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Book Reviews

Anti-Dumping: Global Abuse of a Trade Policy Instrument, Edited by Bibek Debroy and Debashis Chakraborty, Academic Foundation, New Delhi, 2007. Pp.189. Rs.595.00.

The subject of anti-dumping is very topical and highly controversial. Dumping is said to have taken place when an exporter sells a product to a country at a price less than the price prevailing in its domestic market. However, the phenomenon of dumping per se is not condemnable as it is recognised that producers sell their goods at different prices in different markets. It is also not unusual for prices to vary from time to time in the light of supply and demand conditions. It is also recognised that price discrimination in the form of dumping is a common international commercial practice.

The present book focuses on anti-dumping issues. Broadly speaking a product is said to have been dumped if it is introduced into the commerce of another country at less than the normal value of the product and it threatens the established industry of the country. Article VI of the GATT stipulates that 'in order to offset or prevent dumping a contracting party may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such countries.' Almost all WTO member countries have adopted/amended their anti-dumping legislation largely in accordance with the GATT provisions to deal with dumped imports.

There has been a spectacular growth of anti-dumping investigations in recent years. The number of such investigations launched in 1999 was more than double of those started in 1995. It increased from 156 in 1995 to 358 in 1999 (WTO, 2001). Moreover, the use of anti-dumping is no longer confined to a limited number of industrialised countries. A large number of developing countries are now launching anti-dumping investigations. The share of developing countries in total cases was 10 per cent at the beginning of the 1990s; it is almost 50 per cent now.

There are eight chapters in the volume and it begins with the discussion on the developing countries; the first three chapters discuss the scenario in India, Turkey and South Africa and the rest present the scenario in the developed countries. The present volume is an important contribution in this topic. Chapter one analyses the issues concerning anti-dumping cases in the Indian context. India has emerged as one of the most frequent users of anti-dumping measures among the developing countries. The first anti-dumping duty in India was levied in 1993. Between 1995 and 2000 India initiated 176 cases which are 12 per cent of the total cases initiated globally.

K.D. Raju briefly highlights the problems associated with the Anti-Dumping Agreement (ADA) noting that the government policies ultimately benefit only a handful of players at the cost of downstream industries and consumer welfare. He is of the opinion that anti-dumping regime at the WTO and domestic levels are presently at the crossroads. It has emerged as one of the most important trade remedy instruments at the international level. He further observes that various methodologies such as 'zeroing' and 'arms' length ' in calculating dumping margin are fishy in nature and help the developed world for finding dumping always. The chapter concludes by calling for reform of the protectionist mindset against imports.

In the second chapter Cengiz Bahcekapili and Murat Cokgezen observes that the procedure of calculating normal value in order to determine the presence and the extent of dumping is getting increasingly protectionist and in that background it analyses the concern with respect to Turkish policies over 1996 to mid-2005. Looking into the anti-dumping investigations initiated by Turkey, the chapter noted arbitrary and biased decisions made by the Turkish authorities, mostly in three categories- selecting 'appropriate' third country, determining a 'like product' and generalisation of product categories. The authors concluded with the alternative to reform methods of calculating normal value and describe clearly blurred definitions, or alternatively, dismantling of the anti-dumping regulations altogether.

The third chapter by Nicola Theron notes the increase in anti-dumping investigations over the last years since the conclusion of the Uruguay Round; seem to confirm their increasing importance as the trade restrictive instruments of choice. The chapter looks at various concern areas within the ADA as followed by selected member countries, e.g., the investigating procedures, definition of interested parties, the practice of setting constructed normal values, determining material injury, injury margins and the lesser duty rule, causation and finally confidentiality, with special reference to South Africa, who has adopted a simplified version of the ADA, in each case. The chapter concludes that in future it will be necessary for policy makers to discipline this trade instrument.

The intensity of intra-developing country anti-dumping investigations are already a serious concern, and hence the fourth chapter of the volume by Kofi Oteng Kufuor focuses on this issue. He attempts to analyse the reason behind the emergence of more and more developing countries as leading users of this provision and explore the possible corrective measures. The major recommendations of the chapter include creation of new, accountable, and transparent trade policy making institutions by the developing countries that reflect the national interest rather than parochial interests, enactment of anti-dumping legislation by all WTO members to promote certainty in anti-dumping investigations, etc. among other means.

