

In China, soaring food prices mean leaner diets

AFP, Beijing

Li Ping and her husband, both retirees, pick over the offerings at a Beijing market to prepare traditional dumplings for the Dragon Boat festival. Rocketing food prices are limiting their options.

"We can hardly afford meat now, it's too expensive," Li, 67, tells AFP, explaining that they now only enjoy that privilege two or three times a month. Apples are also too dear.

Chinese authorities say reining in inflation is their top priority for the year, and have taken a raft of policy measures to cool prices. But those moves are not yet trickling down to help low-income households like Li's.

Li's pension provides her with 1,100 yuan (\$170) a month -- far from enough to deal with spiralling prices.

"My kids have to subsidise us," she said. "We will have to depend on them in the future. I feel guilty."

The couple bought some vegetables, sticky rice and wrapping leaves to make the dumplings 10 days before Monday's Dragon Boat festival -- a preemptive move to avoid expected price rises as the holiday draws nearer.

China's consumer price index, a key gauge of inflation, rose 5.3 percent on year in April driven by increasing food prices -- a slight easing from the previous month but still well above Beijing's four percent target for 2011.

May inflation data is due next week.



An elderly Chinese man buys vegetables at a market in Beijing. China's consumer price index, a key gauge of inflation, rose 5.3 percent year on year in April driven by increasing food prices -- a slight easing from the previous month but still well above Beijing's four percent target for 2011.

The central bank has responded to growing price pressures by raising interest rates four times since October and repeatedly increasing the amount of money banks must keep in reserve -- effectively cutting their lending power.

Authorities have also intervened directly in the market, warning a number of companies not to raise prices as they crack down on hoarding and pledge subsidies to the poor.

However, analysts warn that current price hikes are much more serious than those seen in previous years, with the cost of

everything from land to labour to raw materials all climbing.

"Inflation pressures are far more stubborn this time because structural inflation is a much bigger problem than it was at any time in the last decade," said Ben Simpfendorfer, managing director of economic consultancy firm China Insider.

Analysts are expecting the May inflation rate to exceed the 5.4 percent in March -- a 32-month high -- as domestic demand, bolstered by low interest rate levels and massive government spending, remains strong.

In addition, a prolonged drought along China's Yangtze river -- which has left millions of people and livestock without water and devastated a major grain-producing belt -- may further complicate the battle against inflation.

The average price of 17 out of the 29 staple foods monitored by the National Bureau of Statistics soared month-on-month in the May 11-20 period, with the price of one type of fish surging by 22.5 percent.

"The ongoing drought in central-southern China and a

rise in pork prices may delay the peak of food price inflation and keep it elevated for a couple of months longer," said Wang Tao, a Beijing-based economist with UBS.

The drought has also reduced the output of hydroelectric power, China's second-biggest energy source after coal, contributing to a government decision to raise the cost of electricity for industrial use in 15 areas from June 1.

Although authorities have so far kept residential power prices unchanged, concerns are growing that the hikes may eventually be passed on to consumers.

Following Beijing's measures to cool the economy and contain price rises, growth in the world's second-largest economy has already shown signs of a moderation with expansion in manufacturing activities slowing in recent months.

But the tightening is expected to continue as Chinese policymakers are ever wary of inflation's history of triggering social unrest, experts said.

"Inflation is still a bigger risk, at least to a large part, because of the social impact," said Cui Li, a Hong Kong-based economist with Royal Bank of Scotland.

At the Beijing market, 71-year-old Xie Zhong threw a batch of spinach, which was priced at 1.50 yuan, back onto a stall.

"I will not buy it, it's ridiculous," he said, grunting that it cost one yuan just a week before.

"No-one can contain the price rises. Only the government can do something."

Greece likely to get aid tranche, extra funding

REUTERS, Athens/Luxembourg

Greece is likely to get a vital slice of aid in July to avoid default, international lenders said on Friday, while the European Union raised the prospect of expanding the bailout of the euro zone state.

