

NEWS WRAP

AGD

A severe shortage of credit coupled with the Reserve Bank of India's increase in interest rates in the past year to stem high inflation, leading to raising the cost of credit for companies, is actually slowing down India's galloping economic growth rates enjoyed in the recent past. Bank lending has been complicated further, as the banks are now cautious in extending loans after India's law enforcement authorities have brought allegations that officers from some banks and an insurance company received bribes for giving credit. A dearth of liquidity has sprung from the environment, causing fears that India's impressive growth will slow. Against the government's predicted 9% GDP growth, most economists have scaled down India's growth for 2011-12, to 7.7%. Inflation is persisting, and the investment growth trend is weak. The cost of capital is likely to remain high for a longer period. RBI has raised interest rates six times in 2010, and has raised them twice so far in 2011. Banks in India can get liquidity of upto 1% of their net deposits resulting from RBI's recent special liquidity easing measures.

FOOD FOR THOUGHT

The efforts of the Union Government of India in delivering food to poor people is monitored by the government's Program Evaluation Organization. The organization's recent report on the targeted Public Distribution System claims that 36% of the grains intended for the poor, somehow disappear enroute. About 20% of such grains are lost in transit, while the other 16% is given out against "ghost" BPL (Below Poverty Line) cards. The poor are not receiving the whole of the 64% of grains. Around 42% of BPL card-holders qualify to receive grains for the poor, if the official criteria were properly applied. A large section of the non-poor are holding BPL cards. Slightly more than a third of the grains for the poor, actually reach the eligible. Only 57% of the poor have BPL cards. More than 800 million people in India live on less than Rs 20/- a day. Despite the rise in average National per Capita GDP at a faster rate, the pace of poverty reduction has slowed down in the post-reform period.

UNREST IN TIBET

There has been increasing unrest in Tibet, since Phuntsog (20), a monk from Kirti, set himself on fire on 16 March 2011 as an act to commemorate protests. Disturbances at Kirti, a Tibetan monastery in Sichuan province, have led China to increase security measures across ethnic Tibetan areas, and a crackdown on unrest, around the monastery in Sichuan. Armed patrols in the streets have been increased, and troops on trucks are outside monasteries. Hundreds of monks have been deported from Kirti monastery. China's leadership views Tibet as fundamental to national stability, with religious minorities directed to stay in line. Beijing's increase of security measures comes amid a growing nationwide crackdown on dissent, which became prominent with the detention of Ai Weiwei, the artist.

BOSNIA CONFLICTS

There are risks of renewed conflict in Bosnia arising out of difficulties in forming a government. The Balkan state has been divided internally since the 1992-1995 war. Since the elections of October 2010, ethnic factions in Bosnia-Herzegovina have failed to reach a deal on sharing power. The different groups are theoretically united by aspirations to join the European Union. But the Bosniaks, Croats and Serbs have failed to agree, on the structure of their own country. Political stalemate in Bosnia can precipitate another conflict. The Croat parties are insisting on ethnically exclusive representation. Controlling half of Bosnia, the Serbs have raised their own secessionist demands. The international observer and EU envoy, Mr Valentino Inzko has been over-ruling Croat and Serb parties. The Serbs have called for a referendum rejecting Mr Inzko's supervisory powers. The so-called Serb Republic is also demanding a referendum to break up the troubled country.

PRESSURES ON SYRIA

In sharp contrast to the action against Colonel Gaddafi of Libya, foreign powers have merely deplored the killings of Syrian protesters. Political analysts in the US, Turkish and Israeli governments are worried about the consequences of the end of the Ba'ath party rule in Syria. There are concerns

about the Muslim Brotherhood and the prospect of strife between the ruling Alawite minority and the Sunni majority. USA considered Syria as a strategic necessity in the Middle East. Even though the Damascus regime supports Israel's enemies like the Islamist Hamas and Hizbollah, the Lebanese Shia movement, Israeli officials regard the Syrian President, Mr Assad as more interested in preserving his rule, than waging war on the Jewish state. USA has recently imposed 'targeted sanctions' against Syria. But the sanctions on leading Syrian officials, might have limited practical effect. □□□