

NEWS WRAP

AGD

During the global economic downturn of 2008 and 2009, the capital inflows to India, have been insufficient to cover India's current account deficit. Provided the global economy does not deteriorate further, India may have just enough to cover the fiscal deficit during 2010-11. The repo rate has been raised four times in 2010, to 5.75% by the Reserve Bank of India, owing to concerns about the weakness of the global economy. India continues to have very low borrowing costs. Capital inflows are needed to fund India's widening current account deficit. But growing risk aversion among investors is retarding foreign capital flows to emerging markets. In many Asian countries, the real cost of borrowing is low. India is holding back monetary policy tightening, and runs a negative real interest rate. Subdued global demand is impeding India's ability to maintain high growth rates. As a fast growing, emerging economy, India is vulnerable to a faltering global recovery.

It is unlikely that India's farming sector will achieve a modest 4% growth, to sustain a 8.5% overall economic growth. 40% of India's children remain malnourished. A recently released Oxford study has found that there were more desperately poor people living in just eight Indian states, than in the whole of sub-Saharan Africa. There are hopes that India's demographic dividend being one of the world's youngest populations, will generate an expanding force, and add to annual growth, over the next decade.

AGRICULTURAL OUTPUT

Of the additional irrigation capacity created in India during the 10th Five Year Plan, the land use data shows no increase in irrigated area. 50% of the created irrigation potential has not been utilized. The old irrigated area has decayed due to poor maintenance of the irrigation system. The use of fertilizers is low and imbalanced. India's per hectare utilization of fertilizers is around 113 kg, against 166 kg in Bangladesh, and 137 kg in Pakistan. Half of the total fertilizer consumption accounted for in five states, viz Punjab, Maharashtra, Andhra Pradesh, Karnataka and Uttar Pradesh. Three crops, that is paddy, wheat and sugar cane, consumed maximum fertilizers. Indian agriculture grew by 2% in the decade 1995-2005. The 10th Five year Plan (2002-07) witnessed growth of agricultural output by 2.3%. The farm sector supports nearly 65% of the population. Inefficient marketing denies growers a fair share of what the consumer pays for farm goods. Private investment is inadequate, and public investment takes the shape of "subsidies".

DISPUTED KASHMIR

Around 70,000 people have been killed in Kashmir since 1989, in an armed Pakistan-backed separatist insurgency, and India's harsh military counter-measures. India's security forces maintain an overbearing presence, as young English-speaking graduates in Kashmir, fail to find employment. There has been scarcely any progress to grant greater autonomy to Kashmir. Even though at the 2008 election, chief minister of Jammu and Kashmir had promised to crack down on human rights abuses in a "zero tolerance" pledge, the armed forces have resisted efforts to dilute their legal immunity for rights

abuses, or excessive use of force in Kashmir. With the failure of the recently held all-party meeting to reach a consensus on the contentious issue of withdrawal or dilution of Armed Forces Special Powers Act, the situation in Kashmir is now back to square one.

AFGHANISTAN OUTCOMES

The current US-led counter-insurgency operation in Afghanistan has not achieved any substantial success. Western powers deeply distrust Pakistan. With the US administration's counter insurgency strategy in Afghanistan heading for failure, and with NATO finally withdrawing from Afghanistan, there are few alternatives for a post-NATO plan in Afghanistan. Proposals suggest Afghanistan's neutrality, non-interference by neighbours, a shrunken United Nations force in Kabul, and an international conference in the Afghan capital. US strategists are now arguing that the best option is to split Afghanistan in two. The governable north, represents 60% of Afghanistan's population, and the extremist ruled south has huge Pashtun-Taliban infiltration. Future plans envisage that as few as 40,000 US troops defend the north of Afghanistan, abandoning the Pashtun-belt in the south to Taliban rule. Al-Qaeda hideouts in the mountaineous border region with Pakistan, will continue to face US air power.

To withstand a pull-out of western troops in Afghanistan, India has carefully designed reconstruction efforts in Afghanistan. Strong alliances with local Afghan leaders, guarantee New Delhi's lasting influence. India has a one billion dollars aid programme for Afghanistan. Unlike the forces that once united against Soviet occupation, the Afghan Taliban and Pakistani Taliban are quite different, and less controlled by Pakistan. In the absence of NATO, tribal militants would force Pakistan to shift troops from eastern to western borders.□