International Business News

China hikes rice price to boost output

AFP, *Beijing*

China has boosted the price it pays for rice by up to 10 percent this year to encourage farmers to plant more and increase production, state media said Sunday.

China's economic planning agency set the minimum purchase price for short grain rice at 105 yuan (about 15 dollars) for every 50 kilograms, a 10.5 percent rise over last year, the People's Daily said.

The lowest price to be paid by state granaries for long grain rice was increased by 5.4 percent, the paper said, citing the National Development and Reform Agency.

China's rice farmers are required to sell a certain proportion of their harvest to state granaries at set prices, while the rest is sold on open markets where prices for the main staple tend to be higher.

"The price adjustments are aimed at prompting farmers to plant more rice and to increase grain production," the paper said, adding that the price rises would also raise rural incomes.

China's consumer price index, the main gauge of inflation, rose 1.5 percent in January compared with the same month a year earlier, driven mainly by food prices which were 3.7 percent higher.

Hong Kong police probe takeover bid for telecom giant

AFP, *Hong Kong*

Hong Kong police are probing tycoon Richard Li over his failed bid to buy out telecommunications giant PCCW, a legal source and press reports said Sunday.

Investigators last week raided several homes and offices in a bid to collect evidence following a court ruling last year that a shareholder vote on the controversial deal was rigged, the source told AFP on condition of anonymity.

Police searched the offices and three homes of of Li, the chairman of PCCW and the son of Hong Kong's richest man Li Ka-shing, local newspapers reported.

The long-running saga has gripped the financial hub as it pits one of the city's wealthiest families against company shareholders and Hong Kong's market watchdog the Securities and Futures Commission (SFC).

PCCW, Hong Kong's largest telecoms company, declined to comment.

"We do not comment on market rumours, and we do not comment on (their) accuracy or otherwise," spokeswoman Anita Choi told AFP.

AFP

A Thai woman works at a white lime factory in Yala province on Saturday. Thai exports grew at their fastest rate for 18 months in January because of a recovery in the kingdom's main markets, the commerce minister said.

Malaysia's Penang state bids farewell to Victorian railway

AFP, *Kuala Lumpur*

After years of breakdowns and stranded tourists, Malaysia's island resort of Penang bid farewell to its rickety Victorian funicular railway Sunday.

"It's sad that we have to call it a day for the old funicular but the two kilometres of tracks are very worn out and so are the coaches," state transportation committee head Lim Hock Seng told AFP.

"They all need replacing," he said.

Work on the inclined railway began in 1897 but took 26 years to complete, with its first coaches made of wood and steel. Its replacement is slated to be built in around seven months and will open in October.

Lim said that the railway has taken several million tourists to the summit of 830 metre (0.51 mile) high Penang hill in its 87-year existence.

However, equipment failure caused it to shut down for eight months in 2003 with sporadic closures after that due to a difficulty in finding spare parts for the old system.

IMF restores Zimbabwe's voting rights

AFP, *Washington*

The International Monetary Fund on Friday restored Zimbabwe's voting rights after a suspension of nearly seven years over financial arrears, but said the country remained ineligible for loans.

The IMF said its executive board decided Friday "to restore Zimbabwe's voting and related rights, and its eligibility to use resources from the IMF's General Resources Account."

The action followed a request from Zimbabwe's government, the IMF said.

However, the IMF noted, Zimbabwe will not be able to use resources from the fund's GRA or the Poverty Reduction and Growth Trust "until it fully settles its arrears to the PRGT" of about 140 million dollars.

CAPITAL MARKET

Stock frenzy raises jitters

AFP, *Dhaka*

In a run-down office in downtown Dhaka, investor Mizanur Rahman has just spent his life savings of 3,000 dollars on shares despite knowing nothing about market fundamentals.

Everyone in this unofficial trading room, one of hundreds across the country, is glued to a screen showing share price movements on the Dhaka Stock Exchange -- up nearly 30 percent since January.

"My friends make hefty profits investing in stocks and told me I could make Tk 20,000 per month by investing Tk 200,000 ($3,000)," said Rahman, a 30-year-old electrician who returned from working in Singapore last week.

"Some people have said the market could crash any time, but I've been hearing about this for years. In reality, it's going up and up," he said.

Rahman is one of 143,000 people who opened electronic share accounts country-wide in the first two weeks of February. The figure has officials predicting this month will break the previous record, set in October 2007, of 191,000 new accounts.

But like the majority of Bangladesh's new part-time traders, Rahman has no idea what the bourse's largest listing or best performers are, what the quarterly or annual profits of key firms are, or whether a stock is overpriced.

Officials say such blind enthusiasm by retail investors has fuelled a dangerous uptrend on Bangladesh's main bourse -- the general index hit a record high of 5,828.38 points this week, up 28.5 percent since the start of the year.

This year record-breaking highs have become a daily occurrence on the Dhaka Stock Exchange as investors overlook a series of curbs and warnings by regulators, who are concerned a crash could wipe out savings.

"The market is dangerously overheated with the daily infusions of liquidity by new retail investors who have barely any idea about the fundamentals of the market," the Securities and Exchange Commission (SEC) Executive Director Anwarul Kabir Bhuiyan told the news agency.

