

## NEWS WRAP

AGD

In competition for a corporate partnership with an Indian state aerospace company, are Boeing's FA-18 Super Hornet (USA), Lockheed's F-16 Super Viper (USA), Eurofighter Typhoon (UK), Saab's Gripen (France), Dassault's Rafale (France) and MIG-35 (Russia). The supply of 126 strike fighters to India comprises one of the world's largest military contracts, worth \$11 billion. The winning bidder would partner Hindustan Aeronautics Ltd, Bangalore, which has earlier worked closely with Russian, British and French defence companies. HAL has produced an estimated 3600 aircrafts and helicopters, with an annual turnover of \$2.5 billion in 2010. But the company suffers from lack of automation and safety precautions. Frequently parts are taken from kits intended to assemble new aircraft, and used instead as replacement parts for the aircraft already delivered. US companies fear that the potential for HAL to successfully partner with US firms on a truly advanced aircraft remains untested and suspect.

### CRUDE OIL PRICES AND ECONOMY

Crude oil prices have touched their highest levels since August 2008, with foreign investors dumping stocks in India, triggering outflows from overseas investors. The price for Arab freedom movement is affecting India. While Tunisia, Egypt and Bahrain are not oil exporting nations, Libya is the 12th largest oil exporter. Libya has cut at least 400,000 barrels of production per day, out of the country's 1.6 million bpd. Two thirds of India's oil imports come from Saudi Arabia, Iran, Kuwait, Iraq and United Arab Emirates, whereas Libya has a share of less than 5% in Indian crude oil imports. With the uncertainty in West Asia, major suppliers are indulging in speculation.

In the Economic Survey for 2010-11, the Government of India places a large importance on the contribution of "human capital" for growth, and the growth-enhancing impact of investment in human development. Rising labour productivity, on account of demographic dividend, is expected to have a major impact on any growth model for India. Services have 57.3% share in GDP. Inflation erodes the real value of debt. The government is the biggest debtor. Food prices continue to rise, irrespective of good or bad monsoons, harvest time or cultivation spell. The annual rate of increase in aggregate employment has been barely 1% in the recent period.

India budget 2011-12, targets fiscal deficit at 4.6%, decline from 5.1% estimated for fiscal 2010-11. With the widening of Service Tax Net, health treatment, air travel, and hotel accommodation are set to become more expensive. Allocation under National Rural Employment Guarantee Scheme (NREGS) for 100-day employment program, stands reduced by Rs 100 crores from Rs 40,000 crores (2010-11), even while wages are increased, after being indexed to the Consumer Price Index. The actual subsidy bill for 2010-11 has been Rs 48000 crores higher than budgeted amounts.

### FOOD AID FOR NORTH KOREA

Food supply in North Korea has plunged unexpectedly because of a vicious winter and a poor vegetable harvest. There is a rampant foot and mouth disease. As per estimates by UN inspectors, North Korea has about five million people, almost 20% of the population, who are malnourished. Consistently, the total annual food shortfall is about one million tons. The North Korean torpedoing of a South Korean warship in March 2010, and the Nov 2010 North Korean shelling of a disputed island precipitated a sharp decline in donations to North Korea. About 50 South Korean citizens died in the two attacks. While Pyongyang has requested 100,000 tons of food aid from the European Union, Officials from USA, EU and

Australia insist that any aid must be part of a multilateral effort, with clauses for far more intrusive inspections, to ensure that food does not go to the military.

### **INDONESIAN DIPLOMACY**

Indonesia is emerging as a diplomatic heavy-weight in the Asia Pacific region. Two years early, it is assuming the role of chair of the Association of South-East Asian Nations, from Brunei. There are several contending issues in the South Pacific. Malaysia, the Philippines, Vietnam and Brunei are fighting competing claims with both China and Taiwan, alongwith each other, over the disputed Spratley and Paracel Islands. As a fast growing economy, China is aggressively defending its claims in the sea, on par with Taiwan and Tibet. Since 1993, China has made a territorial claim over waters, surrounding the Natuna Islands, part of Indonesia's resource rich Riau Province, and falling within Indonesia's Exclusive Economic Zone. One of Indonesia's largest liquefied natural gas reserves, lies under the sea bed surrounding the Natunas. Indonesia has included the South China Sea, alongwith the Malacca Strait and the Andaman and Nicoban Islands in the Indian Ocean, among the country's top three security considerations. USA and Russia will join the East Asian Summit, for the first time this year. □□□