The concern with the anti-dumping scenario in developed countries is discussed in the two chapters. In the fifth chapter, Brink Lindsey and Daniel Ikenson concentrate on the rhetoric and the reality of US anti-dumping law. This chapter analyses the methodologies applied for dumping determination and concludes that the

level playing field or fair competition argument is rather weak and anti-dumping law too often ends up penalising normal commercial practices having nothing to do with anyone's definition of unfair trade. The chapter argues that if true awareness about the impact of imposing anti-dumping investigations among the consumers increases, it will be much difficult for the proponents of this provision to be openly supportive towards it.

The sixth chapter "Anti-Dumping in the European Union" by Fredrik Erixon mentions that few countries today, and the EU in particular, bothers to investigate in detail the actual impact of dumping and the consequence for consumers. Although the setting is somewhat different, the finding of the chapter closely resemble the same of the earlier chapter on the US. The EU practice has moved away from the original purpose of anti-dumping law and has become nothing but a common protectionist measure. The author says that the impact of the EU anti-dumping initiations on developing country exports is a major concern; it is observed that during 2003 and 2004, 100 and 86 per cent of the new initiations were against the former group respectively.

The seventh chapter "Why is China the World's Number One Anti-Dumping Target?" by Yuefen Li attempts to identify the economics behind China's emergence as a traditional 'victim' in the light of the huge number of anti-dumping investigations it faces; both in developed and developing countries. The author opines that being a new and relatively efficient producer, rivalry in the world market may be one important reason behind it. On the other hand, China's development stage and its trade structure also place it at a disadvantage when it comes to anti-dumping activities. Simultaneously, he states that the problems are likely to be aggravated further by the extensive safeguard provisions included in China's WTO accession commitments, which requires China to be treated, for anti-dumping purposes, as a non-market economy till 2016. He states that in the long run, it is necessary for China to shift its export basket away from anti-dumping intensive sectors by upgrading from standard products to highly differentiated ones.

Finally, although the numbers of anti-dumping investigations are quite high, several chapters in the volume note that all of them are challenged in the WTO Dispute Settlement Body (DSB) owing to various reasons. The eighth and final chapter by Debashis Chakraborty attempts to identify the clauses within the ADA, which are most frequently violated. The author observes that while the alleged violations are spread over the entire ADA, the proven frequent violations notably include determination of dumping and their impacts on the domestic industry, thereby supporting gross misuse of the basic provisions. The study has tried to examine the anti-dumping cases involving India. The chapter also comments on the future negotiating agenda on reforms of the ADA.

The authors of this book have made valuable contribution to the literature. The book is rich in analytical rigour and historical perspective of anti-dumping issues in

developing as well as developed countries. The book will be useful for policy makers, researchers and others who are interested in trade and development.

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Agrarian Crisis and Farmer Suicides: Land Reforms in India, Edited by R.S. Deshpande and Saroj Arora Vol. 12, Sage Publications India Pvt. Ltd., New Delhi, 2010. Pp. xxi + 436. Rs. 895.00.

India's agriculture has made rapid strides since independence in terms of production and productivity of crops. While the production of foodgrains has increased from 51 million tonnes to over 233 million tonnes between 1950-51 and 2009-10, a significant increase in output is also noted in oilseeds, sugarcane, cotton, fruits, vegetables and other crops during the same period. The increased volume of crop output that resulted from the intensification of agriculture after the introduction of green revolution during the mid-sixties has also helped to increase the wage rate and to generate more employment opportunities in the rural areas particularly for the landless labourers. The incidence of rural poverty has also reduced considerably over the years in India mainly due to improved production of agricultural commodities. All these achievements would not have been possible without the incisive role of Indian farmers. Despite this tall achievement, we are not hearing any great news from the farm sector today.

