India marks watershed economic reforms anniversary

AFP, *New Delhi*

Two decades ago, India's Prime Minister Manmohan Singh unleashed radical free-market reforms that were a watershed moment in the transformation and rise of the South Asian giant.

"We shall make the future happen," declared Singh, who was then finance minister, in presenting his landmark budget on July 24, 1991, that opened up India's markets and cut through the country's infamous red tape.

"Let the whole world hear it loud and clear -- India is now wide awake."

Singh, today battling accusations of drift and criticism that the gradual reform process has stalled, ignited the fuse for rapid growth at a time when the economy was teetering on bankruptcy.

India had just two weeks of foreign exchange reserves to pay for food and fuel imports and had just flown 47 tonnes of gold to London to be stored at the Bank of England as collateral for an emergency loan.

Singh, a former World Bank economist, switched the country's course from inward-looking socialist policies to a more market-friendly approach in the budget whose 20th anniversary was on Sunday.

He simplified tax collection, slashed customs duties, invited foreign investment, initiated privatisation of government-owned companies and lifted the shackles on Indian industry by abolishing stifling production quotas.

The period preceding the crisis has become known as the "Licence Raj" -- a time when rigid government controls laid down how much companies could produce and permits were required for almost every economic activity.

"The reforms were a great catalyst for the rise of Indian entrepreneurship which was held back by dysfunctional controls on companies," said Shankar Acharya, a former chief government economic advisor who worked with Singh.

"India was a closed economy and Dr Singh's budget began the process of integrating it with the world," Acharya said.

Singh allowed up to 51 percent foreign ownership in a wide range of industries, relaxed import controls on raw materials and machinery and allowed entry of foreign consumer goods -- hitherto a luxury available only to those with relatives abroad or the means to travel.

The move to a more capitalist-style economy triggered a surge in economic growth as exports zoomed and foreign investment that cured India's fiscal crisis, boosted incomes and dramatically expanded the country's middle class.

"The Licence Raj was a straitjacket on industry. Firms needed permission to produce, to import. Its end allowed us to show the world what we could do," Confederation of Indian Industry director general Chandrajit Banerjee said.

Instead of waiting for years on a waiting list for motorbikes or phones, products were suddenly much more widely available.

The changes also transformed the lives of many Indians in more subtle ways, altering how they shopped and travelled.

"Middle class Indians stopped going around with a sheepish, hangdog expression that 'We don't have what the rest of the world has'," said former Reserve Bank of India consultant TCA Srinivasa Raghavan.

"The reforms made middle class India more confident," he said.

As liberalisation progressed, India's skies were opened to competition and a clutch of new airlines took flight, prompting a fall in fares and migration from trains to planes.

India's telecommunications sector has become the world's fastest-growing, a host of foreign carmakers from General Motors to Toyota have set up shop and the country's gross domestic product has nearly quadrupled since 1990.

But bribery remains rife in the 1.2-billion-strong nation, particularly in government offices with officials seeking money for everything from school entrance to marriage certificates, and the economic boom has bypassed hundreds of millions of Indians.

Some 42 percent of the population, or 455 million people, still live on less than $1.25 a day, according to the World Bank. Statistics on health, infant deaths and malnutrition are worse than those for some countries in sub-Saharan Africa.

And 20 years on, India's reforms programme is at a standstill.

Singh's stint as prime minister has disappointed businesses who hoped he would execute a "second-generation" of changes to propel growth into double-digits.

Long pending proposals include introducing a nationwide tax structure to cut business costs, simplifying land acquisition for industrial projects and fully opening up the vast retail sector to foreign investors.

But instead of driving changes, Singh has spent much of the last 18 months fighting major corruption scandals linked to the Commonwealth Games last October and the sale of telecom licences in 2008.

"The 1991 reforms had a major impact on the economy, but there have been precious few in recent years," said Surjit Bhalla, chairman of Oxus Investments.

AFP/FILE

Activists of Indian trade unions Centre of Indian Trade Unions, Indian National Trade Union Congress and labourers rally near the parliament house on February 23 in New Delhi against inflation and rising prices.

