engagement of President Barack Obama and Prime Minister Narendra Modi.

He said the two leaders gave the partnership a mantra: "Chalein Saath Saath: Forward Together We Go."

### **Indo-U.S. Trade Policy Forum revived**

Mr. Froman will meet Commerce and Industry Minister Nirmala Sitharaman on Tuesday for the first Trade Policy Forum between the two countries in more than four years.

"So it's another historic moment in what has been an important year for relations between the United States and India," Mr. Froman said.

Having heard Prime Minister Modi speak eloquently of his "Make in India," "Digital India," and "Smart Cities" initiatives, increasing investment in India will be critical as well, Mr. Froman said.

"Rigid local content requirements are likely to spawn less competitive industries, increase costs to producers and consumers and lower India's economic welfare."

Mr. Froman said enforcing a world-class intellectual property rights regime is in India's interests. He said dealing directly with piracy, counterfeiting and compulsory licensing will be critical if India is to play a leadership role in the knowledge economy and becoming "Digital

India.”

“We have great interest in the ongoing review of India’s Intellectual Property Rights Policy,” said the U.S.T.R.

“Ultimately, the most important factor determining the future evolution

of our bilateral economic relationship is the quality of the business

environment based on transparency, consistency, predictability,” said

Mr. Froman.