Onion anger mounts against embattled Indian government

REUTERS, *New Delhi*

The trebling of onion prices in India is not just making street hawker Kamlesh Gupta struggle to keep his children in school but is now threatening the stability of the Congress party-led coalition government.

The world faces soaring food inflation but in a country where 40 percent of the 1.2 billion population lives below the World Bank-estimated poverty line, it cuts deep.

"It's hard to survive," said Gupta, a 35-year-old street hawker at a vegetable market, a bazaar typical of the many in New Delhi where shoppers haggle with merchants as they seek bargains.

Glancing around to make sure no one overheard him, he whispered: "I'm telling you this in confidence: my wife has started to work as a domestic help for 2,200 rupees ($49) a month. Yet we don't have enough to live on."

"There have been price rises in the past, but it was never this bad before," said Gupta, who earns around 200 rupees ($4.4) a day and who has two small children in school. "We wish this government were never elected."

Soothing that anger is the most immediate of the many challenges facing Prime Minister Manmohan Singh, who is mindful that past bouts of soaring inflation have toppled governments.

Emblematic of that rise are onions. A poor person's meal in India is described as onions with flat bread and the price of the vegetable has trebled to 60 rupees ($1.3) a kg in under a year.

At that price, the most well-off of India's poor would have to work for three days to buy a kg of the vegetable. India defines the poor as those earning under $0.42 a day and official figures peg over a third of India's 1.2 billion people as poor.

"Previously, I was mixing onions in every vegetable being cooked at home but now I use it only when I cook some special non-vegetarian dishes," said Rajiv Kumar Singh in Patna.

In 1998, an onion prices spike cost the main opposition Bharatiya Janata Party (BJP) a key state election. It is a result the Congress party hopes will not be repeated in three crucial state polls that are coming up this year.

Food prices in India rose nearly 17 percent in late December, easing marginally from a year-peak. Indians spend over a third of their incomes on food, the highest amongst comparable countries.

A poll published last week showed Congress was losing voter support and would lose over 40 seats if a snap election was held. That result would mean the party would not have enough seats, even with its present allies, needed to rule India, Asia's third-largest economy.

But so far, the government has been unable to keep a lid on prices, even as coalition partners spar over responsibility. Finance Minister Pranab Mukherjee said there was no need for panic, but the call for patience remained unheard.

"We keep hearing ministers on TV and radio saying prices will come down. I come to this market every week and I haven't seen that happen," said Prema Sinha, a 36-year-old homemaker.

She had scoured the market for onions. After three shops refused to sell it at the 40 rupees she was offering for the kilogram she wanted to buy, she settled for half the quantity.

"There is no question of any savings. What we earn, all of that is spent," Sinha said.

The merchant she finally bought the onions from was far from happy with the higher prices. Vinod Gupta said he was selling fewer vegetables and his income was suffering, adding he expected prices to remain high for the rest of the month.

"People can suffer a lot of things, but nothing is more important to them as food. I have sold vegetables for 20 years, but never before have I seen a rise like this," said Gupta.

"If there is an election today, this government will fall."

AFP

A worker rests on onion bags at a wholesale market in Hyderabad on Thursday. Onion prices in India reached 80-85 Indian rupees in December 2010, and are currently around 70 rupees a kilo,way above the normal retail price of 20-25 rupees.

Indian billionaire barred from stock market

AFP, *Mumbai*

Indian billionaire Anil Ambani has been barred from investing in the stock market until December, authorities said Friday, in a settlement of a long-running regulatory inquiry into some of his companies.

The settlement was agreed between Ambani, ranked as the world's 36th richest man last year, and the regulator, the Securities and Exchange Board of India (Sebi), which has been probing the source of investments by his firms since last year.

Two of Ambani's group companies, Reliance Infrastructure and Reliance Natural Resources Ltd (RNRL), are also banned from investing in stock markets until December 2012, Sebi said in an order released Friday.

Sebi had issued notices against Ambani and his group companies in last June as part of an investigation into the possible breach of trading rules in securities.

Investigations found that Reliance Infrastructure and RNRL "misrepresented nature of investments" and profit and loss statements in annual reports between 2007 and 2009, Sebi said.

The terms and conditions of the order include the payment by Ambani's firms of $11 million in settlement charges.

The case is now closed according to a spokesman for Reliance-Anil Dhirubhai Ambani group (R-ADAG) -- which Ambani chairs -- who spoke on condition of anonymity.

"This payment however is not an admission or denial of guilt," the spokesman said, adding that it was made to protect investors' interest and avoid lengthy litigation.

The settlement comes as Ambani seeks to raise badly needed capital to buoy some of his companies, which are heavily saddled with debt.

Anil has a fortune calculated by Forbes at 13.7 billion dollars in 2010 -- less than half that of his older brother Mukesh, who heads India's largest private firm Reliance Industries.

The siblings ended a long-running feud in May last year, which centred on the division of the huge conglomerate left by their rags-to-riches father Dhirubhai, who died in 2002 without a will.

World Bank unveils $1.73b loans to India

AFP, *New Delhi*

The World Bank on Friday announced $1.73 billion in loans to India, including $1.5 billion to fund a state project to build 24,000 kilometres (14,880 miles) of rural roads across seven states.

The global lending agency also provided $255 million to the first phase of an Indian project to mitigate the effects of cyclones, World Bank president Robert Zoellick said after the signing of the two separate agreements.

The loan to bolster the federal government's road project is the largest to be approved by the World Bank and is aimed at benefiting millions of people in India, Asia's third-largest economy after Japan and China.

The two agreements were signed after Zoellick held talks with Finance Minister Pranab Mukherjee and Prime Minister Manmohan Singh in New Delhi.

