

NEWS WRAP

AGD

INDIA, ASIA'S THIRD LARGEST economy, has been facing rising food prices, propelling inflation higher. Investors fear that the Reserve Bank of India will increase interest rates, which could hinder economic growth. Now industrial output has slowed down over the last two years. Production by manufacturing, mining and power industries grew by 2.7%, a twenty month low. Oct 2009 saw production soaring to 11.3%. Loss of working hours due to the festival seasons and unseasonal rains have caused a month-to-month fall in industrial output growth. A fall in consumer goods output by 3.1%, and much lower rise in India's manufacture of consumer durables, such as cars and household goods, which grew by 4.3% (Dec 2010) compared with 30.9% (Dec 2009), has sharpened the slowdown. In spite of a strong farm output following a good harvest, India's economic growth could be pushed below 8%, betraying the high hopes generated by the Manmohan Singh brigade of free-marketeters.

WEST GODAVARI FARMERS AND OIL PALM

Two decades ago, oil palm was introduced in the coastal districts of Andhra Pradesh, under irrigated conditions. The department of bio-technology had first introduced the crop in the early nineties on a pilot scheme, in some of the coastal districts, including West Godavari. Subsequently private companies like Godrej, MAC and Palmtech were allotted zones to set up processing units, and to purchase the farmers' produce. Encouraged by the heavy subsidy component, many small farmers of West Godavari, East Godavari and Krishna took to oil palm cultivation. But as the plantations grew older, the difficulties of the farmers began increasing.

Andhra Pradesh leads in palm oil cultivation, with two lac hectares of land under oil palm cultivation in the coastal districts of AP. West Godavari district accounts for 42,000 hectares. The prices of fresh fruit bunches (FFBs) of oil palm are fixed by the state government, on the basis of international crude palm oil prices. The prices hovered in the range of Rs 3000 to Rs 4000 a ton of FFBs. Several farmers resorted to uprooting of palms, being unable to continue cultivation with such low prices. The price has just recently risen to Rs 6000 a ton of FFB. But the farmers lack the resilience to withstand price fluctuations, based on international market conditions. In the irrigated conditions, the palms are growing very tall, and harvesting is cumbersome and costly. There is also acute labour scarcity.

FOOD CRISIS IN SRI LANKA

During a phase of high prices, recent severe floods in Sri Lanka have left more than a quarter of the country under water. The Indian Ocean island has fallen victim to a freak weather variation, similar to Brazil and Australia, since Jan 2011. The rains have been the worst for nearly a hundred years in Batticaloa, a city on the eastern coast of Sri Lanka. Rains and floods have caused over forty deaths, and widespread displacement of people. Other South Asian countries, facing similar food shortages are not in a position to help. President Mahinda Rajapaksa of Sri Lanka has ordered an emergency national plan to avert a looming food crisis. Twenty percent of Sri Lanka's harvest could be lost in the torrential rains. Swiftly rising water levels and landslides have decimated 200,000 acres of rice fields, affecting 900,000 people. The 2004 tsunami in eastern and northern Sri Lanka and the 26-year-old civil war have already damaged the country, and several families were only just returning home, after years of displacement. Large portions of the worst affected areas were in the past under the Tamil Tigers' control, and have experienced nearly thirty years of under investment.

LEBANESE GOVERNMENT TOPPLED

In Mid-January 2011, Hezbollah and its allies brought down Lebanon's national unity government of prime minister Saad Hariri, over a dispute concerning of UN-backed tribunal, which is expected to indict Hezbollah members, in the assassination of former prime minister Rafik Hariri. Lebanese institutions have been paralyzed on numerous occasions, since the killing of Hariri, and twenty two others, in a devastating bombing, along Beirut's sea front in Feb 2005. Hezbollah is in search of a Lebanese government that denounces the indictments, and ends co-operation with the tribunal. Mediation to save the Lebanese government by Syria, Iran—Hezbollah's ally and Saudi Arabia failed. Now Mr Najib Mikati, a Hizbollah backed tycoon, has been appointed prime minister.

CHINA'S AUTHORITARIAN CAPITALISM

China's weathering of the financial crisis is vindication of their own system. Beijing administers its massive stimulus through state owned enterprises. China has brought systematic improvements in airports, dams, high speed rail, water and electricity systems, to feed its growing industrial base. The Chinese rulers are accountable towards their population. The communist party deals with the problems of inequality, corruption and social unrest through improved responsiveness. China Development Bank and China Export-Import Bank have signed loans of at least \$110 billion to other developing country governments and companies in 2009 and 2010, which is higher than World Bank loan commitments of \$100.3 billion, from mid-2008 to mid-2010. □□□