

Spain - Recovery position

By Tobias Buck

Mariano Rajoy is telling voters that his Popular party has done enough to secure another term and complete the economic rebound. But the next government faces a challenge to ensure long-term health.

Sirens wail, the ambulance arrives, a patient is rushed to the operating room. "Prepare the oxygen," barks the doctor. "This is much worse than they told us. We're losing her," exclaims the nurse. Seconds later, the patient goes into cardiac arrest - her pulse and heartbeat dramatically flat lining with a high-pitched beep.

After two jolts from the defibrillator, she comes back to life. "We made it," sighs the doctor. The music swells, the patient opens her eyes, a long recovery begins. First steps are taken, scans are examined, crutches are cast aside - until the young woman, now restored to full health, finally bids farewell to her medical team. The chief doctor - calm, bearded, grey-haired - smiles proudly.

The latest campaign video by Spain's ruling Popular party wins no prizes for subtlety. Just in case the metaphor fails to stick, the woman emerging from hospital has her face painted in the colors of the Spanish flag. The slogan that appears on the screen in the final shot, "From Crisis to Recovery", removes any lingering doubt: this is not about doctors, patients and emergencies. This is about Spain and its once-comatose economy, and about the calm, bearded, grey-haired man who claims to have brought it back to life.

Mariano Rajoy, the prime minister, faces a tough general election less than two months from now. His popularity remains low and his party hobbled by accusations of corruption. If there is one thing that can win him a second term it is the economy - and the surprisingly strong recovery over the past two years. Output is expected to grow by more than 3 per cent this year, one of the fastest rates of expansion in the developed world. Consumer and busi-



Mariano Rajoy, Spain's prime minister, gestures as he speaks during a news conference in Barcelona, Spain

ness confidence are soaring, demand is sharply on the rise and, most importantly, the country's towering unemployment rate is finally in decline. The latest jobs report, released yesterday, showed that the unemployment number fell below 5m for the first time in four years.

The prime minister himself seized on the latest numbers as confirmation of his leadership, telling voters that "the most important thing now is not to change our economic policies".

The state of the Spanish economy also matters for reasons that resonate far beyond national politics. Since the conservative PP won the last election, the country has been one of the main battlefields in an ideological clash that pits anti-austerity movements such as Syriza in Greece

and Podemos in Spain against the Berlin-led advocates of fiscal discipline and economic orthodoxy.

The Rajoy government belongs squarely in the second camp: it slashed public spending in the middle

- as a sign of progress.

In some sections of society, Spain's response to the crisis is subject to fierce criticism. But political leaders are more convinced than ever that they did the right thing - and that oth-

The labor reform made it easier for companies to depart from collective wage deals

of a harsh recession, and pushed through a series of deeply unpopular reforms to raise the competitiveness of its export sector. In a strangely masochistic inversion of political practice, government officials hailed every fall in Spanish wages - they have slipped in nine out of 14 quarters since Mr Rajoy took office

er European governments would do well to follow its path. As Mr Rajoy boasted to parliament in this year's state of the nation address: "Spain has passed from being a country on the brink of bankruptcy to a model of recovery that provides an example to other countries in the EU."

So has the time come for

Italy, France and others to copy the Spanish model? Not everyone is convinced. "Spain's return to growth is good news, but there is little evidence that it is the result of austerity and reforms," says Simon Tilford, deputy director at the Centre for European Reform.

He says Spain's gross domestic product, €1.04tn last year, is still lower than it was before the crisis, and that its broader economic outlook is "cloudier" than the consensus would suggest. Even on present growth assumptions Spanish GDP will return to its pre-crisis level only in 2017. Domestic demand will take at least another five years to fully recover, says Mr Tilford.

Others point out that Spain has benefited from an unusually benign economic climate, especially this

year. Most forecasters had predicted a growth spurt in 2015, but the recovery ended up much stronger than expected.

