

NEWS WRAP

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Kosovo had been waiting for independence since 1912, when Serbia recaptured Kosovo from the Ottoman Turks. With a population of about 2 million people, including 90% ethnic Albanians, Kosovo declared independence from Serbia, on 17 Feb. 08. Serbs in Kosovo, number about 120,000; and they are angry and scared. Kosovo is the seventh state to emerge from erstwhile Yugoslavia. The declaration of independence was countered by demonstrations by Serbs in Kosovo, and the burning of two border posts, between the Serb-inhabited northern Kosovo and Serbia. The call for independence has been denounced by Serbia and Russia. The independence flutter may accelerate in the Bosnian Serb republic, for Transdniestra in Moldova, and for Abkhazia and South Ossetia, the two breakaway enclaves in Georgia.

Taking over from the UN, the European Union is despatching a large mission to Kosovo, to protect the 120,000 Serbs, half of whom live in Kosovo's Northern tip of Mirovitica, Banja and Jarinje. In order to protect the Serb enclaves in northern Kosovo and outside the North region, 17,000 Nato troops may have to continue for years. Sensitive Serbian religious sites would also require protection.

Small firms and entrepreneurs have been thriving and services such as tourism expanding throughout the Balkans, including Kosovo. In Kosovo, two-thirds of young people are unemployed, since the country has a huge grey economy. Most families have relations abroad, who remit cash. The pensions of Kosovar guest workers in other states of Europe, contribute immensely to Kosovo's economy. But Kosovo has to import goods worth 1.3 billion euros (\$ 1.9 billion) annually, and exports only 9 million to 130 million euros worth goods.

About 25,000 to 30,000 young people, mostly unskilled, arrive at the labour market, every year. Compared to other regional sovereign states, business taxes are higher, and interest rates steep. But Kosovo is rich in a variety of minerals, which have been mined for centuries. Meat processing plants and shoe factories are modern. 76 new schools are coming up, with registered teachers. Proper vocational training is being introduced.

Courts in Kosovo are corrupt, with huge pendency of cases. Power cuts are a daily feature, and industry would require regular energy supply. Large doses of foreign investment would be inevitable for building a stable free-market economy. Kosovo has a majority of Muslim people, who are strongly pro-US. The break from Serbia by Kosovo has led to a bipolar reaction, almost a Balkanization, governed by Russia's 'sphere of influence' and US geostrategic calculations. USA, Britain and others have recognized independent Kosovo.



About 500 Indian fishermen are languishing in Pakistan jails. Hailing from the entire Gujarat coast, fishermen routinely sail to the waters off the Kutch coast, attracted by the overwhelming marine cache that populates these waters. The fishing season is at its prime in the Saurashtra-Kutch coast of Gujarat. But Pakistan's Marine Security Agency is desperately trying to restrict Indian fishermen and their vessels, within their littoral waters. In the last week of Feb.08, three heavily armed Pakistani Marine Security Agency vessels intruded into Indian waters near Porbandar, and surrounded about 75 Indian fishing

crafts, in their own territorial seas. 47 fishing crafts managed to escape the Pakistani cordon. 28 fishing crafts, with 170 fishermen on board were intercepted. Eight Indian fishing boats with 48 fishermen have been transferred to a Pakistani port, by a vessel belonging to Pakistani Marine Security Agency.

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Government of India's "Economic Survey" points to India's GDP growth at 8.7% for 2007-08, declining from 9.4% (2006-07) and 9.6% (2005-06). The GDP growth is largely explained by the 15.3% growth in the services sector. The economy is being enlarged for foreign capital, and increasing the role of public-private participation. Agricultural growth declined to 2.8% for 2007-08, compared to 3.6% (2006-07), and 5.6% (2005-06). The services sector added 8% to the economy's total growth. The high forex reserves would be required for exports. Even though government revenues have increased by 40% (2007-08), there has been no increase in public investment. The average per capita income of 2.2% (2002-03), has risen to per capita income of 7.2% (2007-08), with a decline compared to 8% (2006-07).

Large liabilities have been shifted off the government's account books. Bonds issued to oil companies and others constitute an additional 1.2% of GDP. The government has arrears of payment of food and fertilizer subsidies, amounting to 1 to 1.5% of GDP. In the absence of higher prices, arrears of payment lead to under recoveries, financed by additional borrowing from banks.

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Diverse vote banks have been courted by the central budget for 2008-09. The Budget waived Rs 60,000 crore loans for 40 million farmers, without any provisions for the write-off. The last farm waiver was in 1990. There will be a search to find ways to provide additional liquidity of Rs 60,000 crore to banks, over three years. Additional liquidity is not compensation for write-offs, and bank balance sheets will suffer. The farm loan waivers will be unfair to honest farmers who repay loans, and encourage deliberate loan defaults in the future.

Rs 3780 crore has been allotted for special development plans for 90 minority Muslim concentration areas. In districts with a substantial Muslim population, 544 bank branches will be opened. Pre-matric scholarships for Muslim candidates, amount to Rs 80 crore. Modernization of madrasas will receive Rs 45 crores. For 2008-09, corporated tax revenue is expected to increase by 22% and income tax revenue is expected to rise by 17%. Both categories record an increase of 40% in 2007-08, which has enabled the finance minister to reduce tax rates, while expanding outlays. The Budget has cut fiscal deficit to just 2.5% of GDP, below earlier targets of 3%. The cost of future trading is calculated to rise by at least four times consequent to the new commodity transactions tax (CTT) and the service tax on commodity exchanges.

836 million Indians live on less than Rs 20 per day, and a still huge number live on Rs 9 per day. About 82% of workers are in the unorganized sector, who are deprived of job income and social security. Local elected government institutions, like the *panchayati raj*, have about 2.2 million representatives, of which half are women. Such people are not involved in national economic and social policies. □□□