

NEWS WRAP

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Spread along the western south American states of Ecuador, Colombia and Venezuela, FARC is a guerilla army founded in the 1960s, which indulges in Marxist language, mafia kidnappings and drug trafficking. Colombia's president Alvaro Uribe's "democratic security" policy, by expansion of the security forces, has driven the FARC from populated areas, to the sprawling tropical low lands, and to areas under FARC control for the last forty years. The FARC has resisted a two-year offensive by 18,000 Colombian troops. The FARC's seven-man governing secretariat remained out of reach of the army. Security forces adopted new strategies of collecting information from guerilla deserters and infiltrators, and from sophisticated bugging equipment, supplied by USA. Two FARC regional commanders have been killed and one captured during the past year. During Jan 08 and Feb 08, the Colombian army killed 247 guerillas and captured 226, with another 360 deserting. The renewed offensive has pushed FARC units to the borders of Ecuador, Venezuela and Panama.

During Feb 08, a Colombian bombing raid, by Brazilian manufactured Super Tucano aircraft, on a FARC guerilla camp, about two kilometres inside Ecuador, killed at least 24 guerillas. Colombian troops entered Ecuador on 01 March 08, to recover the body of a FARC leader, Raul Reyes, and his laptop computers. Mr Reyes handled communications of the Revolutionary Armed Forces of Colombia (FARC) guerillas with the outside world, and was one of the three deputies to Manuel Marulanda, the elderly leader of FARC military. After Colombian forces bombed a FARC camp inside Ecuador, president Hugo Chavez of Venezuela ordered military mobilization, and broke diplomatic ties with Colombia. Venezuelan customs officials halted the passage of Colombian trucks, at the busiest crossing point, between Cucuta and San Cristobal. Ecuador's Rafael Correa also broke ties with Colombia and moved troops up to the borders with Colombia. There were demands for an emergency meeting of the Organization of American States (OAS). There has been no shooting in the diplomatic conflict. A document on Mr Reyes's computer points to a \$ 300 million deal between Mr Chavez and FARC. An e-mail to Mr Reyes indicates FARC attempting to obtain uranium for a "dirty bomb". Following a conciliatory speech by Hugo Chavez at a Latin summit, there has been an amicable settlement to the diplomatic crisis.

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Aimed to relieve the debt distress of 4 cr small and marginal farmers in India, the Rs 60,000 cr bank loan waiver may provide relief to only less than a quarter of the distressed. Over the last two years, barely 22.5% of such farmers have obtained loans from the institutional credit system of banks. An estimated 75% of the one crore farmers, who availed credit between 2005 to 2007, obtained loans from "informal channels" like money lenders, friends and relatives. Farming households earn less than Rs 32,500 a year. Those with land holdings less than five acres are defined as small and marginal. 36% of all loans. Over half of small farmers borrow money at interest rates higher than 36% , and only 18% of small farmers obtain loans at rates less than 12%. Just over a fifth of small and marginal farmers have secured loans from institutional banks and co-operatives.

Barely 21% of small and marginal farmers, who borrow from informal sources, possess bank accounts.

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Even though global commodity prices are at a record high, there are growing fears of a US recession. Led by a slowdown in consumer durables and capital goods, India's index of industrial production (IIP) fell to 5.3% (January 08), compared to 11.6% (January 07). There was an upward trend in the industrial production growth of 7.6%, in December 07. Tight credit squeeze has caused a sharp fall in sales of two-wheeler vehicles. Growth of consumer durables which has been hovering slowly in negative zone, fell to -3.1% during 2007-08. There was a decline in growth of intermediate and basic goods. Capital goods fell from a growth rate of 16.3% (January 07) to 2.1% (January 08), compared to 1.8% (2006-07), thus offsetting the negative growth in consumer durables.

The Indian economy continues to be driven by increasing investments and growing internal consumption. But sustained growth is faced with impediments like high interest rates, zooming oil prices, the necessity of controlling inflation, and check of fiscal debt. The manufacturing sector continues to indulge in inflationary pricing, by exploiting the demand-supply gap. Along with inflation, food prices are also rising. High interest rates have not harmed industry, as high inflation also indicates lower real rates of interest. Higher real cost of real estate is a deterrent to growth. Sustained growth requires an improved infra-structure and a better and more effective education system.

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Subsidies for food, fertilizers and petroleum is estimated at Rs 64,929 crores, during 2007-08. Food subsidies are designed for people below the poverty line. Subsidies for fertilizers and petroleum, particularly LPG, are available for the benefit of all users and consumers. According to a study by the Programme Evaluation Organization of the Planning Commission, which covered eighteen states, only about 42% of the subsidized grains, issued by the Central Pool, have reached the target group in India. Under the targeted public distribution system, only about 57% of below poverty line (BPL) households are covered.

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In spite of increases in central Tax revenues, revenue deficit continues to rise due to expenditure on various poverty alleviation and social development programmes in India. Extension of the National Rural Employment Guarantee Scheme (NREGS) to an additional 130 districts during 2007-08, i.e. the second year of the scheme, will require spending about Rs 13,000 crores in 2007-08, against an allotment of Rs 12,000 crores. The budgetary allocation of Rs 16,000 crores for 2008-09, will be insufficient when 250 more districts are added. □□□