

NEWS WRAP

AGD

INDIA'S INFLATION IS AROUND 9.8%. Although prices of fuel and manufacturing increased, there has been a sharp fall in food inflation from 11.06% to 8.54%. The Reserve Bank of India's easing of policy rates is becoming difficult with a falling rupee, high inflation crossing 10%, and a slow-down in economic activity. Industrial output has fallen over 5%. Rather than demand, core inflation is being driven by cost related factors. The vulnerability of emerging markets to the eurozone debt crisis becomes visible, as the rupee dropped to an all time low against the dollar. Accounting for about three quarters of industrial production, manufacturing output has fallen by over 6%. Capital goods production has fallen by over 26%. Combating record high inflation by stimulating waning economic growth is no longer conducive. The sharp fall in output is adding to pressure on the Reserve Bank of India to ease monetary policy. India's economy is growing at an annualized 6.9%, the slowest rate for more than two years. Unlike other Asian strong economies, India suffers from routine large current account and fiscal deficits. Sufficient foreign money is required to close the gap, but a weak rupee currency makes that costlier. The rupee has dropped 17% in the past five months. The RBI's efforts to prop up the rupee, is draining liquidity out of an already tight market, as the Indian banking system has been borrowing more than \$19 million from the Central Bank to meet reserve requirements.

HOOCH POISON

There are around twelve big crime syndicates running a multi-crore illicit liquor distillery in district South 24 Parganas. West Bengal loses revenue to the extent of Rs 150-200 crore a year, because of growing illegal country liquor units, and a parallel liquor business. Over 185 people have died in the hooch tragedy in Diamond Harbour sub-division occurring in the second week of December 2011.

NOIDA FARM HOUSES

Over 100 farm house plots were allotted in Noida, measuring at least 10,000 sq metres each, without an auction or a draw of lots. There was no transparency in the allotment of these plots. The Noida Authority (Uttar Pradesh State Government) had fixed a very low rate of Rs 3100 per sqm, ignoring its own formula, resulting in a loss of Rs 145.80 crore to the exchequer. The Noida Authority was not mandated to bring out a farm-house scheme. Noida Authority violated the law under which it was set up, did not consult the Law Department, kept making changes to the benefit of allottees, and ensured the scheme was open for fifteen months "by reserving allotment in sectors, other than those available". The authority allotted 79 plots in 2009-10 and 22 plots in 2010-11. Seven farm-houses were reserved for allotment in future. Some documents and records of important matters were withheld from State Local Fund Audit Department.

BRAZIL FORESTS AT RISK

Brazil's controversial new law relaxes rules on the amount of land farmers must preserve as forests, and provides an amnesty on fines for legal logging conducted by farmers, before 2008. Deforestation accounts for almost a fifth of the world's total greenhouse gas output. The new law approved by the Brazilian Senate would undermine protection for the forest, and create difficulties for Brazil to reduce deforestation. Even though tree clearance in Brazil during 2011 has been lowest since 1988, and 11% lower than 2010, the new law threatens the scheme known as Reducing Emissions from Deforestation and Degradation (REDD), that places a tradeable value on each ton of carbon preserved in forests.

DURBAN CLIMATE SUMMIT

The compromise deal on the UN climate negotiations goes into effect from 2020. The new pact to be finalized by 2015, brings both India and China, under the ambit of a legal mechanism guiding emission cuts. The earlier Kyoto Protocol expires in 2012, from which China and India were exempted, and USA had opted out. India and China had been arguing that mandatory cuts would slow down growth and poverty reduction. The long-term co-operation action has accepted equitable access to sustainable development for developing countries, without being hindered by emission cuts. There is still no money for the Green Climate Fund. A temperature rise of 2°C above pre-industrial levels is estimated to be the limit beyond which climate change becomes catastrophic. The G-20 countries would need to cut their carbon intensity (amount of carbon CO₂ released as a proportion of energy produced) by 5% a year to 2050. □□□