In part, this was due to factors beyond the control of Madrid. Investment, lending and exports have been boosted by low interest rates and the decline in the value of the euro. The fall in oil prices, meanwhile, is believed to have contributed at least half a percentage point to this year's growth figure.

But officials in Madrid are quick to brush aside any assertion that Spain has been lucky. If macro-economic conditions are so benign, they ask, why are other eurozone countries not growing at 3 per cent a year? Besides, says Alvaro Nadal, a Harvard-trained economist and Mr Rajoy's chief economic adviser, the Spanish recovery started



Spain - Recovery position (continued)

long before the decline in oil prices and the euro.

"The change in the cycle started when the oil price was still at \$110 per barrel and the euro sold for \$1.35," he says.

Mr Nadal says the government faced - and overcame - a double economic disaster when it took office in late 2011. "Spain was at risk of an immediate heart attack - but it also had cancer. We had to restructure the banking sector and stabilise the budget in order to deal with the threat of a heart attack," he says. "But we also had to reform the labour market and energy markets, and so on, to deal with the lack of competitiveness - the cancer of the Spanish economy."

Whatever the medical metaphor, there is no denying that Spain has made progress in several key areas: according to data from the International Monetary Fund, Spain's budget deficit has halved since Mr Rajoy took office, from 8.9 per cent in 2011 to 4.4 per cent this year. And although the European Commission worries that Spain is still at risk of missing its budget deficit target of 2.8 per cent next year, the broader trajectory is not in dispute. Three years ago, budget data were liable to stoke panic. Now, it is mostly treated with a shrug.

Spain's once-tottering banking sector, meanwhile, has changed beyond recognition. At the height of the crisis in 2012, Madrid was struggling to stave off the collapse of several key lenders - including the sprawling Bankia group. It nationalised the worst-affected banks, forced others to ramp up provisions, and injected €61.5bn in fresh capital into the sector. Last year, Spanish banks passed the pan-European stress test with flying colors. Even Bankia is back in profit, and strong enough to pay out dividends once again.

The focus of much praise - and in some circles anger - has been Spain's structural reforms, and in particular the 2012 overhaul of the labor market. Passed against the furious protests of trade unions and the opposition, the labor reform made it easier for companies to depart from collective wage deals, and cheaper to hire and fire workers. According to Madrid, the new regime gives companies more flexibility to ride out economic difficulties by adjusting salaries rather than shedding workers.



Shoppers walk across the street in Madrid, Spain

Coupled with lower wages, the reform has helped reduce unit labor costs and made Spanish companies more competitive. In contrast with previous recoveries, which were usually built on devaluing the peseta, this one is said to have delivered gains that will last for years. "Spain is a competitive country - and it will remain a competitive country," says Luis de Guindos, the economy minister.

Most studies of Spain's labor market reform share the upbeat conclusion. Rafael Domenech, an econo-

Younger Spaniards often find themselves trapped in a precarious cycle

mist at BBVA, calculates that the new regime would have saved as many as 1m jobs had its provisions been in place at the start of the crisis. The IMF, too, says "the reforms are making a difference". In its latest assessment of the Spanish economy, the fund states that "labor market reforms and moderate wage growth

have supported job creation and helped Spain regain competitiveness lost during the pre-crisis boom".

The country's recent stellar export performance is another case in point. The number of Spanish companies that sell to foreign markets has jumped by more than 50 per cent over the course of the crisis. Ex-

port volumes have risen by a third, and now account for more than 23 per cent of GDP, up from just 17 per cent in 2007.

Most economists agree that these are genuine achievements - and go a long way towards explaining why Spain is no longer seen as a problem child of the eurozone economy.

Crucially for Mr Rajoy, there is also growing evidence that the recovery is feeding through into political sentiment. After years of decline, the PP is starting to gain in the polls, and is now widely predicted

to emerge as the biggest bloc in parliament. It will no longer have an absolute majority, but should be well placed to lead the government once more. Surveys suggest that Spaniards still have a bleak view of their economic prospects, but not nearly as bleak as when Mr Rajoy took office.

