

Analysis

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Venezuela banks on cryptocurrency, but it remains 'non-transferable'

Venezuela's controversial cryptocurrency was launched six months ago but has been left in limbo ever since. Now, though, President Nicolas Maduro's government insists it will start working. That wasn't Armando's experience when he tried to make a transaction using the petro. "Non-transferable" was the message that came up on his telephone, shown to AFP, when Armando - not his real name - tried to use the half petro he bought earlier this year.

Maduro launched the petro to try to circumvent debilitating United States sanctions - but the problem is that it can't be exchanged for money, goods or even other cryptocurrencies such as bitcoin. It is also not listed on virtual exchanges, although the Venezuelan government has set its value at \$60, anchoring it to the price of a barrel of oil. "It still doesn't exist," Moises Rendon, from the Washington-based Center for Strategic and International Studies, told AFP.

However, Maduro says that from October 1 "the petro will start functioning as a currency of exchange of purchase and conversion". It will be offered in auctions through which private companies can access currencies, within the framework of an exchange control that has been operating since 2003. This way, Maduro says, "it will be immersed in the global market."

'Too late to save'

However, Rendon says "it's too late to save the petro. There's no confidence and it won't get any" while the government prevents its value from fluctuating freely. Venezuela is in desperate need of liquidity due to its struggling oil industry - currently producing a 30-year low of 1.4 million barrels a day, compared to the record high of 3.2 million 10 years ago - and an external debt of \$150 billion. Washington's economic sanctions are strangling the country, preventing the government from getting its hands on the foreign capital it desperately needs.

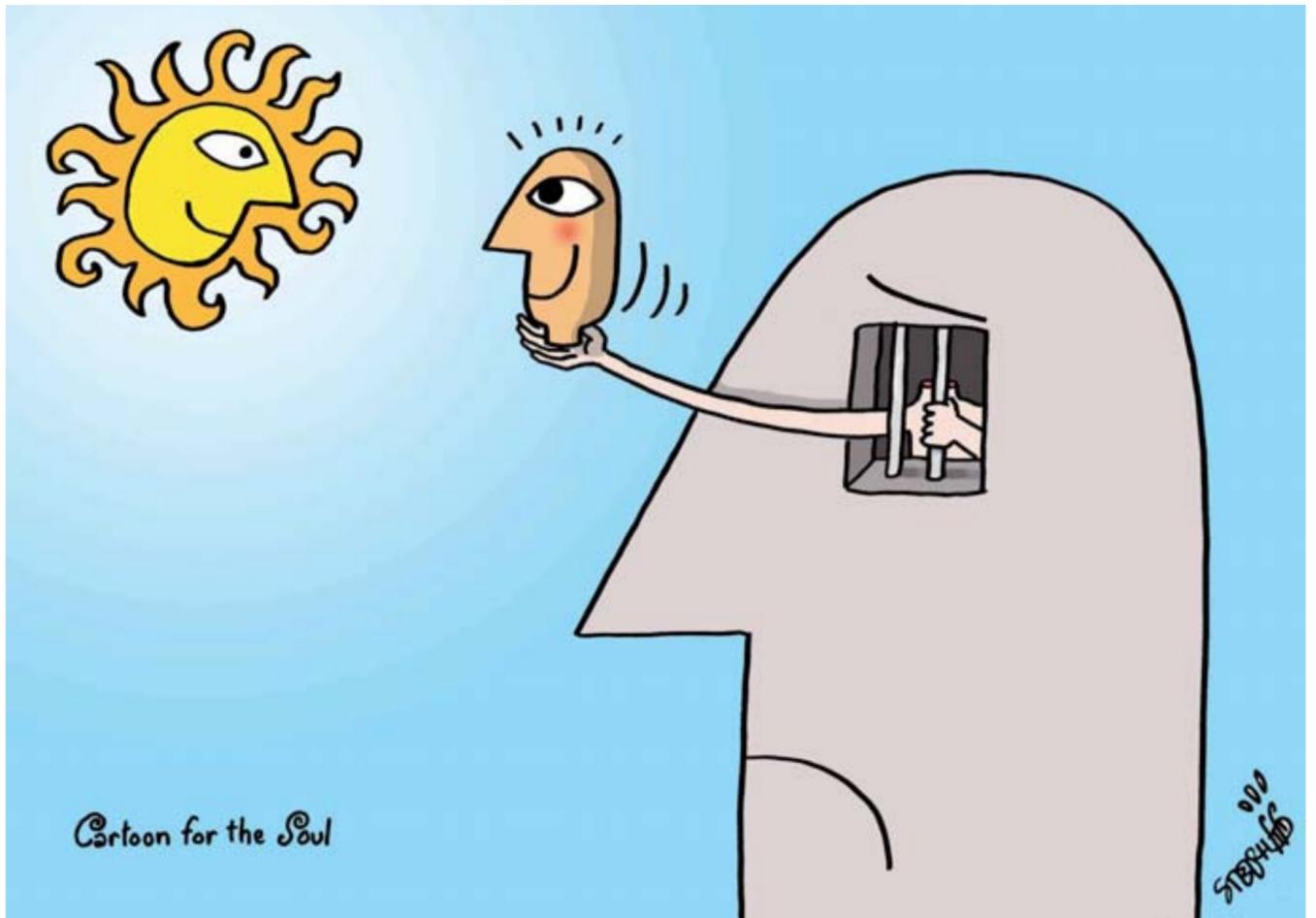
But after the emission of 100 million petros announced by Maduro amid much pomp and ceremony in March, only a handful of blockchain transactions have taken place. Maduro claimed Venezuela had received "offers of purchase intention" worth \$5 billion but the petro blockchain on the NEM platform registered transactions amounting to just over 2,250 units, the equivalent of around \$136,000 between March 25 and May 6. There was supposed to be a private pre-sale launch of 38.4 million petros in February and a public sale of another 44 million in March, with the government reserving 17.6 million.

