

India risks backlash hurrying through Aadhaar project

REUTERS, Beelaheri, India

India is shaking up the way it gets billions of welfare dollars to the poor with a plan that could one day reshape the economy and tackle graft keeping millions in poverty, but in one small town a pilot of the new system is proving unpopular. Putting India's technological prowess to work to bring the entire 1.2 billion population within the reach of government, the widely feted unique identity (UID) project set up by Infosys co-founder Nandan Nilekani two years ago has so far scanned the irises of 210 million people into a biometric database.

Now, in a more ambitious version of programmes that have slashed poverty in Brazil and Mexico, the government has begun to use the UID database, known as Aadhaar, to make direct cash transfers to the poor, in an attempt to cut out frauds who siphon billions of dollars from welfare schemes.

"We can ensure that the money goes to the correct person and the role of middleman is ended with direct transfer of benefits to the needy," Prime Minister Manmohan Singh told a crowd of thousands in the Rajasthani town of Dudu on October 20, as he launched the programme, accompanied by the president of his Congress party, Sonia Gandhi.

Following a slew of reforms aimed at jolting Asia's third largest economy from a deep slump, the plan could over medium term bring some order to India's troublesome fiscal deficit by plugging leakages of subsidized grain, fuel and fertilizer.

Two years ago, a McKinsey report estimated such an elec-



REUTERS

A villager goes through the process of a fingerprint scanner during Unique Identification database system in the Pathancheru village, in Medak district of Andhra Pradesh.

tronic platform for government payments to households would save up to \$18 billion annually - enough to wipe out one-sixth of a fiscal deficit that could hit 6 percent of GDP this fiscal year.

In the next year alone, the government plans to transfer the wages for over 50 million workers in a rural job scheme, along with pensions for 20 million senior citizens and about 5 million education scholarships and some fuel subsidies directly to bank accounts linked with the Aadhaar identity number.

But in Beelaheri, a small village in the Rajasthani region of Kotkasim where the kerosene pilot began last year, hundreds of

bank accounts have been set up without referencing the UID database, as the government pushes ahead with the politically rewarding cash transfers before readying Aadhaar to identify the correct beneficiaries.

Critics warn good intentions are already being undermined by the hurry ahead of a national election due in 2014 and by vested interests, including bureaucrats and politicians in states, who stand to lose discretion over distributing funds.

The government is aiming for about two trillion rupees of cash transfers under different schemes by March 2014 even if the distribution of the ID num-

bers is incomplete, according to several media reports.

By lowering costs, Aadhaar could make a planned food subsidy programme that is a pet project of the left-leaning Sonia Gandhi easier to finance, for example.

The Congress party is banking on that programme to help it win a third consecutive term, despite voter anger at graft.

The pilot project in Beelaheri, a village of 2,000 people some 130 km (81 miles) southwest of Delhi, replaces kerosene subsidies with cash rebates and has been running since December. It has massively lowered demand for the subsidized fuel, which weighs on government finances.

But teething problems are immediately visible.

Hundreds of new Aadhaar ID cards are strewn in messy piles on the counter of a small tea-shop on the edge of the village. Locals drift in and rifle through the cards, looking for their own.

The government has begun the cash transfers even to people who have not received their cards, said Pushkar Raj Sharma, a local government official overseeing the scheme in the area.

On the back foot over multiple corruption allegations, the government is desperate to win back voters with effective welfare programs without further blowing out a fiscal deficit being closely watched by global credit ratings agencies.

The government is likely to spend over \$55 billion this fiscal year ending in March on fuel, fertiliser and food subsidies, as well as a flagship scheme guaranteeing 100 days of work a year to rural labourers, and other welfare programmes.

Launched by Singh in 51 districts, the government says the direct cash transfer plan will eliminate millions of fraudulent benefit claimants over the next 4-5 years. It says Aadhaar could reduce subsidies by about one percentage point of GDP.

