

International Business News

High food prices to cut subsidies, boost production: OECD

AFP, Paris

Industrialised countries should seize the opportunity of high world food prices to cut subsidies for farm production, the OECD advises in a review of agriculture policies.

Published as the World Trade Organization gears up for an attempt to break through agriculture, subsidies and other issues blocking a world trade deal, the review says that OECD state subsidies to producers totalled 258 billion dollars or 187 billion euros last year.

State aid was running at a record low level but still accounts for nearly a quarter of all payments received by farmers in the OECD area.

Prices for many agricultural commodities reached "historically high levels in nominal terms (in 2007), although in real terms prices were considerably lower than in the 1970s," the review notes.

Nominal prices are current headline prices, whereas "real" prices remove the effect of inflation over a period.

The OECD argues that food prices have shot up in response to a coincidence of factors.

These were a rise in demand from emerging economies, increased energy prices, drought in key markets, speculative activity and the use of crops for the production of biofuels.

Taiwan adopts package for stock market

AFP, Taipei

Taiwan's cabinet has adopted an eight-point package to support the domestic stock market, which has been battered by surging oil prices and a volatile Wall Street, officials said Sunday.

The measures came amid mounting concerns that the Ma Ying-jeou administration, sworn in on May 20, was struggling to boost the sluggish domestic economy.

Failure to manage the economy was identified as one of the major factors that unseated the previous government of the pro-independence Democratic Progressive Party.

In a trip to southern Kaohsiung county Sunday, Premier Liu Chao-shui said he had ordered Vice Premier Paul Chiu to lead an ad hoc contingency group to battle the economic slowdown.

The cabinet unveiled the economic measures package near Saturday midnight following the group's first meeting.

As part of the measures, four government-controlled funds will invest in the domestic stock market, according to an official statement, with the shares of blue-chip companies particularly targeted.



A vendor attends to customers at market in Beijing yesterday. China's capital Beijing is to raise its minimum salary by 10 percent in a bid to help the worst-off cope with rising inflation.

Beijing hikes minimum wage as inflation soars

AFP, Beijing

China's capital Beijing is to raise its minimum salary by 10 percent in a bid to help the worst-off cope with rising inflation, state media said Saturday.

Beginning from July 1, the minimum monthly salary for city employees will rise from 730 to 800 yuan (106 to 116 dollars), the Xinhua news agency reported, citing city authorities.

The move is aimed at offsetting recent price increases in rice, vegetable oil and pork, an unnamed Beijing Municipal Civil Affairs Bureau official was quoted as saying.

Anger over rising prices has been a frequent source of social unrest in China.

A recent central bank survey found that 45 percent of urban Chinese believe prices are currently "too high".

China's inflation hit 7.7 percent in May, easing only slightly from 8.5 percent in April and still lingering at 12-year highs.

Australia's Fortescue joins Rio, BHP in iron ore boom

AFP, Australia

Australia's economy was once described as "riding on the sheep's back" but the fortune created by iron ore miner Fortescue Metals Group shows it is now booming as Asia's quarry.

Fortescue holds a massive 40,000 square kilometres (15,444 square miles) of Western Australia's resource-laden Pilbara -- an area larger than Taiwan -- and its roaring share price has made founder Andrew "Twiggy" Forrest the country's richest citizen.

Forrest has steered the company through a 2.5 billion dollar (2.38 billion US) investment programme to build its mine, lay its railway and ship its first exports, all in less than four years.

The former stockbroker's stake in Fortescue is now worth 12.2 billion dollars and rising, eclipsing his nearest rivals on Australia's rich list.

Forrest backed his belief that the Pilbara would allow him to become the "third force" in Australian iron ore, competing with giants BHP Billiton and Rio Tinto to shuttle millions of tonnes to the insatiable steel mills of Asia.

