

Shri Manmohan Singh  
Hon'ble Prime Minister of India  
Prime Minister's Office (PMO)  
South Block, Raisina Hill  
New Delhi -110 011

Hon'ble Prime Minister,

**Request to take immediate steps to address the Inflation and control the Prices of Essential Commodities**

Greetings from Consumer Unity & Trust Society (CUTS International)!

I am writing this letter to bring to your kind notice, on behalf of the consumer organisations in the country, the sufferings that the common citizens are facing as a result of rising inflation and growing food prices. This is a serious concern expressed by many in the consumer movement across the country.

We agree that the current inflation scenario is a global phenomenon, being spurred by a host of factors, such as escalating commodity prices and buoyant demand amidst slowdown in some countries. To combat the situation, governments around the world are doing many things to rein it in. We appreciate the Government of India also announcing few short term measures to check the inflation, including the direction to the state governments to clamp down on hoarders. But what, we feel, is lacking is taking a long term view of an effective regulatory framework, which can curb anticompetitive practices, hoarding and black marketing.

Unprecedented rise in global food and fuel prices coupled with not much increase in domestic food production, we understand, is also one of the reason for the rising inflation in our country. The rise in prices has been observed across almost all sectors. Increase in the prices of food items, manufacturing goods, fuel items, cement and steel are largely responsible for the rise in the overall inflation rate at the wholesale level. The inflationary situation is getting worse with every week. The latest figure, shows inflation in wholesale prices to be at a peak of 7.41 percent, the highest in recent times, and likely to travel north. This trend is certainly a blow to the government's efforts to control the situation.

The rise in food prices, which have contributed to the jump in inflation rate, is the most spoken about because it affects the *aam admi* (common man). Adding fuel to fire, traders are indulging in hoarding and black marketing to make a quick buck. If we examine the statistics/record of actions and convictions under the black-marketing law, which is the states' responsibility, the figures are dismal. What the central government can do is to create an innovative incentive scheme for states to crack down on hoarders and to reward the states, who perform the best.

The multiplier industries such as fuel, cement and steel, which are mainly under the direct control of the central government, are the cause of much of the inflation. Hence the government has to take both short term and long term measures.

In the fuel sector, there is a 'legitimate' international cartel, the OPEC, which has pushed the price of the oil barrel to over US\$100 from a low of US\$45 just a few months ago. The prices will continue rising. It can only be countered by creating a consumers cartel. The government has to start taking actions in this direction. In addition, the government has not been successful in regulating the cement cartel in spite of two recent actions by the MRTPC. But these actions have had no effect on the industry.

Similarly, the government, which is one of the major steel players itself, has been threatening for price controls. Steel prices too are soaring, and as the industry claims, it is on account of an increase in input prices. In most cases, the increase in prices of steel cannot be justified by the increase in the prices of inputs. Another problem with the steel industry is price distortion mainly due to local manufacturers trying to match their prices to that of imported steel. This has widely affected real estate, construction and other related industries.

In this context we feel that the government should concentrate on long term measures to control inflation coupled with sensible short term measures. Supply side measures such as expansion of the domestic commodity base by encouraging the manufacturing industry to expand its capacity over time, bringing reforms into the farm sector etc. is equally important to improve competition and the economic regulatory environment in the country.

But in practice, the government is adopting short term measures, many of which are out of desperation. Many of the short term measures that the government is following will affect, we are concerned, the investment environment in the country, e.g restrictions on the exports of many commodities which will hurt business and the farmers. The Government has also decided to reduce import duties on many commodities including food items. This would hurt domestic farmers at large. Therefore, it is important that policymakers should weigh the cost of controlling inflation against that of offsetting economic growth and then adopt an appropriate strategy.

We appreciate the government more if it behaves sensibly in effectively controlling inflation, than in just concentrating on short term measures which may lead to a further complication of a situation that is already serious.

Looking forward for effective long term, as well as, well thought out short term measures from the Government to address the present situation and your valued response, I remain.

With kind regards

Yours sincerely

George Cheriyan  
Director

Copy to:

1. Shri Sharad Pawar, Hon'ble Cabinet Minister of Agriculture & Cabinet Minister of Food, Civil Supplies and Consumer Affairs, Government of India.
2. Shri P. Chidambaram, Hon'ble Cabinet Minister of Finance, Government of India
3. Finance Secretary, Ministry of Finance, Government of India
4. Secretary, Agriculture, Ministry of Agriculture, Government of India
5. Secretary, Dept. of Consumer Affairs, Government of India
6. Secretary, Dept. of Food & Civil Supplies, Government of India