In terms of swaying public opinion ahead of the December elections, Mr Rajoy's economic policies may indeed have done what they set out to achieve. What is less clear is whether Spain has done enough to keep the recovery going - and to finally start closing in on the more advanced European economies. To do so, analysts say, Spain needs to do more than just make its workforce cheaper and more flexible. It actually needs to make it more productive.

"Of course, internal devaluation works. The question is: for how long?" says José Ignacio Conde-Ruiz, an economist at the Fedea think-tank in Madrid. "The mistake the government made was to focus only on what works in the short term. But in order to solve Spain's structural problems we need to do more. We need to not just lower wages but to raise productivity."

Mr Tilford makes a similar point: "Spain requires considerably stronger productivity growth if Spanish living standards are to converge with wealthier EU countries." He argues that Spain spends too little on research and development, invests too little in education and depends too much on low-quality jobs in sectors such as tourism. For a sustained recovery, it will have to change course in all three areas, and it will have to do so while keeping a firm lid on government spending.

Spain's shocking levels of long-term unemployment - which affects more than 2.3m workers - serve as another brake on growth, as does the spread of very short-term contracts. Workers that are out of the job market for several years typically lose whatever skills they had. Workers that change jobs every few months struggle to acquire those skills in the first place.

Younger Spaniards, in particular, often find themselves trapped in a precarious cycle, dipping into and out of paid work with no hope of job security or financial stability.

Working struggles

Rafael Domenech cites boosting productivity and raising the quality of employment as the great unfinished task awaiting Spain. He points out that the average working-age Spaniard produces about 40 per cent less than his or her US counterpart, and 20 per cent less than the average worker in Europe.

"Half of this is explained by Spain's high unemployment rate, and the other half by lower productivity per hour worked," says Mr Domenech. He insists, howev-

er, that the yawning gulf is cause for hope rather than despair. If Spain can close the gap in both areas at least a little, by raising productivity and lowering unemployment, then "the potential is enormous".

Analysts and officials alike point out that the challenge facing Spain in the coming years is no less daunting than the one at the height of the crisis. To raise productivity and keep growth on track, they say the country will require a better education system, better regu-

lation and a more concerted effort to break open cushy monopolies. It will need more investment in research and development, better training of workers and a massive program to tackle long-term unemployment.

It will require, above all, a realization that the reforms pushed through by the Rajoy government, as hard as they seemed at the time, will be only the start.

"Spain has done a lot of things right these past years," says Mr Domenech. "But it is not enough."

Myanmar jade rush muddies promise of change, fuels conflict

By Esther Htusan in Myanmar

VILLAGERS in the jungles of Myanmar's northern Kachin state stand upon staggering wealth: Jade worth tens of billions of dollars. Yet they see almost none of that money, even as the precious stone is dug out from under them.

They've lost land, homes and entire communities to jade mining. The industry was worth more than USD30 billion last year according to a new estimate by Global Witness, a group which investigates misuse of resource wealth. But there is so little investment in the region that cars on the main road to the state capital need elephants to rescue them from the mud. And while big, well-connected companies rake in most of the jade, informal miners risk and often lose their lives digging for the scraps.

At one site, dozens of men balanced on a shifting hillside of dirt and rock, jabbing with metal-tipped sticks for the telltale ring of jade as a house-sized dump truck disgorged its load of earth. A basketball-sized boulder tumbled from the dump bucket and barreled down the white and gray slope. The bright-shirted jade pickers scattered in all directions, and as soon as the danger passed they were back, jabbing the dirt again.

In another corner of the 55 square miles transformed into moonscape by the jade industry, several men were buried alive in May when one of the mining-waste mountains collapsed. Photographs taken by a local man showed four corpses pulled from the dirt, streaked with dust and bloodied. They are among dozens maimed or killed in the past year.