The Kotkasim plan, one of five small pilot projects across India, offers insight into issues the wider Aadhaar-direct transfer project may face when it is rolled out nationally. Sharma said the project had cut the amount of kerosene being sold to one-eighth of the earlier levels, partially due to elimination of "ghost beneficiaries," or duplicate identities used to claim benefits.

Why Apple doesn't care about its competition

FELIX SALMON

The world divides into people who think of Apple as a company, and people who think of Apple as a brand. The former group includes all stock analysts, of course, but it also includes most technology journalists. The latter group is, well, most of the people who buy Apple products.

The difference between the two can be seen quite clearly this morning, in reactions to the launch of the iPad mini. The WSJ which naturally skews to the Apple-is-a-company view of the world runs its story under the headline "Apple Drops an iPad Mini on Rivals", and leads by saying that by announcing this new product, Apple was "seeking to blunt an advance by rivals". They even have a "Tablet Wars" interactive graphic, which is based on the implicit assumption that consumers are hyper-rational shoppers, carefully comparing the iPad to various alternatives (Nook HD+, Kindle Fire HD, Galaxy Note 10.1, Google Nexus 7, Microsoft Surface) who are likely to then buy the option which hits their sweet spot when it comes to price and features.

The NYT coverage, from Brian Chen, takes a similar tack, under the headline "Apple, Facing Competition, Introduces a Smaller iPad".

With all the action in the tablet market lately, smaller models have become impossible to ignore. Google, Apple's fiercest competitor, recently released its 7-inch Nexus 7 tablet for \$200. Amazon recently introduced seven new Kindles, including a 7-inch tablet for \$160 and an 8.9-inch tablet for \$300. Barnes & Noble's Nook tablet, which starts at \$200, has also sold well. Combined, the three companies have sold about 15 million of these smaller, cheaper tablets.

But if you look at what actual consumers are asking, it turns out that only an ultra-geeky minority is out there weighing up the relative merits of the iPad mini and the Galaxy Note. Note Nick Bilton, today:

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Britain storms out of recession

AFP, London

Britain powered out of its longest double-dip recession since the 1950s after its economy returned to growth in the third quarter with a robust gain of 1.0 percent, official data showed on Thursday.

British gross domestic product (GDP) grew at the strongest rate for five years during the July-September period thanks to one-off factors such as the London Olympics -- and after output contracted in the previous three quarters.

Market expectations had been for the economy of Britain, which is not part of the eurozone, to have expanded by 0.6 percent in the third quarter compared with the second after falling into a double-dip recession in late 2011.

British Prime Minister David Cameron welcomed the data that gave a boost to the London stock market and sterling, but warned against complacency amid global economic headwinds.

"There is still much to do, but these GDP figures show we are on the right track, and our economy is healing," Cameron said in a statement.

Finance minister George Osborne echoed the cautious sentiment, saying that recent "weak data from the eurozone were a reminder that we still face many economic challenges at home and abroad."

Britain escaped from a deep downturn in late 2009 but fell back into recession at the end of 2011.

GDP, or the combined value of produced goods and services, contracted by 0.4 percent in the second quarter of this year after shrinking by 0.3 percent in the first -- and by 0.4 percent in the final quarter of 2011.

"GDP was estimated to have increased by 1.0 percent in Q3 2012 compared with Q2 2012," the Office for National Statistics said in a statement.

"The largest contribution to the increase came from the services sector. There was also an increase in activity in the production sector. Activity in the construction sector fell."

Growth was also affected by one-off factors, including the London 2012 Olympic Games and rebound-



AFP

Customers visit Westfield Stratford City shopping centre in east London.

ing activity after an extra public holiday for Queen Elizabeth II's Diamond Jubilee in the second quarter, the ONS said.

"Not only did the UK pull out of its double-dip in Q3, but the one percent quarterly rise in GDP was a fair bit better than expected," said Vicky Redwood, senior economist at the Capital Economics research group.

"Admittedly, much of this reflected temporary factors. We think that the reversal of the Jubilee effect probably added about 0.5 percent, the Olympic ticket sales added 0.2 percent and there may have been a wider Olympic boost.