The European Commission, the European Central Bank and the International Monetary Fund, ending a month-long review of their 110 billion euro (\$160 billion) bailout programme, said Athens had made considerable progress toward repairing its finances but must step up fiscal and economic reforms.

"Once this process is concluded and following approval of the IMF's Executive Board and the Eurogroup, the next tranche will become available, most likely, in early July," they said.

Finance Minister George Papaconstantinou has said Athens will be unable to meet its obligations from mid-July if it does not get the next 12 billion euro tranche of bailout loans. The money was originally due for release on June 29.

Separately, the chairman of euro zone finance ministers held out the prospect of additional aid for Greece beyond the original bailout scheme, which was agreed in May last year.

"I expect the Eurogroup to agree to additional finance being provided to Greece under strict conditionality," Jean-Claude Juncker said after talks with Greek Prime Minister George Papandreou in Luxembourg.

The new plan will for the first time include involvement of private sector investors in helping Greece on a voluntary basis, Juncker said.

He did not elaborate, and sources close to the talks said the way in which private investors would be involved was still under intense debate among EU and ECB officials. Some form of debt rollover, in which investors would maintain their exposure through purchases of Greek bonds when existing ones mature, appears the most likely outcome.

Greek newspaper Kathimerini said a new three-year bailout package for Greece, to run until mid-2014, would total 85 billion euros, of which the EU and the IMF would provide less than half.

India health costs a crisis impoverishing millions

AP, Aligarh, India

When Nasir Khan cried out at night from the searing pain of kidney stones, the entire slum could hear him.

A magic healer promised an inexpensive cure through chanting while pinching his side where the kidney stones were lodged, but it only made it worse. His condition became life-threatening, and doctors said he would need surgery for a fourth time.

The operation cost him - and his extended family - their home.

Without insurance and unable to get a loan, they sold the broken brick shack in the industrial north Indian city of Aligarh for 250,000 rupees, or about \$5,500. It had been home to the 35-year-old Khan, his four brothers, three wives and 11 children.

"There is no choice. It is my life," Khan said in gasps, writhing atop a crude wooden cot as his relatives hovered helplessly nearby. He screamed for his mother. He screamed for Allah. He screamed for anyone to deliver him from the pain.

His story is repeated so often across India it evokes little sympathy, yet it represents one of the biggest threats to India's battle to lift its poor up from squalor.

Each year, the cost of health care pushes some 39 million people back into poverty, according to a study published in the Lancet medical journal. Patients shoulder up to 80 percent of India's medical costs. Their share averages about \$66 (3,000 rupees) annually per person - a crippling sum for the 800 million or so Indians living on less than \$2 a day.

A diagnosis of asthma, a broken leg or a complicated childbirth can mean having to choose between medicine or food, spending on treatment or relying on prayer.

"We are too poor," Khan's uncle Bhure Khan said. His aunt Rafiquan Mohammed offered another justification for selling the house, as if one were needed: "He has to live. He has small children."



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While India boasts an economic growth rate near 9 percent, the wealth has done little to help millions burdened by poverty and disease. The poor, aside from struggling to afford care, also face extreme shortages of doctors and medicines.

The situation is particularly dire in rural areas, where more than 70 percent of the country's 1.2 billion people live. Some desperate patients resort to seeing quacks. Others pay bribes. Many simply don't seek help until it is too late.

The World Bank and other experts have warned that failure to address the country's health care woes could take a toll on long-term growth - especially as two-thirds of the population is under 35 and would form the backbone of India's work force for decades.

Yet India's government spends comparatively little on health care: just 1.1 percent of the country's GDP, a figure that hasn't changed much since 2006 when China was spending 1.9 percent; Russia, 3.3 percent and Brazil, 3.5 percent, according to World Health Organization figures.

"The political will is simply not there yet. We have to help realign the country's priorities," said Dr. K.

Srinath Reddy, president of the Public Health Foundation of India and part of a government-commissioned committee recommending reforms.

Statistics that might highlight areas of need are scarce, thanks to erratic case reporting, few autopsies and a tradition of quick cremation that destroys evidence of disease. WHO reports often leave India out for lack of data. A recent study in the Lancet suggests malaria deaths could be 10 times higher than estimated.