'Very risky'

Buying petros "is very risky," according to Armando, who lives off cryptocurrencies. He lists his small petro investment as a loss. The government says it is supporting the petro with an as-yet-unexploited crude field in the Orinoco Belt, the largest crude reserve in the world. But "it doesn't know how to exercise its rights" over that reserve, said oil specialist Luis Oliveros. But while the petro has failed to engender investor confidence, other cryptocurrencies have proved hugely popular in Venezuela as a guard against hyperinflation, expected to reach a mind-blowing one million percent this year.

Venezuela is the country that conducts the fourth largest amount of its transactions, 12 percent, with bitcoin, said Rendon. Jose Angel Alvarez, president of the private National Cryptocurrency Association, believes the petro could rebound if it was left to float freely and subject to "clear rules". But that is an unlikely scenario, given Washington has banned petro transactions, while risk rating websites such as icodex.com describe the petro as a "scam".

The petro holds a central role in a series of economic reforms launched by Maduro to try to bring an end to four years of recession that have left the country suffering from shortages of basic necessities such as food and medicines. Another was devaluing the currency by 96 percent and hiking the minimum salary by more than 34 times. With industry operating at just 30 percent and Venezuela almost entirely dependent on its oil sales, long-suffering citizens have yet to see any evidence that the petro will be the answer to their prayers. —AFP



Challenges mount for India's Modi

Narendra Modi swept India's 2014 general election with the slogan "Achhe din (good days) are coming". Four years later, as Prime Minister Modi mobilises to win re-election in May, he and his Bharatiya Janata Party (BJP) are being buffeted for a lack of jobs, falling farm prices and rural wages, a tax reform that led to unemployment and a demonetization exercise that sapped liquidity. Despite high economic growth, the fall of the rupee currency to record lows this year has led to a surge in prices of largely imported fuel, which is feeding into inflation. Nationwide protests have broken out because of the price rise.

"There's no improvement in our life - we eat two basic meals a day but struggle to save for soap and detergent," Misri Lal, 52, said in Bhomada village in central India's Madhya Pradesh state, where he earns \$2 a day watching over a yellowish-green soybean farm. In a series of interviews in India's political heartland, the northern and central plains, many people said they had been disappointed by Modi's government. But in a nation of 1.3 billion people, it was difficult to estimate how far the disillusionment had spread and how much it could affect Modi and the BJP at the next general election.

Despite its fitful performance on the economy, the BJP remains robustly Hindu nationalist, which plays well among many voters. Modi's aides insist that the party will not suffer in the election next year and will repeat the 2014 performance. They also say the BJP will do well in three big state elections due later in 2018, which could signal how things will go in the general election. Opinion polls predict Modi will return to power next year, but said the gap against the opposition was narrowing.

But "achhe din", which has become synonymous with Modi and his rule, is being mocked on social media in India. A cartoon widely distributed on Facebook's WhatsApp messaging platform had a man looking through a telescope for "good days". Another had Modi sitting in front of a spinning wheel weaving "achhe din" stories.

Some BJP officials privately say they are not quite sure of sentiment in the small towns and villages of rural India, where two-thirds of the people live. Lal, the farm hand, said he was a long-time BJP supporter but it was time for change. "We have always voted for them but people are angry now. It appears things will change this time around," Lal said, his wife and two grandchildren looking on from near their tin shed in the middle of the unfenced soybean fields.

Rural pain

The Modi administration has acknowledged that farmers are suffering in a country where agriculture is

the biggest employer, engaging 263 million people or 55 percent of the total number of workers. "Trends in inflation clearly show that farmers are under distress due to un-remunerative prices and need to be compensated appropriately," India's farm ministry said in a report sent to states last month and seen by Reuters.

Rural wages have weakened across India compared to a high growth period during the rule of the center-left Congress party which aggressively promoted a rural jobs scheme that guaranteed every citizen paid work for at least 100 days in a year. Economists say its impact has now levelled out. A boom in the construction sector had sustained the growth in wages but that has since slowed down dramatically, dragged by Modi's November 2016 move to suck high value currency notes out of the system to combat corruption and then a sweeping goods and services tax (GST) that businesses are struggling to adapt to.