Myanmar has changed much in the four years since a notorious military junta gave way to a nominally elected government



Freelance jade miners are seen on a jade mountain in the Hpakant area of Kachin State

and the long-isolated nation began opening up to the world. The biggest change for Hpakant, the epicenter of the jade industry in Kachin, is that the pace of mining has turned frenetic. The lifting of many sanctions by the West has made it easier for local companies to import the battalion of Caterpillar, Volvo, Komatsu and Liebherr machines that now dig and haul around the clock.

Researchers believe the dark green rocks that can be the size of giant boulders are enriching individuals and companies tied to Myanmar's former military rulers. The rapacity and industrial scale of the effort to extract jade is fueling a separatist conflict in Kachin state. And it is adding to doubts about the government's commitment to political reforms and fair economic development since ending its international isolation in 2011.

"Many people have been killed because of these huge mining companies. We hate these companies," said Kai Ra, a member

of a group that formed a year ago after there was no accountability or compensation for children and adults killed by trucks and landslides. "It's so painful to see these huge machines and whenever we see these earthmovers, we think these are murderers," she said.

In January, a landslide of unstable waste earth killed at least 30 jade pickers, according to lawmaker Kyaw Soe Lay. The tragedy barely registered beyond Hpakant and no official death toll has been announced.

Authorities carefully monitor the area, particularly prohibiting foreigners, partly because of clashes between the military and independence fighters seeking autonomy for Kachin. Apart from rains, only attacks by Kachin fighters have interrupted the mining. The Associated Press gained access to Hpakant this year, interviewing residents and recording images that show a reckless rush to cart away the area's riches.

Jade is most prized in Myanmar's giant northern neighbor China and is more valuable than most precious gems: Last year, a jade bead necklace was sold for \$27.4 million at a Sotheby's auction in Hong Kong. The Global Witness report released Friday estimates Myanmar's jade trade, official and illicit, was worth \$31 billion in 2014. That dwarfs Myanmar's famous opium poppies, estimated by the United Nations at \$340 million last year.

The group says its yearlong investigation shows the jade wealth is being divided among the over-lapping factions of the country's military, political and business elite rather than aiding

development of a country where GDP per head is about \$1,200.

No scrap of ground, no part of daily life in Hpakant is left untouched by the fleets of canary yellow trucks and backhoes that carve out the land to uncover thick jade deposits.

In the dry season, the dust is everywhere. In the rainy season, the villages flood. The small Hpakant river can't absorb the massive runoff from the denuded distorted landscape.

Jade is most prized in Myanmar's giant northern neighbor China and is more valuable than most precious gems

As children walk to a school that sits near a precipice created by mining, the machines claw at the earth just meters away.

"There are many different kinds of accidents," said Ye Tun, superintendent of Hpakant Public Hospital. "There could be landslides, stones hit the people, there could be floods," he said. "People are hit accidentally by the machines or crushed."

"It's always very often that we received those kinds of patients."

Secrecy surrounding the jade industry in Myanmar has made precise estimates of its value difficult.

Sales at officially sanctioned emporiums are in the hundreds of millions of U.S. dollars but thought by experts to represent just a fraction of production, much of which is smuggled. Harvard's Ash Centre for Democratic Governance estimated two years ago that jade sales were worth \$8 billion in 2011.

The Global Witness investigation arrived at its \$31 billion estimate for last year's production from multiple sources: Chinese import figures that show about \$12 billion of jade imported from Myanmar last year, Myanmar government production figures, industry estimates of the proportions of smuggled and officially exported jade, valuation data from official emporiums and the Ash center's estimates of the proportions of the three major grades of jade.

Sean Turnell, a Myanmar economy expert at Macquarie University in Sydney, said the magnitude of Myanmar's jade business is a "growing revelation" that adds it to gas and narcotics as a source of illicit funding for the military. He said the methodology behind the \$31 billion estimate is "more than sound."

David Dapice, a Harvard professor behind the Ash study, said \$31 billion is possible though not certain. The Chinese import figures alone make it clear "a lot of money" is involved. "Without jade, peace in Kachin state would be a lot easier," he said.