"In my discussions with the finance minister, we agreed that the bank's funding and technical resources are also to be quickly used to help build infrastructure... needed to sustain high growth," Zoellick said.

Zoellick also called for a closer partnership between the World Bank and India, where the economy grew 8.9 percent year-on-year in the July-September 2010 quarter.

New Delhi has forecast that economic growth in the fiscal year to March 31 could cross the 9.0 percent mark.

"India has shown the world its ability to recover from the global crisis, and we stand ready to be a partner," Zoellick said.

Mukherjee said his discussions with the World Bank chief had covered topics ranging from the global surge in commodity prices to inflationary conditions in emerging markets.

"India sees an enhanced role for the World Bank in recycling global savings for investment in developing countries as one of the approaches to reduce the global imbalance," Mukherjee told reporters.

AFP

A protestor holds a placard during a demonstration against bonuses outside the Royal Bank of Scotland offices in the City of London on Friday.

Abu Dhabi to pump $5.2b into Aldar

AFP, *Abu Dhabi*

Abu Dhabi's government will pump 19.2 billion dirhams (5.2 billion dollars, 3.9 billion euros) into the emirate's biggest developer by purchasing assets and convertible bonds, the two sides have said.

Aldar Properties PJSC unveiled a set of steps "designed to solidify the company's position for long-term and sustainable growth," according to a statement carried by the official WAM news agency late Thursday.

These include a 10.9 billion dirhams injection in return for the transfer of assets, including the recently opened Ferrari World Abu Dhabi theme park on Yas Island, as well as infrastructure assets on the island comprising roads, bridges, marine facilities and land.

The sale of residential units and land for 5.5 billion dirhams to the government is included in the deal.

Aldar also said it will write off 10.5 billion dirhams in impairment charges, recognising the drop in the value of assets, since property prices in the oil-rich emirate have shed more than a third of their 2008 peak value due to the global financial crisis.

"The financial framework approved by the Board today, including the convertible bond issue, will strengthen our capital structure and provide us with a stable and sustainable platform from which we can continue to capture commercial opportunities to deliver value to shareholders," said Ahmed al-

BP and Rosneft in share swap

AFP, *London*

The heads of energy giant BP and state-run Russian oil firm Rosneft announced a deal Friday to swap shares in a joint venture to exploit the vast untouched energy resources of the Arctic.

In what BP chief executive Bob Dudley said was a "historic" deal, the firms will explore and develop Rosneft's three licensed blocks on the Russian Arctic continental shelf for what are expected to be major reserves of oil and gas.

The deal puts BP -- still recovering from the Gulf of Mexico oil spill last year, which is set to cost the firm 40 billion dollars -- at the forefront of the race to exploit the potentially huge energy reserves in the Arctic.

"Following completion of this agreement, Rosneft will hold five percent of BP's ordinary voting shares in exchange for approximately 9.5 percent of Rosneft's shares," the new partners said in a joint statement.

The shares issued by BP are worth approximately 7.8 billion dollars, and Rosneft's will be similar, the firms said.

Dudley and Rosneft President Eduard Khudainatov signed the deal at a press conference in London, shortly after Russian Prime Minister Vladimir Putin announced the agreement in Moscow.

Khudainatov said the areas that BP and Rosneft would be working in, which cover 125,000 square kilometres in an area of the South Kara Sea, contained five billion tonnes of oil and 3,000 billion cubic metres of gas.

BP currently has a three percent stake in Rosneft, and Russia accounts for around one quarter of the British energy giant's total production.

BP also owns 50 percent of Russia's third biggest oil producer, TNK-BP, where Dudley served as chief executive for five years until he was expelled by BP's Russian partners during a shareholder dispute in 2008.

Putin met Dudley in Moscow earlier Friday, telling him, according to Russian news agencies: "The Russian government is going to support your joint work."

British Energy Secretary Chris Huhne also welcomed the "groundbreaking deal", saying it was "good news for Europe, for the UK, energy security and worldwide" -- and showed that BP was "very much open for business".

In New York, BP's US shares gained 3.6 percent to 49.25 dollars on the announcement.

Speaking at the press conference, Dudley said: "I do believe this is a historic moment for BP, for our industry and I believe for Russia and the wider world of energy globally."

Khudainatov added: "This project is unique in its complexity and scale both for Russia and the global oil and gas industry."

However, the agreement is likely to anger environmentalists who have warned that such exploration could damage the fragile Arctic ecosystem.

BP has endured a torrid time following last year's oil spill in the Gulf of Mexico, and it is currently in the process of selling 30 billion dollars worth of assets to cover its part of the bill for the disaster.

The spill could cost BP 40 billion dollars, the firm has said, and has left its reputation in the United States in tatters.

However, BP also reported a net profit of 1.785 billion dollars for the third quarter of 2010 -- a huge turnaround following a loss of 16.9 billion dollars during the second quarter.

Analyst Justin Urquhart Stewart, co-founder of Seven Investment Management, said the tie-up with Rosneft would leave BP well placed to capitalise on Russian oil interests, but risked upsetting US investors.

"In terms of BP, it gives them fantastic access to the large oil fields in the Arctic," he said, adding: "But it will put the company in a difficult position in America, they won't like it becoming a quasi-Russian company."

In Washington, Democratic congressman Edward Markey, who sits on a committee on natural resources, called for the deal to be examined to see how it affects BP's US operations and if it had national security implications.

"BP once stood for British Petroleum. With this deal, it now stands for Bolshoi Petroleum," he said.

AFP

Oil giant BP Chief Executive Bob Dudley, *seated left*, shakes hands with Russian firm Rosneft's President Eduard Khudainatov after signing a deal to form a global strategic alliance at the BP headquarters in London on Friday.