ENERGY

Chinese hydro-dams bring hope and fear to Cambodia

AFP, Phnom Penh

Hydropower is held up as the beacon of hope for millions of electricity-starved Cambodians, with ten planned hydro-dams set to power up their homes for the first time.

But flicking the switch comes at a price as critics say the controversial deals made with mostly Chinese companies to build the dams will create further hardship for Cambodia's poor and ruin the environment.

For window-maker Dorn Seanghor, however, the prospect of working without being plunged into darkness is appealing. In the midst of Cambodia's building boom his business should be thriving, but he is constantly frustrated.

"There's usually a blackout for six to eight hours almost every day -- one time in the morning and again in the evening," he said at his shop in the capital, Phnom Penh.

"It disturbs my business. I use a generator when the power is cut, but the price of gasoline is very high now."

Still, Dorn Seanghor is one of the luckier ones. Four-fifths of Cambodians do not have access to any electricity.

Ten dams are set to begin churning between 2010 and 2019, and once they are all operational the government says they will generate 2,045 megawatts of power, serving all Cambodia's provinces.

Government officials say six of the dams will be funded by Chinese companies, but the US-based International Rivers Network warned in a January report that these Chinese investments could threaten some of Cambodia's most precious eco-systems.

"Poorly conceived hydropower development could irreparably damage (natural) resources," the report warned.

Groups have been particularly concerned about the looming affects of Kamchay



Cambodian women have a dinner in front of a portable lamp during an electricity outage in Phnom Penh on June 17, 2008. Hydropower is held up as the beacon of hope for millions of electricity-starved Cambodians, with ten planned hydro-dams set to power up their homes for the first time. But flicking the switch comes at a price as critics say the controversial deals made with mostly Chinese companies to build the dams will create further hardship for Cambodia's poor and ruin the environment.

Dam, under construction by Sinohydro Corporation in Bokor National Park and expected to flood 2,000 hectares (4,942 acres) of protected forest.

And now environmental groups say two more projects agreed in mid-June at a cost of more than one billion dollars -- Stung Tatay by China National Heavy Machinery Corporation and Russey Chrum Krom by Michelle Corporation -- have not been properly scrutinised.

Both will be located in the country's southwestern Cardamom Protected Forest, and about 1,600 hectares

(3,953 acres) of woodland would have to be flooded or cleared to make way for the dams, the government has said.

This could destroy key animal habitats and upset the delicate eco-system.

"Cardamom is the last hot spot of conservation in Indochina," said Sam Chanthy, an environmental officer with advocacy group Forum on Cambodia.

Qian Hai, third secretary of the Chinese embassy in Phnom Penh, denied his country's companies would damage the environment.

"We just help Cambodia. All

these projects are approved by the parliament and the government," he said.

Ith Praing, Cambodia's energy secretary, insisted the government conducted careful environmental studies for all the dams.

"Outsiders always raise environmental issues, but we need electricity. We must develop our country. We must use our resources rather than buying oil," he said.

Cambodia has begun to climb back from decades of civil unrest to emerge as one of the region's fastest-growing economies.

Economic growth has aver-

aged 11 percent over the past three years, although 30 percent of the 14 million people still earn less than a dollar per day.

The government fears rocketing energy prices will scare away foreign direct investment.

"Every sector needs electric power. When we have electricity at a reasonable price, development will come along," said Ith Praing, adding the government forecasts that by 2030, 70 percent of Cambodian families will have electricity.

Opposition member of parliament Son Chhay, however, said the debate is not

simply a case of economic development versus the environment.

Poor people could be forced from their land to make way for the mega-projects, crops could be destroyed, while the environment the rural poor depend upon may be wiped out, he told AFP.

"The government just closes its eyes and lets Chinese companies do things that will cause a lot of problems in the future," Son Chhay said.

"It will not resolve poverty in Cambodia. Cambodia will lose a lot without taking into consideration the environmental consequences."

Oilfield thefts in Texas as prices boom

AFP, Texas

The wide open oilfields of West Texas are ripe pickings for thieves these days.