Global Witness said its investigation shows the dozens of companies mining in Hpakant are controlled by a small number of players that include the family of former dictator Than Shwe, major military owned enterprises, ministers in the current government, a drug lord and business groups that were cronies of the junta government.

"What's happening to the money is the real question," said Global Witness analyst Juman Kubba. "It certainly isn't helping the people of Myanmar or the people of Kachin state," she said.

Hkyet La Lawt, a 43-year-old who is one of the leaders of Maw Maung Layang village in Hpakant, said they had little choice but to move the entire village when mining began to encroach upon it.

"This is not only my village. This is happening in every single village," he said. "They just throw earth left and right and destroy our roads. You are going on one road and the next day it will have disappeared."

"They've destroyed everything. It's like we, the local people, are using their roads." AP



Merchants walk near jade stones displayed at annual Gems Emporium in the capital Naypyitaw

VW CEO will join Merkel on trip to China amid emissions scandal

By Christoph Rauwald

VOLKSWAGEN AG Chief Executive Officer Matthias Mueller plans to update German Chancellor Angela Merkel about the manufacturer's probe into diesel-emissions manipulation next week during a trip to China, according to people familiar with the matter.

Mueller will also meet top executives of VW's two Chinese joint ventures during the visit to discuss strategic questions, said the people, who asked not to be identified discussing internal matters. China is VW's largest market, and its two joint ventures in the country are a crucial source of profit for the manufacturer.

Volkswagen is scrambling to figure out how to fix as many as 11 million cars after admitting to installing software that tampered with their pollu-



German Chancellor Angela Merkel

tion-control systems. Repairs, fines and settlements linked to the scandal may cost more than 30 billion euros (USD33 billion), according to the Center of Automotive Management in Bergisch Gladbach, Germany.

A Volkswagen spokesman

confirmed Mueller will travel to China with Merkel, declining to elaborate on the agenda and planned talks.

China's environmental protection ministry joined the U.S., Europe and Japan earlier this month in announcing a probe

China is VW's largest market, and its two joint ventures in the country are a crucial source of profit for the manufacturer

after the emissions scandal. Diesel motors are a comparatively small business for VW in China, however, where the majority of the cars it sells are gasoline-powered.

VW plans to recall about 8.5 million cars in Europe and 480,000 in the U.S. In China only 1,950 imported diesel vehicles are affected. No vehi-

cles manufactured by VW's joint ventures with China FAW Group Corp. and SAIC Motor Corp. are involved in the recall.

The German carmaker has been in talk to lift its stake in the FAW joint venture, and Chairman Hans Dieter Poetsch has said a decision may be reached by the end of this year.

Merkel on Wednesday called on VW to provide full transparency swiftly "so that credibility can be restored."

The company suspended another top engineer, Hanno Jelden, after an internal probe showed he programmed the software used to circumvent emission tests in 2007, Bild am Sonntag reported. Jelden's was the sixth suspension to become public. The investigation also showed that former VW CEO Martin Winterkorn didn't learn about the illegal software until September, the newspaper said. **Bloomberg**

ASK THE VET

by Dr Ruan Du Toit Bester



YOUR FIRST PET TERRAPIN

WE see many reptiles every week in the hospital and most of them are here because of the wrong husbandry, keeping them in the wrong place and feeding the wrong food. Each species needs different care and lighting. Below you will find info and some answers to basic questions you need to know before you get your first terrapin.

WHAT ARE THEY?

Terrapins are a branch of small, freshwater turtles and of the 350 species of turtle that exist in the world, only one of those is the terrapin, which in turn has only seven sub-species. As a cold-blooded reptile the terrapin spends most of its time in the water, coming out only to lay eggs and bask and just like tortoises, they can hibernate in winter.

DO THEY MAKE GOOD PETS?

Many experts agree that terrapins make an excellent 'starter' pet. They live for a relatively long time compared to dogs and cats (10-20 years), they do not need to eat every day and they don't need training. They are small and don't require a lot of space, although because they can be difficult to handle they are not recommended for small children.