Pacific's Niue looks to tourism to growpopulation

AFP, *Alofi, Niue*

In a once-thriving village on the Pacific island of Niue, homes lie abandoned, their stucco-clad walls mildewed and crumbling as the jungle slowly reclaims them.

"These villages used to be bustling with people -- now you go there in the afternoon and there's no one," says the Niue Tourism Authority chairman Hima Douglas.

The number of people living on the lush coral atoll, about 2,500 kilometres (1,550 miles) northeast of New Zealand, has been declining for decades as inhabitants seek a better life overseas.

The population, which peaked at more than 5,000 in the mid-1960s, has dwindled to just 1,200, according to a New Zealand parliamentary report, raising doubts about the island nation's economic viability.

Douglas said a major cyclone in 2004, which destroyed much of Niue's infrastructure, accelerated the exodus, and the threat of future natural disasters was discouraging people from returning.

"Of course it's concerning but it's not something we can do too much about until we can build an economy that will give them the confidence to come back," Niue's Premier Toke Talagi told reporters this month.

"There aren't simple and easy answers to people leaving. We've got to build a strong economy and hope to attract them back."

Known locally as "The Rock", Niue was settled by Polynesian seafarers more than 1,000 years ago and the palm-dotted island's name in the local language means "behold, the coconut".

The British explorer captain James Cook tried to land there three times in 1774 but was deterred by fearsome warriors, eventually giving up to set sail for more welcoming shores and naming Niue "savage island" on his charts.

But modern day Niueans are desperate for visitors, with Talagi unveiling plans this month to turn it into a boutique tourism destination in a bid to put his nation on a sound economic footing.

Historic Polish shipyard set to 'go green'

AFP, *Gdansk Shipyard, Poland*

The Gdansk Shipyard, where the Solidarity movement that ended the communist era in Poland was born, is now trying to lead another Polish revolution ... in offshore wind power.

The European Union has laid out clean energy targets to be reached by its 27-members by 2020. To hit those marks Poland must break its coal addiction, which currently provides some 90 percent of the country's electrical power.

Environmental groups, energy experts and some politicians increasingly point to offshore wind farms as a viable alternative to coal, adding that it could have more economic upside than a planned investment in nuclear power.

Germany, the continent's largest economy, is looking to buy more clean energy, and with little space left to generate added wind power domestically, some in Poland believe they can capitalise on that opportunity as well.

"Germany closing down their nuclear facilities by 2022 will generate a big take-off for offshore wind energy," said Thomas Gaardbo, vice president of GSG Towers, an offshoot of the Gdansk Shipyard that is driving the wind power initiative.

Germany's onshore wind market is saturated, Gaardbo argued, adding that he thinks "the only real development that can happen" there is in offshore.

"We're trying to position ourselves for that offshore market," he said.

The GSG company, co-owned by Ukrainian investors and the Polish state, plans to build 60 wind towers this year and 300 by by 2014.

Conditions at Gdansk have changed since 1980, when anti-communist crusader Lech Walesa led a strike over price increases and job losses that culminated in the creation of Solidarity, the first independent trade union in the then-Soviet bloc.

With those days of unrest and heady protest behind it, many believe Gdansk is well-placed to cash in on wind power, given its easy access to shipping routes through the Baltic Sea port.

Gdansk, shipyard officials say, also has the highly-skilled welders needed to build the 270-tonne, 100 metres (328 feet) turbines.

Poland's Institute for Renewable Energy (IEO) recently urged the government to invest in offshore wind farms instead of forging ahead with plans to build the country's first nuclear power facility.

-- 'We're looking for options' --

The nuclear scheme, which aims to build an operational plant by 2020, requires a 25 billion-euro (35 billion-dollar) investment.

The IEO, in a study commissioned by the environmental advocacy group Green Peace, argued that investing in a 5.7 gigawatt wind farm would be cheaper, safer and should create more jobs.