The farm sector has been passing through a serious crisis since early 1990s. We have been hearing elegy from farm sector. A large number of farmers have also committed suicides by consuming pesticides. Why is this happening in India? Is it because of poor returns from crop cultivation? Are crop failures the reason? Is the increased indebtedness the reason? Can the inadequate supply of institutional credit be the reason? Is the increased cost of cultivation the reason? Can we blame the imperfect market conditions that prevail in input and output markets in agricultural sector for this? Are the behavioural and social factors the reasons for farmers' suicides? Though a number of scholars have investigated and analysed the reasons for the present agrarian crisis and farmers suicides over the last one decade or so, comprehensive studies/monographs covering all the pertinent issues on the present agrarian crisis are very few and limited. This volume tries to provide answers to all the questions raised above in an effective manner.

This volume under review contains altogether 19 chapters including two chapters on 'introduction' and 'way forward' written by the editors. The chapters included in this volume were earlier presented at the national level workshop on "Agrarian Crisis and Farmers' Suicides" organised by the Lal Bahadur Shastri National Academy of Administration, Mussoorie during November 23-24, 2007. Most scholars, who have

contributed chapters to this volume are well established, have been working on the issue of agrarian crisis for a long time now. It is a well organised and edited volume on the agrarian crisis published in the recent years. Though it contains 17 chapters (excluding 'introduction' and 'way forward'), they can be broadly grouped into five categories namely (1) papers dealing with agrarian structure and its impact on farmers' suicides; (2) globalisation impact on agrarian crisis; (3) state-specific papers on agrarian crisis; (4) papers dealing with the issue on indebtedness, and (5) papers concerning with the behavioural and other dimensions of agrarian crisis. The introductory chapter written by the editors provides a capsule on the papers included in the volume along with the issues that are currently confronting the Indian agriculture.

There are three chapters dealing on the changing agrarian structures and its impact on agrarian crisis. D. N. Reddy and S. Mishra, who have done extensive work on the issue of agrarian crisis, have underlined the seriousness about the resource and institutional constraints faced by the small and marginal farmers after initiating reforms in agriculture. The constraints in getting institutional credit, which results in low adoption of modern technological inputs in agriculture, are highlighted as the main reasons for the present crisis. On the other hand, A.R. Vasavi's chapter on 'contextualising the agrarian suicides' vehemently argues that the modern agriculture practices followed after the introduction of green revolution as the main cause for the present agrarian crisis. This argument appears to be far from reality. The farmers in India have been following the practice of modern agriculture over four decades now, but they never had any serious problems like farm suicides till the early nineties. Given this, how can one blame the green revolution for whatever is happening today in agriculture?

Agrarian crisis started after the early nineties which also coincided with the introduction of economic reforms in India. A few papers have looked at whether the globalisation has played any role in the agrarian crisis. The chapter by Deshpande and Shah has eloquently brought out the various issues that have arisen because of globalisation. However, they have neither denied nor accepted the globalization's role in the present agrarian crisis. Similarly, Sidhu's article also analysed the globalisation impact on agrarian crisis but concludes the root cause for the present crisis seem to have emerged within the economy and not from external sources. This seems to be correct because the profitability from crop cultivation was very low even during pre-globalisation period, which is also borne out by the studies based on cost of cultivation survey data. However, there is no denying the fact that the situation has accumulated and aggravated during post-reform period.

Though the agrarian crisis has been experienced at various parts in India, suicides by farmers are found to be more prominent in some of the states. The third set of papers explains the issue of farm crisis and suicides specifically focusing on Punjab, Maharashtra, Andhra Pradesh and Karnataka. Galab and Revathi's paper on Andhra Pradesh underlined that growing dependence on commercial crops, relying on cost-

intensive groundwater irrigation and informal credit, volatile output prices and absence of regulation on quality of inputs as the major causes for the increasing distress in agricultural sector. Adding to the points made by E. Revathi and Shaik Galab an another chapter on Andhra Pradesh written by Prabhakara Reddy mentioned that failure of extension services and mushrooming of spurious seed and pesticides companies, etc. are the main cause for the crisis in Andhra Pradesh.

