

NEWS WRAP

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An earthquake, measuring 7.8 on the Richter scale, hit South West China's Sichuan province, on 12 May 08. The biggest earthquake in three decades has killed over 60,000 people, and rendered over tens of thousands homeless. About 80% of the buildings crashed in Beichuan Qiang Autonomous County. Northwest of the provincial capital of Chengdu, 146 km away from Beichuan County, is the epicentre of the killer quake. Tremors shook Beijing, Shanghai, Ningxia, Qinghai, Gansu, Shanxi, Shandong, Yunnan, Hunan, Hubei, Guizhou, Henan, and Jiangsu provinces; and the Tibet Autonomous Region. China's relief effort has been well-co-ordinated, battling bad weather of rains and cyclonic storms. The disaster relief officials are being assisted by tens of thousands of troops. Beijing's non-ideological brand of authoritarianism has been achieving good government, besides fast economic growth. In China most families are permitted to have only one child. There is a sadness that too many of the dead are children.

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In North Korea's famine of 1998, five lac to one million people died. Famine and mass starvation have again returned to North Korea. The state food distribution system has been impaired all over North Korea, including Pyongyang. Informal or illegal markets conduct grain trade, where the public distribution is non-functional. The commencement of famine has coincided with the recent rise in food prices. Families have been eating tree bark and grass, and hunting in the wild for food. While fatigued farmers have not been responding to official directives to plant this year's rice, people have been dying of starvation in South Pyongan province, located in west-central North Korea. The country has a chronic food crisis. The World Food Program (WFP) has called for urgent help. North Korea suffered late summer floods in 2006 and 2007, which caused extensive damage. In proportion to the country's arable land, the 23 million-odd population of North Korea is large.

North Korea has been suppressing agricultural markets. Not enough has been spent on rural infrastructure and fertilizers. The unreformed economy has resulted in inadequate export of goods and commodities that could pay for food imports. North Korea requires 4 million tons of grains every year. Electricity and fuel, for threshing and transport, are in short supply. The black market thrives. While income per head is about \$500 a year, the price of rice has increased from 860 won (about \$6) a kilo, a year ago, to 3100 won (May08). North Korea has restricted the operations of WFP, within the country, since end 2005. Only if North Korea gives a declaration on its nuclear programs, USA is willing to supply aid in big quantities. China has to cope up with its own domestic, inadequate food supply, imposing taxes and quotas on food exports, as World prices ascend. It is also unenthusiastic on food donations. Soon after the 2007 summer's floods in North Korea, China was not agreeable to transport UN aid grains by rail, till North Korea returned some of the 1800 missing wagons. North Korea has not yet requested South Korea for emergency food aid, while premier Mr Lee Myung-bac

has connected South Korean aid to North Korea's denuclearization and human rights. During previous famines, covert cross-border trade helped creating increased grain supplies. Now with the August 08 Beijing Olympics, China and North Korea have clamped down on border trade and escape routes of North Koreans fleeing to China.

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In India, money supply increased from 15% to above 20%, since the beginning of 2007. Inflation has accelerated, with GDP growth below 10%. The growth in money supply has been created by Reserve Bank of India's high net purchase of dollars, to prevent rupee appreciation. There would have been rupee appreciation, if RBI had not been buying dollars. If the rupee had appreciated, imported goods such as food, fuel or metals would have been cheaper, because the exchange rate would have been more favourable. This would have resulted in lower inflation for tradeables.

The RBI has been preventing the development of currency and bond markets, as RBI fears loss of control over foreign exchange and interest rates. RBI has been left without a sophisticated "bond-currency-derivatives nexus" to exercise influence over inflation.

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With 35% of the total fake drugs seized, India is second after Switzerland, in the list of top exporters of fake medicines, to the European Union, in 2007. India was the largest counterfeit medicines exporter to the EU in 2006. The United Arab Emirates is third, after Switzerland and India, with 15% of the total fake drugs seized. Counterfeiting medicine is carried out on an industrial scale, in the manufacturing and distribution sectors, wherever a potential profit is perceived.

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For the first time, a Chinese state run firm, will be the first from Communist China to build a dam in India. The proposed dam will ease the drinking water crisis in Mumbai, the financial hub. Brihanmumbai Municipal Corporation (BMC) has selected a joint venture between China International Water and Electric Engineering (CWE) and India's Soma Enterprises, on the basis of global tenders. The project, estimated at Rs 1600 crores, will construct the Middle Vaitarna dam, across the Vaitarna river, about 145 km from Mumbai. To be completed in 2011, the project will supply an additional 450 million litres of water per day. Located in Mokhada (Thane district), the 105 metre tall dam, utilizing advanced RCC Technology, will be midway between Mumbai and Nashik. Even though the Chinese firm will be supplying Technical expertise and project management, and the actual construction will be done by Indian labourers, opponents of the project point to sensitive facilities in the neighbourhood, like defence establishments in Nashik, the Bhabha Atomic Research Centre in Tarapur, and the currency press in Nashik. □□□