IEO chief Grzegorz Wisniewski noted the plethora of wind farms in Germany, Denmark, the Netherlands, France and Spain, compared to just a handful of sites in Poland.

"In Poland, you just have a tiny smattering of onshore wind farms and none offshore," said Wisniewski, noting its entire installed wind capacity totals just 1.5 gigawatts.

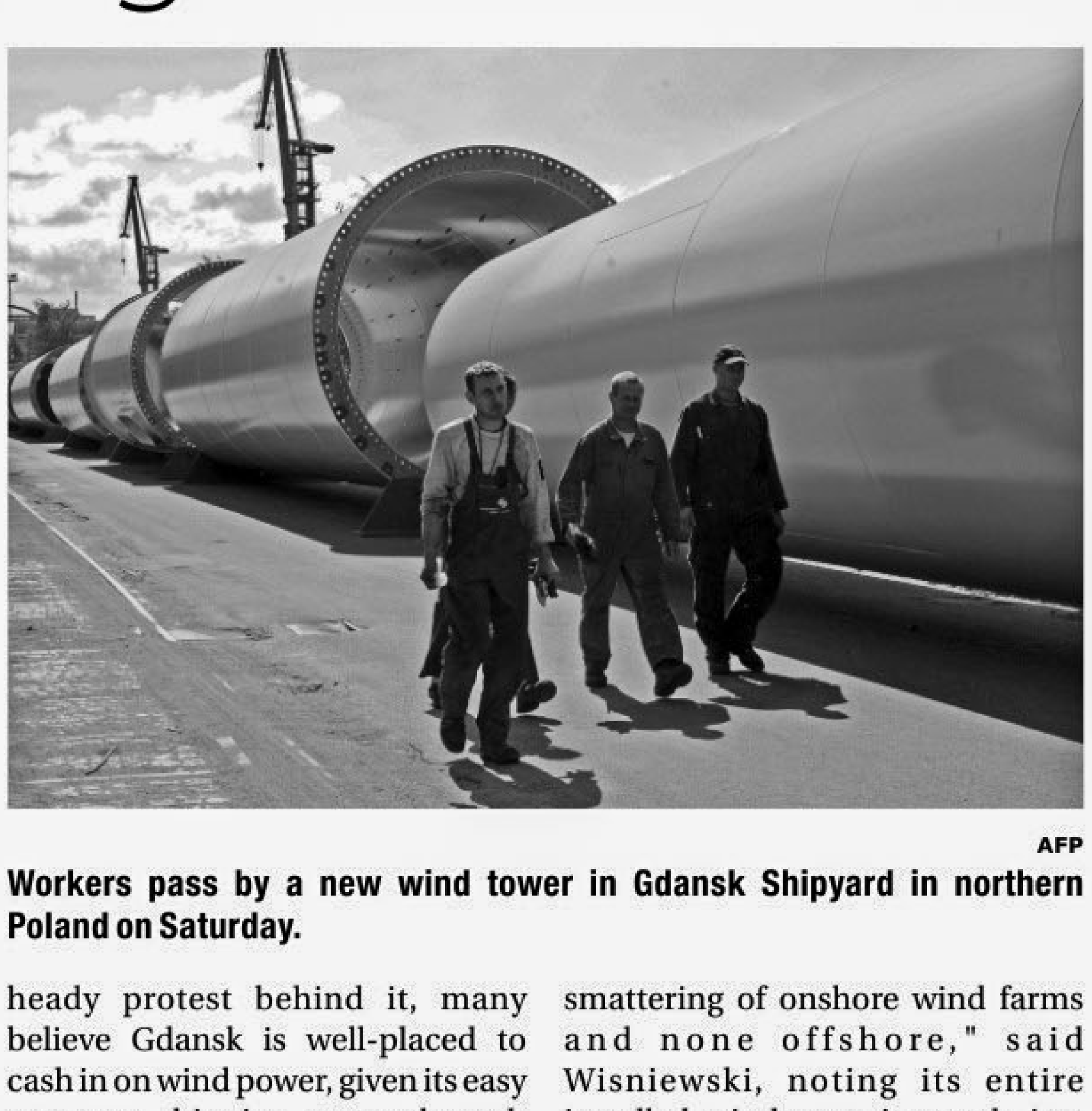
"Now 90 percent of our electrical energy is based on coal so we're looking for options ranging from the exotic like nuclear or shale gas, to proven renewable sources," he said, pointing to wind energy as one of the best choices.

