

# NEWS WRAP

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To pressurize Afghanistan, then ruled by the Taliban, for expelling Osama bin Laden, the al-Qaeda founder and his followers, the UN blacklist for financiers of al-Qaeda and other terrorist groups, was created in 1999. Earlier the United Nations sanctions were used only against countries such as Iraq. To avoid punishing the general population of Afghanistan, the Security Council decided instead to target individuals, businesses and groups that supported al-Qaeda. The Security Council controls the UN sanctions programme, and has the powers to add and delete names, based on secret intelligence reports and other evidence. Urged by the United States, it has added most of the names in the blacklist.

Now counter-terrorism officials in Europe and USA feel that legal challenges and reduced political support in many countries have pushed the UN blacklisting system to the risk of collapse. The European Court of Justice in September 08 decreed that the UN blacklist violated the "fundamental rights" of those targeted. The Court based in Luxembourg was of opinion that the list lacked accountability, and made it almost impossible for people to challenge their inclusion. Similarly, courts in Britain and France have expressed reservations on whether European countries can enforce the UN sanctions and other black lists, without violating local laws, which include a defendant's right to see evidence. Evidence against an accused is kept secret by the United Nations. All UN members are under compulsion to impose a travel ban and asset freeze against the 503 individuals, businesses and groups on the blacklist. Worldwide al-Qaeda and Taliban assets to the tune of about \$85 millions lie frozen. International efforts to prevent al-Qaeda supporters from raising or transferring money have not been consistent. Many UN member countries have allowed alleged supporters of al-Qaeda to travel, and to have access to their bank accounts.

Several terrorism-financing black lists sponsored by USA, Britain and the European Union overlap and clash with one another. Freezing of assets and authority can be confusing. While Hezbollah is blacklisted by USA and Britain, it is not considered a terrorist group by the European Union. Governments and banks are required to enforce worldwide the UN sanctions programme. But now al-Qaeda avoids the international banking system, and requires only small amounts of money for financing terrorist plots. In recent years, the number of assets frozen by the United Nations has not altered.

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With the entire Romanian economy in the hands of foreign companies, European Union membership has not protected Romania from being pounded by the after shocks of the global financial crisis. The stock market in Bucharest dropped by 70% in Oct 08. The unemployment rate could double at the beginning of 2009. Interest rates have been raised by the central bank, seven times in 2008. Traders and speculators were betting that the leu-the local currency would collapse against the euro; and the Romanian central bank was forced to intervene in the currency markets to prop up the leu. Romania's current-account deficit has tripled in the past five years.

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The union government in India may fail to meet its indirect tax collection aims in 2008-09. The budget target of Rs 3,20,000 crores for indirect tax collections is unlikely to be achieved. The indirect tax collections have been at alarmingly low levels, with collections shrinking significantly in Oct-Dec 08, owing to the economic slowdown. Collections have further slowed down from the additional concessions granted to industry. Between March to Oct. 08, against an expected growth of 9.3% for the current fiscal, indirect tax collections have increased by 0.6% only, compared to the corresponding period of the previous year. The total negative impact of the post-budget duty cut is Rs 40,475 crores, which includes the 4% cut in excise duty, announced as part of the economic stimulus package of the first week of Dec 08. Relief to the manufacturers has hit revenue collection.

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The last time India's Index of Industrial Production (IIP) registered year-on-year negative growth for quarter was in April-June 1993. The global meltdown has affected industrial output in India, and caused an absolute decline with the IIP for quarter Oct-Dec. 08, falling to 0.4% for the same quarter in 2007. India's industry accounts for about a fifth of GDP, and the GDP projected growth for 2008-09 is not expected to exceed 7%. The slackening of GDP growth would add to job cuts and shutdown of industrial units, which is already occurring. For the quarter Oct-Dec. 08, manufacturing recorded negative growth of -1.2%, compared to 13.8% for Oct-Dec. 07. Capital goods fell to 3.1% growth during the quarter, compared to 20.9% growth in the quarter of the previous year. Consumer goods slumped to negative -3% during the quarter, from 9% growth in the quarter of the previous year. In fear of the liquidity crisis, the banks are not lending. Hence, industry is unable to source either working or long term capital. Consumer spending has contracted.

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Pulling down infrastructure growth in India, 207 out of 516 central government projects, costing not less than Rs.100 crores or more, mostly from the highways sector across India, are facing delays or running behind schedules. Against target of 2885 kms for completion of construction across all phases of the National Highways Development Programme (NHDP) in India, the achievement was a paltry 114 kms. In the highways sector, 105 projects out of a total 181 projects, are running behind schedule. Of the 909 infrastructure projects costing Rs 4,18,567 crores, 346 projects are operating behind schedule. The cost overrun in the 346 delayed projects is about Rs 24,689 crores. That is 13.34% of approved cost. □□□