"We could see a massive correction anytime."

He said the SEC had restricted borrowing to fund trading of shares in scores of companies, placed many stocks on watch and dished out repeated warnings.

"What can we do if people don't heed our warnings? We've even received threatening phone calls telling us not to act against this bull-run," Bhuiyan said.

In November 1996, wild speculation and lax regulations sent Dhaka stocks soaring to 3,600 points before a crash took them to 700 points, wiping out thousands of families' savings and slowing economic growth the following year.

On Thursday, in response to recent surges in the price of shares for two key listed companies, including Grameenphone Ltd, the SEC placed restrictions on both, effective from Monday.

The move saw share prices for Grameenphone drop around 6.0 percent by close Thursday, but experts say the new curbs will not halt the bull-run.

"The market is going up and up, defying all logic -- this is driven entirely by rumour," said Reaz Islam of LR Global, a New York-based fund manager.

"Real economic growth has slowed down and the fundamentals of the economy are not that strong," he said, adding that the market was "heavily overvalued" and that he expected a 20-percent correction to come at any time.

Cash from remittances -- some 10.5 billion dollars last year -- and a government amnesty, which allows untaxed cash, to be invested in the bourse have fuelled the bubble, said Yawer Sayeed, managing director of AIMS, an asset management company.

"New investors are being lured by brokers from rural towns to feed the frenzy," he said.

"A massive correction has become long overdue. There is a very strong chance we'll have a crash, and if this happens it will destroy the lives of hundreds of thousands of people, and the scale of devastation will be worse than 1996."

The legacy of that crash lives on for Khairul Alam, a 40-year-old government clerk who invested his father's entire pension of one million taka into stocks, only to see it vanish within a month.

AFP/FILE

Pedestrians walk past Dhaka Stock Exchange. Experts say blind enthusiasm by retail investors has fuelled a dangerous uptrend on the bourse.

FOOD SECURITY

Indonesia aims to be world's breadbasket

AFP, *Jakarta*

Following Brazil's trail, Indonesia is encouraging foreign and local investors to lease huge swathes of fertile countryside and help make the country a major food producer.

"Feed Indonesia, then feed the world," was the recent call from President Susilo Bambang Yudhoyono after the government announced plans to fast-track development of vast agricultural estates in remote areas like Papua and Borneo.

Between now and 2030 Indonesia expects to become one of the world's biggest producers of rice, maize, sugar, coffee, shrimp, meats and palm oil, senior agriculture ministry official Hilman Manan said.

The world's fourth most populous country, with 235 million people, Indonesia has been self-sufficient in rice since 2008 and is already the top producer of palm oil.

"If everything goes well, Indonesia should be able to be self-sufficient in five years. And then it can start to feed the world," said Sony Heru Priyanto, an expert at Satya Wacana Christian University.

The first area targeted for development is 1.6 million hectares (3.95 million acres) in the southeast of the largely undeveloped province of Papua, around the town of Merauke.

The Merauke Integrated Food and Energy Estate will, the government hopes, create thousands of jobs and turn an impoverished and neglected corner of the Indonesian archipelago into a hive of activity.

"We chose Merauke because it's the ideal place for food crop cultivation, such as rice, corn, soybean and sugar cane. Merauke district has 4.5 million hectares of land; 2.5 million hectares are ideal for cultivation," Manan said.

"The area is flat and has a good climate. Its soil is appropriate for those crops. Sumatra is already congested with other plantations, such as palm oil, and Kalimantan is already full of mining areas and many plantation areas also."

He said Merauke's population of some 175,000 people could rocket to 800,000 if the plan takes off.

Foreigners will be able to control a maximum of 49 percent of any investing company, and will be offered incentives like tax breaks and reductions in customs and excise duties.

"In order to avoid any forms of monopolies or land grabbing, we're limiting each company to a maximum of 10,000 hectares of land," Manan said, stressing that the government was selling land use rights, not the land itself.

He said interest had come from Japan, South Korea and the Middle East.

But analysts said the region's biggest advantage -- expanses of "empty" land -- was also the main obstacle: the project will require up to five billion dollars in infrastructure investments, from a new port to roads and runways.

And there is opposition from small-scale farmers who say their traditional livelihoods could be threatened by the large-scale commercialization of agriculture.

"We reject the concept of the food estate. For us, food estates are another kind of land grabbing scheme. It's like going back to the era of feudalism," Indonesian Farmers Union official Kartini Samon said.

"The regular farmers' land will be taken by big companies and the farmers will be left with nothing," she said.

Such worries are well known in other countries with similar schemes, such as Brazil and Madagascar, where there is deep suspicion about food and bio-fuel companies monopolising agricultural land.

There are also fears for the rights of indigenous Papuans, an ethnic-Melanesian minority who have long complained that their traditional lands are being unjustly exploited by outsiders.

AFP

A Papuan farmer attends to his vegetables in Timika, in the eastern Indonesian province of Papua, on Thursday. The country aims to become a major food producer, offering hundreds of thousands of hectares of rice paddies and fields to domestic and foreign investors.