India, which says hospital costs impoverish a quarter of all patients, has vowed to raise spending on health to 3 percent of GDP by 2015 and provide universal primary health care - but it's an unfulfilled promise that's been made before.

The Lancet, in a series on India in January, urged the government to double its pledge to 6 percent by 2020 or jeopardize its ability to shake off poverty.

"What is the point of economic success if there is nothing in it for the population?" Lancet editor Richard Horton said. "In a short amount of time you can do a lot - if you have the right leadership, the right administration and the public will. India has the people and it has the funds."

Iraq inks gas deals with foreign firms

AFP, Baghdad

Iraq on Sunday signed deals with Turkish, Kuwaiti and South Korean energy firms to develop two gas fields in the centre and south of the country, after they were awarded in October.

The final contract agreements came just days after Baghdad initialled a preliminary accord with Seoul's Korea Gas Corporation (KOGAS) to exploit Akkaz field in the western province of Anbar.

Sunday's deals were for Mansuriyah field in Diyala province, northeast of Baghdad, and Siba field in Basra, Iraq's southernmost province.

"We need to develop these two fields to support the ministry of electricity, so its stations can work better," Oil Minister Abdulkarim al-Luaybi said at the contract signing attended by the press. "This is a very important day, and it represents a new beginning for the oil industry."

The Mansuriyah contract was with a consortium made up of Turkey's TPAO, Kuwait Energy and KOGAS, while Siba is to be developed by Kuwait Energy and KOGAS.

Mansuriyah has estimated reserves of 127 billion cubic metres (4.5 trillion cubic feet) of gas, while Siba has 34 billion cubic metres (1.5 trillion cubic feet).

Baghdad needs the energy revenues from the increased production to rebuild a war-battered economy and fill chronic electricity shortfalls.

Iraq's current gas production -- all of it associated gas from oil wells -- is 1.5 million cubic metres a day, but half is burned off in flares from oil wells, according to Baghdad-based analyst Ruba Husari.

Fears over Myanmar deep-sea port plan

AFP, Yangon

Mechanical diggers on the pristine beaches near the sleepy fishing town of Dawei are a sign that change is coming to the remote corner of Myanmar -- but not necessarily for the better.

The area has been chosen for a vast port complex that is the latest example of how foreign investment from Asian allies like China and Thailand is transforming the military-dominated nation despite Western sanctions.

Some believe the 10-year, \$8 billion Dawei Development Project, led by a Thai industrial giant, could invigorate the country's impoverished economy and revolutionise regional trade.

But hopes that the planned deep-sea port and giant industrial estate will inject much-needed investment have been tempered by fears about a potential influx of "dirty" industry and concerns that it will displace thousands.

"Myanmar still ignores environmental issues", said Tanit Sorat of the Federation of Thai Industries in an interview with AFP, citing lack of regulation as a key advantage of Dawei.

"Dawei is the world's solution for

industry that affects the environment, heavy industry and the industry that is banned in other countries," he said, adding the entire project could be worth \$60 billion dollars or more.

A local aid worker and campaigner, who estimates 23,000 people will have to move, said the first phase of construction was already altering the quiet tropical town of his childhood.

"The shores are so beautiful, with their long white sands, but in a couple of years it will all be gone," said the activist, whose name AFP has withheld to protect his security.

He said that because of a lack of regulation and entrenched cronyism in Myanmar the development is likely to be "very corrupt", while soaring property prices are already putting pressure on local people.

"The government does not consider the people, it just does what it does," he said.

David Mathieson of Human Rights Watch said there were few details available on Dawei's potential impact on communities, but previous experience of large scale developments was of misery for local people.



Rajiv Sanghvi, right, managing director of Audi, and Anil Reddi, head of sales, pose during the launch of the Audi A7 sportsback car in Hyderabad on Friday. The Audi A7 sportsback luxury sedan is equipped with a powerful 3.0 TDI VS engine and is now available from 6,514,000 Indian rupees (\$145,175).