It is also worth checking on the breed before you buy - some grow to just 10cm in length, while others may reach 60cm!

WHERE WILL IT LIVE?

The most important purchase for your new terrapin will be its home - the terrarium/aquarium. This should be a clear glass or plastic tank designed to hold water. A good size for a pair of baby terrapins is 18" x 12" x 14" - but please be careful

- terrapins grow quickly! Remember: If you are buying more than one terrapin please make sure you take home males OR females.

The terrapinarium should be fitted with a water heater as terrapins don't like cold water - a temperature of around 27 - 29 degrees celsius is recommended and it would be worth investing in two heaters in case one breaks down. A water filter should also be fitted - this is a crucial piece of kit as terrapins can be messy. The water should also be replaced regularly and any solid waste must be removed frequently to prevent infection and odour.

A flat stone or rock must also be provided which stands out of the water. This will provide your terrapin with an area in which to bask. If you can position the terrapinarium so that this area gets some sunshine you will have a very happy terrapin! It's also worth investing in a reptile fluorescent lamp - providing some UVA/UVB light for your pet can help prevent blindness and shell deformities.

WHAT DO TERRAPINS EAT?

As omnivores, terrapins will take a variety of foods, from water snails and earthworms to fruit and vegetables. They also enjoy many types of meat such as chicken, pork or beef and fish including prawns and trout. Any meat or fish should be offered raw and in chunks small enough to be eaten whole, or nibbled on if preferred. Terrapins also love oily fish such as tuna, sardines and mackerel and the Vitamin D these foods provide will keep your pet healthy.

Your pet will also devour plant material and will eat lettuce, watercress and other



leafy vegetables as well as fruit such as apples, pears, strawberries and raspberries. Commercial terrapin foods are also available and can help ensure your pet has a balanced diet.

Supplements can also be offered to help with shell maintenance - cuttlefish and eggshells (finely ground!) are an excellent sources of calcium, while shop-bought supplements can deliver calcium and other trace elements and are convenient to feed.

KEEPING YOUR TERRAPIN HEALTHY

As we have already seen, terrapins can be messy, so it's important to regularly check your pet for any signs of ill-health.

Its eyes should be clean and bright and its shell should also be bright and free from cracks. It should move freely with no restriction to its head or limbs. The mouth should also be clean and the beak should close symmetrically. No sores or lesions should be present and the mouth should be free of odour. Any signs of discharge from the eyes, nose or mouth should be investigated by a vet.

Regularly changing the water and cleaning the terrapinarium will help keep it free of bacteria which can cause a range of conditions such as paralysis, shell rot, sores, missing digits, shedding shell and the growth of slimy membranes.

If an illness is suspected it's important to isolate the affected animal immediately and veterinary advice must be sought.

HANDLING YOUR TERRAPIN

Terrapins have a reputation for being aggressive, and being bitten by one hurts! They are one of the oldest surviving creatures on earth and are designed to be afraid of anything larger than them, which is why many people find themselves on the wrong side of that sharp beak.

Firstly, it's essential that your pet has everything it needs to stay healthy and happy, once the correct care is in place, you can begin to earn its trust. Terrapins are instinctively shy and will disappear or attack if handled incorrectly.

Hand feeding is a great way of earning your pet's trust. Once it has begun to associate you with food it may actively make its way to you when you arrive at the terrapinarium and you can try and pick it up. Do this briefly at first, and put it back after a few seconds. Also, remember to handle your terrapin gently - it's a very delicate creature. After picking it up remember to reward him with its favourite treat - after all, that's what it was expecting!

After you have handled your terrapin please remember to wash your hands thoroughly with soap and water.

Hope this helps
Till next week
Dr Ruan

Ask the Vet:
Royal Veterinary Centre
Tel: +853 28501099, +853 28523678
Fax: +853 28508001
Email: info@rvcmacau.com