

NEWS WRAP

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Sale of tainted milk powder in China, has led to 6000 infants falling ill, killing about ten. Sanlu, one of China's biggest milk powder producers, is 43% owned by Fonterra, a New Zealand dairy company. The Gansu province government, in western China had informed the Chinese Ministry of Health, on 16 July 08, that there was an unusual increase of kidney stones among infants, who had consumed Sanlu milk powder milk. Middlemen who collect milk from dairy farmers are being blamed by the Chinese government. Milk traders add water in milk to increase volume, and to conceal this, mix a potentially lethal chemical, melamine, generally used to manufacture plastics, and which can conceal the protein content of milk, from inspectors. Animal food contaminated by Chinese made additive caused the deaths of several pets in USA in 2007. On 11 Sep '08, Sanlu announced a nationwide recall of 700 tons of milk powder. Smaller traces of melamine in milk powder have been found in 21 other companies, including leading brands like inner Mongolia Yili Industrial Group, an Olympic sponsor.

There is speculation that the Chinese government's delayed response, was to ensure that the Olympic Games in Aug 08 and the Paralympic Games in Sep 08 were not affected by a food scare. The Chinese government maintains that no melamine contaminated the dairy supply for the two Games. Milk powder has been withdrawn from shelves in China. A large number of milk dealers have been arrested. The mayor of Shijiazhuang has been dismissed, and several executives dismissed and arrested.

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The American Fannie May and Freddie Mac are mortgage lenders, who do not make loans directly, but purchase them from banks, thrifts and mortgage companies that do. Housing prices in USA fell 18% since mid-2006, the worst housing slump since the Great Depression. In an attempt to prevent the housing prices collapse from worsening, and to withstand a financial collapse, the US Government announced on 07 Sep 08, the seizure of the two money losing mortgage giants. The US treasury agreed to support the companies for \$ 100 billion each, in exchange for an ownership stake.

From London to New York, and beyond, recently central banks have invested \$300 billion into the financial system, to prevent an even larger crash. Lehman Brothers, which had suffered a quarterly loss of \$3.9 billion, declared bankrupt in Sep 08. The last big investment banks on Wall Street, Godman Sachs and Morgan Stanley have transformed themselves into bank holding companies, subject to far greater regulation. Investment Bank Bear Stearns has been bought by commercial bank JP-Morgan Chase. Similarly, investment bank Merrill Lynch was purchased by Bank of America. Mitsubishi UFJ Financial Group, Japan's largest bank is acquiring 20% of JP-Morgan Chase, investment value of \$8.5 billion. In the financial crash of 2008, millions have lost moeny and will suffer from falling incomes from higher taxes.

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The Union Government's Leasing Policy for Reservoirs of Inland Fisheries, 2004 insists on the floating of tenders, to award fishing rights, in the reservoirs of different states. The Gujarat government in July 08, allotted fishing contracts to different individuals, in respect of 54 reservoirs, without floating any tenders. The Muslim community has suffered, as earlier it would gain fishing rights, through tenders. The Gujarat state government explains that in the past, there were agitations against the tender process by the Jain religious group. Fishing contracts have been issued quietly, rather than through tenders public notifications. But the state government is losing a huge amount of revenue. The earlier bids for five year fishing rights used to cross Rs 10 lacs, for the larger reservoirs, extending over 200 hectares. This year's fishing contracts, without tenders, have fetched only a pittance. The fishing rights contracts for fishing for Bhadar dam (Rajkot district) were awarded for Rs 3 lacs in the current year, instead of Rs 11 lacs, during the last term. For the other 53 dams, the contracted amounts have been significantly reduced. Fishing tenders are compulsory for awarding fishing rights in non-tribal areas. But of the 53 reservoirs, 48 fall in non tribal areas, and only three in tribal areas.

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Duty free trade across the Line of Control in Kashmir has commenced recently, along the Srinagar-Muzaffarpur Road (Jhelum Valley Cart Road). The modalities were finalized in new Delhi, by India and Pakistan, in September 08. India has approved a list of 23 items from Kashmir, and Pakistan has despatched a list of 26 items. India would export fruit (fresh and dry), spices, saffron, carpets, wall hangings, woollens, aromatic and medicinal plants, cricket bats, mushrooms, green tea, imli, dhania and rajmah dal. Several items are common in the two lists. Kashmir's fruit industry, presently worth Rs 2600 to Rs 3000 crores, will be the biggest beneficiary. Pakistan will export onions, garlic, animal hides, wedding dresses, leather and leather products, hand-woven fabrics, fish and fish products. Kashmir's handicrafts industry, worth Rs 2000 crores, will benefit immensely. At present, Kashmir handicrafts reach Pakistan, via Dubai. Commercial cooperation along Kashmir's road link to west Asia, will strengthen bilateral relations. □□□