Most people in India including some of the researchers believe that the farmers belonging to Punjab state are rich and living happily. But, this seems to be not true going by the recent development in the state. We have noticed farmers committing suicides in Punjab as well, though the intensity is relatively less. This volume contains three papers which deal with the agrarian crisis in Punjab. These three papers essentially argued that increase in cost of cultivation, declining net income and increased indebtedness are the main villains of the agrarian crisis. This is true because the farmers get into crisis when income flow from agriculture slows down due to increased cost of cultivation. Some of the studies based on cost of cultivation survey data have also made same observation, as noted by the studies included in this volume. While analysing the process of crisis, K. Gopal Iyer and Saroj Arora's paper noted the humiliation faced by the farmers due to constant pressure from commission agents to repay the loan also lead to farmer suicides. Why do farmers face humiliation from different quarters in recent years? Though some scholars treat humiliation related crisis as social factors, it should not be strictly treated as the social factors because the root cause for the humiliation comes from economic factors namely declining net income. If net income from crop cultivation had not declined, the farmers would have paid the loan in time and would not have faced any humiliation.

Among the states in India, Maharashtra is the one state where farmer suicides have been reported at a large scale, especially in Vidharbha region. Neelima Deshmukh's paper* deals with the issue on how the cotton cultivators in Vidharbha region encounter the agrarian crisis. While highlighting the various reasons for the widespread farm suicides in Vidharbha region, she has pointed out the major cause for farm suicide is that cotton cultivation is no longer a profitable enterprise to farmers. Besides, erratic rainfall, American bollworm attack, sale of spurious seeds and pesticides and frequent droughts have also appeared to have contributed to heavy reduction in the net income of the farmers.

Similar to Maharashtra state, farmers belonging to rainfed areas of Karnataka state too have been facing the heat of agrarian crisis. There are two chapters which narrate the agrarian crisis experienced in Karnataka. While Deshpande's paper connects the globalisation with the farm sector distress so effectively, Assadi's paper

*Neelima has verbatim copied two paragraphs from my paper [Narayanamoorthy, A. (2006), "Relief Package for Farmers: Can it Stop Suicides?", *Economic and Political Weekly*, Vol. 41, No. 31, August, pp. 3353-55] and presented under the core issue of cotton cultivators in Maharashtra. But, she has not even acknowledged it in her paper. This kind of practice is not acceptable and unbecoming of researchers and academicians.

on 'path of development and politics in Karnataka' illustrates how the capitalist path of development in agriculture has deepened the agrarian crisis. He also rightly pointed out that the crisis experienced currently in agriculture was originally started during the 1980s, which was also highlighted by the farmers' movement at different places in India at that time.

Though the increased indebtedness itself is the result of low income from crop cultivation, indebtedness has been largely quoted as the main reason for the farmers' suicides in India. There are two papers in this volume specifically deal with the issue of indebtedness and its relationship with the agrarian crisis and farm suicides. R. Srivastava's paper highlights the importance of participatory credit management model in improving the savings and borrowings of the poor farmers, S. Santhanam's paper provides a detailed account on both short-term and long-term credit and non-credit measures to improve the performance of agriculture and to reduce the crisis faced by the farmers. There is a 'credit phobia' among some quarter of policy makers, meaning that the agrarian crisis or farm suicides can be stopped by increasing the institutional credit supply. It is true that the adequate institutional credit supply is necessary to run the crop cultivation smoothly, but it is not sufficient to alleviate the present agrarian crisis. Doubling agricultural credit will only intensify the indebtedness status of the farmers, if cultivation is not made profitable enterprise. How can farmers repay the loan if there is no profit from crop cultivation?

There is also chapter on 'providing a level playing field' by Meeta Rajivlochan and M. Rajivlochan, which essentially discusses about the importance of protecting the small farmers who are most affected because of the agrarian crisis. Deviating from the papers presented in the volume, Gyanmudra's paper discusses about the behavioural and social dimensions of farmers suicides. Though farmers became stronger and diligent because of improved education and communication network, she argues that behavioural factors are the major reasons for the farmers' suicides. How could farmers face behavioural problems suddenly? Why do farmers commit suicides only after early 1990s? There are no solid answers for these questions from this chapter.