Average inflation-adjusted growth in rural wages fell to 0.45 percent between 2015/16 and 2017/18, com-



Where are the 'good days'?

pared with 11.18 percent between 2012/13 and 2014/15, said India Ratings & Research, a unit of international agency Fitch. The Reserve Bank of India says that high growth in rural wages from 2007/08 to 2012/13 was followed by a phase of "significant deceleration".

"GST and demonetization have really depressed the construction industry. I get only 20 percent of the work I used to get before demonetization," said Chotelal Rajput, a construction contractor in the Madhya Pradesh capital Bhopal, as he stopped by a busy roundabout where dozens of laborers gathered to be hired for daily wages. In Wai, a small town south of Mumbai, migrant worker Mithlesh Yadav said he voted for Modi at the last election but would not do so again. "The BJP was talking about bringing down inflation, bringing down petrol and diesel prices, but instead they are raising prices every day," the 26-year-old said. "All tall claims made by Modi were just advertising and we fell for it. I won't commit the mistake again."

Leaking toxic chemicals

Sedentary creatures such as the local scorpion fish didn't use them, Genovese said, while "grouper fish, conger eels and sea bream swim around them, but no species really got used to it". Worse, a study in 2005 by researchers at the University of Nice showed that the tyres were leaking toxic chemicals into the environment, including heavy metals, which are a threat to human life. Authorities were also worried that the tyres could degrade further, nearly 40 years after they sank to the seabed, and break up into smaller pieces which would be a risk for nearby seagrass meadows.

In 2015, a first mission to remove 2,500 tyres was undertaken to show that they could be extracted safely, with the work underway at the moment a second and more important phase of the clean-up operation. Around 10,000 are set to be lifted by the divers and boat crew over the next few weeks, with the remaining 12,500 extracted in the second quarter of 2019.

Regeneration hopes

AFP hopped aboard the vessel last week to watch the progress in action as dozens of tyres were hauled from the sea, with the luxury holiday villas of the French Riviera visible on the coastline behind. The Saudi royal family own a huge villa on a small stretch of beach opposite the site, which was the focus of a scandal in 2015 when King Salman tried to privatize the sand for his holiday and caused an uproar among locals.

The fine white sand is a problem for the clean-up team of divers, which struggle with low visibility as they find the tyres and thread them on to wire cables which are then lifted to the surface. "In the morning, it's easy, the water's clear," crew member Morgan Postic on board the Ocea vessel said. "But as we stir it all up down at the bottom, you can't see anything and it gets much more complicated."

It's jobs

Many political analysts say Modi's failure to create tens of millions of jobs for the country's youth - a promise which helped him secure the largest mandate in three decades in 2014 - would be the biggest threat to his bid for another term. "No one here will vote for Modi," said Rakesh Kumar, a college graduate in the town of Kasba Bonli in northern Rajasthan state who says he has worked as a house painter because he could not get any other employment. Kumar said he finally found a job as a teacher in a private college last month but his paltry monthly salary of 8,000 rupees (about \$111) meant his six brothers worked as manual laborers. The town voted overwhelmingly for the BJP in 2014.

In Panipat, a town north of the capital Delhi, workers in textile mills said hundreds had been laid off because many small business owners could not cope with the complexities of the new GST regime and had shut shop. Gopal Krishna Agarwal, a BJP spokesman, said the country could not expect the Modi government to resolve all its problems in so short a time. "India has been independent for more than 70 years and we can't say that problems that have persisted for around 65 years would go away in four and half years," he said. "We're not saying every problem has been solved but our focus and direction are correct."

The BJP is also confident about its prospects next year because of the fractured opposition. Rahul Gandhi of the Congress is Modi's main opponent, but there are a host of regional parties that are likely to divide the opposition vote. India Today news magazine published a survey last month predicting the BJP would lose seats compared to 2014, but retain just enough to form a government with allies if the opposition remained divided. It predicted the BJP would win 36 percent of the vote and Congress 31 percent, but said smaller parties would get 33 percent.

Gandhi told a group of journalists last month that a "robust opposition alliance" would be in place before the 2019 election and that a candidate of a unified opposition would go up against the BJP in each constituency. "More damage has been done to India by this government than any in the past and everyone recognizes the over-riding need to thwart them," Gandhi said, referring to the BJP's Hindu nationalist agenda that critics say has targeted the country's minorities. Subhanshu Sethia, a college student in the northern town of Meerut, said Modi's singular failure had been the lack of jobs. "Achhe din is only for the rich, the businessmen who get fat contracts, for the rest of us it has been a letdown," he said. "There is a war out there for jobs." —Reuters



Crewmembers of the Ocea vessel take part in an operation to remove tyres from the Mediterranean Sea on Sept 21, 2018 in Vallauris, southeastern France. —AFP

The tyres will be sent to the nearby city of Nice and then to recycling centers where they will be broken up into granules that can be used in construction projects. "After that we'll leave the seabed to restore itself naturally and we'll continue to monitor with sensors," said marine scientist Patrice Francour from the University of Nice, who is working on the issue.

Francour said the clean-up would end France's one and only experiment with a "tyre reef", but that other countries still had to deal with the legacy of the failed idea, notably the United States. A million euros has been provided by the French state to finance the French clean-up, while French tyre company Michelin has contributed euro 200,000 (\$235,000). —AFP