

NEWS WRAP

AGD

UNDER THE JOB GUARANTEE scheme in India, wages are not being paid on time, and jobs are not being allotted when families need them most. Wages under the Mahatma Gandhi National Rural Employment Guarantee Act are generally less than the minimum wages fixed by the state governments for agricultural workers. Besides delayed payment of wages, many state governments are denying unemployment allowance to job card holders who failed to secure the guaranteed 100 days work. As the allocations go up, widespread corruption persists. In the different states, funds for the scheme are being used without proper planning, leading to creation of assets that remain unused by the people. The job scheme has failed to check distress migration. When villagers do not receive timely assurance that jobs will be made available during the period they need them most, they prefer to migrate in search of work. A government panel has suggested an allocation of Rs 3.4 lac crore, for the rural job scheme during the 12th plan period, which would exceed the union government's expenditure on education and health combined in the past five years.

WEAK RUPEE

In the last five months, the rupee fell over 20%, but several importers have escaped being hit badly. A large number of importers made a killing by trading in the non-deliverable forwards (NDF) contract market abroad. Many large Indian companies with global subsidiaries or associates have been using the arbitrage opportunity in forward premium rates, between the overseas NDF market and India, to make money. Outside the Indian Regulatory jurisdiction, the NDF market has prospered in Dubai, Bahrain, Hong Kong and Singapore. After the Reserve Bank of India has introduced guidelines in mid-December 2011, to curb speculative trade in the domestic foreign currency market, a company abroad can still speculate on the rupee, which may not be possible in India. Some of the companies prefer to trade in foreign currency instead of manufacturing goods.

TURMOIL IN RUSSIA

In the December 2011 elections to the Duma in Russia, Putin's United Russia Party lost ground, securing 238 seats, compared with 315, or 70% that it holds now. The communist party won 92 seats, A Just Russia won 64 seats, and the Nationalist Liberal Democratic Party won 56 seats. Despite a large police presence, there have been huge rallies and demonstrations in Moscow and in all major towns across Russia's nine time zones, with mounting protests alleging the parliamentary elections to be tainted by fraud and ballot stuffing, on behalf of Mr Putin's party. The several demands of the protest's organizers include the immediate release of prisoners arrested in connection with the protests, the rescheduling of new parliamentary elections, the ouster of Vladimir Churov who runs the Central Election Commission, an investigation of election violations, and the registration of so-called non-system opposition parties.

On suspicion of embezzling hundreds of millions of dollars, several Russian tycoons are in jail. State owned factories had shifted into the hands of a coterie of well connected businessmen, the oligarchs, in post-Soviet privati-zations. Conditions in Russia are deteriorating for the maintenance and investment of the vast wealth of the rich oligarchs. Now capital flight, a problem of the 1990s has re-emerged. The net outflow has reached \$70 billion at end 2011, mainly from large investors. Money is flowing out of Russia, faster than it is flowing in. The scale of capital flight has more than compensated for the rise of oil prices. Russia's current account is feared to slip into deficit by 2014, even if the oil output is maintained and crude prices remain relatively high. While foreign companies are investing in Russia, like Exxon on the Russian Arctic Shelf to Cisco Systems in the high technology park, police are investigating numerous Russian entrepreneurs in separate fraud cases.

CHINESE VILLAGERS PROTEST

Guangdong, China's most industrialized province, has faced several protests by workers in the course of the last year. In mid-December 2011, thousands of people from a southern Chinese fishing village, Wukan, protested against the death in police custody, of Xue Jinbo, aged 43, a popular local leader, following a stand-off over land acquisition and allegations of corruption. Villagers have been demanding the removal and punishment of local officials, alleged to be involved in corrupt land deals. Police have blocked main roads, and authorities have cut internet and partially suspended electricity. Chinese citizens rarely have an opportunity for genuine consultations before eviction, and scarcely receive adequate information on the nature and purpose of the eviction. Compensations are negligible, land disputes account for 65% of China's "mass incidents", where local officials misappropriate farmland, selling it to property developers at an enormous profit. □□□