"But even accounting for this suggests that underlying output managed to rise by a small amount -- an improvement on recent quarters. It won't be plain sailing from now on, though. There are still a number of

constraints on the recovery."

Britain was facing considerable difficulties ahead, not least from tight credit conditions and worries about the impact of the debt crisis in the eurozone, a key trading partner.

Other major headwinds included rising inflation on higher energy and food prices, an uncertain jobs market and ongoing austerity measures from Britain's coalition government aimed at slashing a record-high deficit.

"Today's figures show that underlying growth remains weak and that our economy is only just back to the same size as a year ago -- 12 months of damaging flatlining," said Ed Balls, economy spokesman for the opposition Labour party.

The ONS on Thursday added that output had been flat in the third quarter compared with the equivalent period in 2011.

Ford's British van factory set to close

AFP, London

Ford is set to close a factory in the English city of Southampton with the loss of 500 jobs in the latest European restructuring move after it shut down a plant in Belgium, reports said Thursday.

Union officials said it was a "very worrying time" for the 500 employees at the site on the south coast of England, which has made around 2.2 million Transit vans since 1972.

The workforce has been reduced over the years, as production slumped from 66,000 vehicles in 2008 to 28,000 last year after the plant moved to single shift operation.

The US auto giant will reportedly announce the closure on Thursday, the day after it shut its factory in the Belgian city of Genk with the loss of 4,300 jobs.

Ford has not confirmed or denied the reports about the Southampton plant.

Lawmaker John Denham, who represents Southampton for the opposition Labour party, said it would be "devastating" if the factory shuts.

"Huge numbers of families would be affected. It would also be very bad for the UK motor industry," he told the BBC.

"Obviously, we hope it's not true but it would be devastating if it closed, there are hundreds of jobs that depend directly on the plant and many others in the local economy. Southampton is the only place that still makes complete Ford vehicles of any type in the UK."

Ford employs around 11,400 workers in Britain at component plants including Dagenham in Essex in southeast England, Halewood on Merseyside in northwest England and

Wrangler jeans gear up for motorcycle riders in India

REUTERS

Wrangler jeans are getting a makeover in India and going up-market in the process as parent VF Corp customises the all-American denims for the country's motorcycle-riding population and adds features to suit local needs.

VF Corp hopes the strategy will add \$1.1 billion in revenue to its Asia-Pacific business over the next five years.

India, with its burgeoning middle class, is a fast-growing market for international brands that want to capitalize on opportunities in Asia's third largest economy.

McDonald's Corp recently announced its first vegetarian-only restaurant in the country in what many industry watchers say is a sign of how lucrative the market is and how much multinationals are tailoring to local demands.

Coffee chain Starbucks Corp also customized its menu for its first Indian store to include more local flavors.

"In India, they understand the western heritage that is appropriate for the brand because the Indian consumer is

open to the film industry," VF Corp Chief Executive Eric Wiseman said in an interview, adding that many Indians are familiar with Westerns, unlike consumers in China.

China and India are the two hot destinations for American retailers, with the Chinese market much bigger. But many note that a large English-speaking population exposed to Hollywood and American pop culture makes the Indian shopper easier to target.

"The Wrangler position in India ... is targeted at the premium customer. The brand is aiming to tap into the potentially large segment of young consumers there whose lifestyles relate to jeans and motorcycles," Wiseman told Reuters.

A study by Wrangler in India found most people travel by two-wheelers in the country, as opposed to their American counterparts who drive cars.

Taking into account traffic and climatic differences, VF Corp came up with features like water-repellant material to safeguard mobile phones and wallets, and making the fit of the jeans more motorbike-riding friendly.



AFP

Customer service representative stands inside the closed window of a Kingfisher Airlines booking counter at the International airport in New Delhi. Employees of the grounded airline have agreed to return to work, the embattled carrier's chief executive said on yesterday after meeting with staff, who have not received their salaries since March.