The phenomenon of farmer suicide is the final outcome of agrarian crisis. Increased indebtedness cannot be treated as the main reason for the farm suicides as has been vehemently argued by some researchers in India. Indebtedness itself is the effect of agrarian crisis which occurs mainly because of reduced farm profitability. Therefore, if one addresses the issue of indebtedness without addressing the core issue of profitability of crop cultivation, it will not benefit the farm sector. The last chapter on 'way forward' written by R.S. Deshpande and S. Arora, the editors of this volume, neatly presented as to what should be done to tackle the present crisis confronting the agricultural sector. The highlight of volume is the introductory chapter written by the editors which succinctly provides an in-depth understanding about the various issues currently confronting the agricultural sector. On the whole, it is a well edited and organised volume on agrarian crisis published recently in India;

the editors deserve full appreciation for timely bringing out this very useful volume. One finds plenty of policy materials in this volume and therefore, it is hoped that this volume will be very useful to policy makers, researchers, teachers, students and all those who are interested in understanding the deep rooted agrarian crisis of our country.

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Reserve Bank of India, *Report of the Sub-Committee of the Central Board of Directors of Reserve Bank of India to Study Issues and Concerns in the MFI Sector*, (Chairman: Shri Y.H. Malegam), Mumbai. 2011. Pp.64.

In the context of the widespread discontent and growing disquietening situation in the micro-finance sector, Reserve Bank of India in general and its governor Dr. D. Subbarao in particular deserve compliments for constituting a Committee under the Chairmanship of Y.H. Malegam in October 2010 to look into the various aspects of functioning of micro-finance institutions (MFIs). The committee submitted its report with a sense of urgency in January 2011. The committee pointed out that, out of the total loan outstanding of Rs.45,600 crore, under micro-finance sector at the end of March 2010, MFI segment accounted for Rs.18344 crore constituting about 40 per cent. Of late incremental growth in advances of MFI segment was higher. As a result SHG – Bank linkage segment has experienced a setback. The faster growth of MFI segment was at the cost of quality of lending. The committee brought to the fore that apart from interest rate, other incidental charges such as processing fee, interest free security deposit have hiked the effective interest rate substantially. The Committee noted that for the larger MFIs effective rates of interest calculated on the mean outstanding portfolio during 2009-10 ranged between 31 per cent and 51 per cent with an average of 35 per cent. However for the smaller MFIs average interest was about 29 per cent. The incidence of multiple lending over financing and ghost borrowers was rampant. The emergence of ring leaders as key intermediaries between MFIs and potential customers was also noticed. The committee also received several complaints regarding coercive methods of recovery of MFIs. The instances of lack of grace period were noticed. The committee also noted that overhead cost as a percentage of outstanding was higher in case of larger MFIs as compared to smaller MFIs. This suggests that smaller MFIs were more efficient. Small is beautiful in MFI sector. Only one fourth of credit was used for income generation activities. The committee inter-alia suggested that a separate category may be created for NBFCs operating in the micro-finance sector to be designated as NBFC-MFI to improve the regulation. It is not very clear that how creating a separate category will improve the quality of regulation particularly, when NBFCs are already under the regulatory

framework of RBI. The committee also suggested that minimum capital requirement of NBFC - MFI be enhanced from Rs. 2 crore to Rs. 15 crore. The committee argues that this will help in achieving economies of scale and will improve efficiency. Apparently there is no relationship between the findings of the committee and its recommendations. The committee observed while analysing the present situation that overhead cost as a percentage of outstanding was higher for larger MFIs as compared to smaller MFIs. The enhancing share capital requirements to Rs. 15 crore will create entry barriers and instead of reserving micro-finance for BPL families will undoubtedly mire the competition which is imperative to soften the interest rates. The committee has suggested that annual income of borrowing household should not exceed Rs. 50000. This is widening of the doors. MFIs came on the scene as an agency to finance poor particularly those below the poverty line. Allowing them to finance other than BPL families will lead to crowding out of BPL families who will again be at the mercy of moneylenders. Income criterion should be the same as applicable to BPL families. Always poor have been at a disadvantageous position whenever they have to share with better off. First co-operatives came on the scene to help the poor. The system was hijacked by the better off farmers. Then RRBs were established to exclusively serve the poor. To make them viable we allowed financing of other farmers. Now microfinance is last hope of the poor. For the God's sake do not allow the free entry of better off people, because the BPL will be relegated to secondary place. Let us have MFIs as an exclusive agency for the BPL families in India. Similarly, loan ceiling limit of Rs. 25000 has been suggested by the committee as against present ceiling of Rs. 50000. This will be indeed a retrograde step. How a production loan less than Rs. 50000 will help the poor to have enough incremental income to cross over the poverty line. The committee suggested repayment period of not less than 12 months for loans upto Rs. 15000 and not less than 24 months for loans upto Rs. 25000. Repayment period is not fixed on the size of the loan amount. It is fixed keeping in view life of the asset financed and repaying capacity of the borrower. With a view to softening the interest burden the committee worked out the cost of the loan portfolio of sample small and large MFIs at 22 per cent and suggested a margin cap of 10 per cent for large MFIs and 12 per cent for small MFI, with overall margin cap of 24 per cent for individual borrowers over and above the cost of funds. Seemingly with these calculations the rate of interest will not be less than 27 per cent. How the proposed interest regime will be better than the present, except that it has been regularised now. Interest rate is normally decided on the basis of earning capacity of the asset or affordability of the borrower rather than the cost of funds. It is like putting the cart before the horse. Instead of suggesting interest rate subvention from government in accordance with the earning capacity or affordability of the borrower, the committee was worried about the viability of inefficient MFIs. Incidentally outside the purview of micro-finance staggering sum Rs. 3,75,000 crore to 4,75,000 crore is available to farmers at 7 per cent interest with 2 to 3 per cent subvention of interest on timely repayment. The Government could very well, afford