Some drive up to one of the thousands of pump jacks that dot the countryside and siphon crude out of the storage tanks.

Some pull up to a drill site after the crews have gone for the night and haul away tools, pipes and equipment.

Others take kickbacks, file false invoices or just plain steal knowing their bosses are too busy riding the oil boom to keep a close eye on accounting.

It's become so bad that the Federal Bureau of Investigation (FBI) is launching a joint task force to tackle oilfield theft next month.

And the lawmen who have been through the last boom and bust cycle say it is only going to get worse.

"There's oilfield theft running rampant," said Midland County Sheriff Gary Painter. "A lot of it we don't even know about because with the boom going on and people making so much money there's not time to go over every invoice."

Tracking down the stolen property is tough. Few companies take the time to brand their pipes or put microscopic tags into their oil to identify it. It also sometimes takes months before managers realize something has been stolen.

So far nobody has been foolhardy enough to try to steal from an actual pipeline. It is a lot easier, and safer, to dip into the crude in isolated, above-ground tanks.

But there have been cases of operators who bypassed the quality controls and pumped used motor oil or even water into the pipeline to mask the losses, which causes big problems for the refineries at the end of the line, Painter said.

"Thieves don't care. All they're after is the almighty dollar."

The FBI joint task force will focus on shutting down the fencing operations which deal in critical parts and clamping down on the white collar crime, said Special Agent Matt Espenshade.

"We think a lot of this theft is organizationally driven -- it's groups of 10, 12 people," Espenshade said.

-- Managers do not want to admit they have lost control -- "The case doesn't end with the guy who steals one load of pipe," he said.

"We're going to watch where that person goes when he's selling the pipe and when we take it down (the network) it'll be all the people who are involved."

There were more than 500 reported cases of oilfield theft in Texas from 2005 to 2007 and the losses came close to 78 million dollars, Espenshade said.



The photo shows oil workers on a rig in Texas. The wide open oilfields of West Texas are ripe pickings for thieves. Some drive up to one of the thousands of pump jacks that dot the countryside and siphon crude out of the storage tanks. Others take kickbacks, file false invoices or just plain steal knowing their bosses are too busy riding the oil boom to keep a close eye on accounting.

But the loss to the oil companies often goes far beyond the value of the stolen goods.

Parts are in short supply and if a key piece of equipment is stolen drilling or production can grind to a halt for days or even weeks until a replacement can be found.

"Any little hiccup in the supply and demand process has an impact on people when they get to the pump," Espenshade said.

And with parts in such short supply, there's a great deal of temptation to buy from less than reputable dealers, said Al Mitchell, manager of investi-

gations for David H. Arrington Oil and Gas.

"This thing is running so wide open, they're making so much money, the (hired) hand situation is so critical," Mitchell said. "They've got all they can say grace over just keeping the operations together."

A former Texas Ranger who got into private oilfield security in 1978, Mitchell thinks the bulk of the thefts have not yet been reported because -- just like last time around -- managers do not want to admit they have lost control.

And a lot of companies, though not Mitchell's, would rather just fire a thief than go through the trouble of prosecution.

"Maybe we're getting 20 percent of the crime reported. It might be closer to 10," he said in an interview in his Midland, Texas office.

"There's coming a time when the young management people are not going to be able to not report these crimes. The floodgates are about to open again."

Back in the boom of the late 1970s and early 1980s equipment theft got so bad that night watchmen had to be posted at drilling sites and that may have to happen again, Mitchell said.

But with more than 150,000 oil wells scattered across Texas, it's just not possible to protect every pump jack. And theft is a problem that won't go away when the boom goes bust.

"Way back when I first became a Ranger, crude oil was three dollars a barrel and we had crude theft," Mitchell said.

"It's almost impossible to catch every thief that steals a piece of pig iron. What we can do is try to lessen the impact."