"It's a proven technology for immediate use and as a large country, Poland has huge untapped wind energy resources," he added.

Tomasz Koprowiak, the mayor of Kisielice in northern Poland, said the wind power industry has been a blessing for the people in his poor, rural farming community.

Kisielice's wind farm -- whose 39 turbines with a 65 megawatt capacity account for five percent of Poland's total wind energy production -- generates more than enough power to service the town's 6,500 residents.

"We've never had any protests against turbines here," he said, adding that local farmers are more than happy to lease land to wind-mill operators.



AFP

Workers pass by a new wind tower in Gdansk Shipyard in northern Poland on Saturday.

Britain to defend its interests in eurozone crisis

AFP, *London*

Britain will defend its interests as the eurozone rallies to fight rising debt tensions, finance minister George Osborne said Sunday.

The survival of the euro was "hugely in Britain's national interests," he wrote in The Sunday Telegraph but warned that the rescue package for debt-laden Greece was bound to lead to more "fiscal integration" between eurozone members.

Osborne, describing himself as a "eurosceptic", said Britain would be "constantly alert for opportunities to protect and advance our national interests" as the process gets under way.

"We must make sure we are not in any way excluded from key decisions on issues like the single market and financial service regulation that should remain the exclusive preserve of all 27 EU member states," he wrote.

Under legislation passed this month, any major changes to EU treaties could trigger a referendum in Britain -- at which point London could begin to press for concessions from EU partners. "The most significant decision the euro leaders took was to expand the scope and powers of the eurozone's bail-out fund," Osborne wrote.

"It can now buy the debt of countries in distress and fund bank rescues. These are very early days and we will see if the fund can use its new powers in a decisive and credible way."

French President Nicolas Sarkozy "describes it as a form of monetary fund for the euro. It is also another step on the road to

Indian Jet Airways slips to first quarter loss

AFP, *Mumbai*

India's largest private sector airline, Jet Airways, has swung to a quarterly net loss from a profit a year earlier, it reported Friday, as rising fuel costs offset a rise in passenger air traffic.

Jet posted a net loss of 1.23 billion rupees ($27 million) for the first quarter ended June, from a profit of 35 million rupees in the same period a year earlier.

Total revenues for the quarter rose 18.5 percent to 35.82 billion rupees.

Analysts had forecast Jet to show a higher loss, of 2.7 billion rupees.

Air passenger traffic has been rising this fiscal year, leading to healthy seat occupancies for airlines, but this has been offset by steep fuel costs, which have hurt most Indian airlines' earnings.

Jet said its fuel costs rose 57 percent in the April to June quarter.

Jet expects strong growth in international business in coming months, a statement said, but added that the second quarter would be "tough" due to firm global crude oil prices.

In the first quarter, international operations accounted for 57 percent of total revenues and Jet achieved a seat load factor of 78.5 percent, compared with 79.7 percent a year earlier.

The airline carried 4.07 million passengers in the quarter, up 14 percent in the same period a year earlier.

Jet operates a fleet of 97 aircraft and flies to 75 destinations in India and abroad.

Jet shares rose 2.36 percent or 11.5 rupees to 499.05 ahead of the earnings figures.

India's airline sector, which was hit by the global slowdown in 2009, has been recovering in line with a rebounding Indian economy.

India this week lowered its growth forecast for this financial year to 8.6 percent from nine percent, its economy hit by a string of interest rate hikes to tame inflation which is nearing double digits.

AFP

A Sudanese man shows freshly-minted notes of the new Sudanese pound in Khartoum yesterday as the country issues new currency following the South's secession from the north.