additional burden to provide interest subvention to micro-borrowers availing of credit aggregating to Rs. 46,000 crore. Nonetheless remaining suggestions of the committee such as allowing only 1 per cent processing fee, no security deposits, no incidental charges on insurance cover, creation of information bureaus, appointment of independent directors, holding MFIs responsible for coercive methods of recovery by their staff customers, protection code, simplification of procedures, training of staff, skills development of borrowers etc. are in tune with the spirit of microfinance and will go a long way towards smoothening micro finance in India. The committee also recommended that MFIs not adhering to regulation should be denied the priority sector lending status on bank advances. Indeed, bank advances enjoying priority sector lending status is beneficial for the banks and not much for MFIs. How denial of the status will impact the concerned MFIs is a moot question. The status of priority sector lending was given to enlarge the flow of credit to MFIs by banks.

In this context it is surprising to note that while MFIs indulged in usuary, the Government of India was indifferent and proposed in the current year's budget India Micro Finance Equity fund of Rs.100 crore with SIDBI. As too many cooks spoil the broth, let us treat micro-finance as the baby of NABARD alone and not sponsor multiplicity of institutions to route public money. Similarly women's SHG's Development Fund with corpus of Rs.500 crore is being created to have a huge network of SHGs. Incidentally the country already has 45 lakh SHGs. We should not waste public money on creating top down structure in haste, instead we should follow bottom up approach with gradual emergence of strong SHG network. The committee should have addressed these vital issues to ensure orderly growth of micro-finance. This happened because a high level committee was appointed for ground level issues. The composition of the committee was lopsided as, only high profile experts in their own studies representing RBI Board were members. As a result majority of recommendations are high and dry-seldom down to the earth.

Policy making on micro-finance is an art, that requires the special expertise. The committee should have been broad based consisting of independent academicians, researchers and professionals. We have a large number of subject area experts who contributed a great deal and were associated right from the inception of micro-finance movement in India. It goes without saying that involvement of subject area experts would have added practical flavour to the recommendations.

Lastly it is unsavoury to note that the Committee reported data obtained from ACCESS rather than figures published in report of the trend and progress of banking in India 2009-10 - a statutory annual report submitted to the parliament. This was mainly because comprehensive information on micro finance is not available. So far as SHG - Bank linkage programme (SBLP) segment is concerned, some information is being published by NABARD. Information on MFIs segment (which is now on growth trajectory) is not only inadequate it is also rather scant. Only source is the State of the Sector Report which hides more than what it reveals. There is no consistency in its contents. RBI should take measures with a sense of urgency to

collect and compile information on MFIs and SBLP on the pattern of Basic Statistical Returns (BSR) as obtaining in commercial banking sector.

Notwithstanding these limitations the Malegam Committee deserves compliments for bringing to the fore the untold pathetic situation of functioning of MFIs. However keeping in view these findings the recommendations of committee could be and should be revisited in consultation with the independent subject area experts.

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