

# CO2 Trading Will Breathe Life Into Markets

**LONDON, Nov. 14--** Trading in quotas of carbon dioxide (CO2) emissions, to officially begin on the world's first carbon market in the new year, promises to be lucrative for a number of financial institutions, experts say, AFP reported.

Some 2.3 million tons of the gas exchanged

hands in October on the informal CO2 futures market, as much as the first nine months of the year, according to Point Carbon, a provider of independent analysis on the trading of greenhouse gases.

"The market has been growing very quickly since the summer," said Atle Christiansen, a

director of Point Carbon.

The European carbon market, to begin trading officially in January, is one of three incentives under the UN pact aimed at easing companies' costs of reducing CO2 pollution, the main culprit for global warming.

The Kyoto Protocol

requires three dozen industrialized countries to reduce or stabilize their emissions of CO2 and five other greenhouse gases between 2008 and 2012 relative to their 1990 levels.

EU nations agreed overall to an eight-percent cut in emissions while the bloc's governments have set individual

emissions targets for 12,000 installations.

A company that works hard to keep emissions low can sell their unused quotas on the carbon market to a firm requiring additional limits to avoid financial penalties for overshooting set targets.

Currently on the unofficial carbon market,

one ton of CO2 trades for an average price of 8.5 euros (\$11), according to James Emanuel, a director for brokerage firm Evolution Markets.

"But the price is fluctuating quite widely," he said. "The lowest is 5.0 euros and it's been as high as 13.4" since informal trading began in February 2003.

The European Commission has said it has no view on what the price of allowances should be. "The price will be a function of supply and demand as in any other free market," it says on its website.

Analysts forecast a market worth 50 billion euros during the 2005-07 contract period, with

5.0 billion tons of CO2 being traded at an average price of 10 euros a ton. It could even go higher, according to experts.

"The allowances are going to be traded probably on multiple occasions, so the market will probably be a multiple" of 50 billion euros, Emanuel said.

## Japanese Firms Plan Clean Development Mechanism

**TOKYO, Nov. 14--** About 35 major Japanese firms will set up a fund to gain rights to greenhouse gas emissions by reducing the levels of global warming gases in developing countries, a press report said Sunday, AFP reported.

They will take advantage of an arrangement under the Kyoto Protocol, a UN pact on global warming, that accords emissions rights to countries and firms in return for their help in reducing greenhouse gases in developing countries.

The fund will be established on December 1 with these companies and two state-run financial institutions investing some \$140 million, the major newspaper Mainichi Shimbun said.

The companies include Toyota Motor Corp., Sony Corp., Tokyo Electric Power Co., Mitsubishi Corp. and other giants in the power utility, petroleum, machinery, steel, cement, gas and trading sectors, the report said. The Japan Bank for International Cooperation and the Development Bank of Japan are also partners in the fund.

The emission rights, obtained under the Kyoto Protocol arrangement known as the Clean Development Mechanism, are allotted to the fund partners in proportion to the amounts of their investments, Mainichi said. Four projects have been initially stud-

ied by the fund, the report said. They include construction of plants for wind power generation in the Middle East and Africa, construction of facilities to collect and reuse methane gas from garbage dumps in Central and South America, and a project to collect and reuse methane gas from coal mines in Asia.

The fund, which will expire in 2014, aims to gain rights to 15 million tons of carbon dioxide, which accounted for 1.1 percent of domestic emissions in Japan in 2003, the report said.

Another daily said that trading house Sumitomo Corp. and two other Japanese firms planned to earn greenhouse gas emissions rights by collecting methane gas generated at Chinese coal mines and using it to produce electricity.

Sumitomo will work on the project with Chugoku Electric Power Co. and Niigata Power Systems Co., a subsidiary of Ishikawajima-Harima Heavy Industries Co., the leading business newspaper Nihon Keizai reported.

They are expected to become the first Japanese companies to launch a program in China under the Clean Development Mechanism, the report said. The project is expected to begin after it wins approval from the United Nations and the governments of Japan and China.

## Congo Condemns Illegal Diamond Trade

**BRAZZAVILLE, Congo, Nov. 14--** A Congolese government minister delivered an impassioned condemnation of the illegal traffic in diamonds Saturday, saying it damaged the economies of central African countries and fostered bad relations, AFP reported.

"The precious stone (diamonds) laughs at our respective legislation and borders, runs, gallops, flies, handicaps our economies and arouses absurd rivalries with unimaginable consequences," Congolese Mines and Energy Philippe Mvouo said in Brazzaville.

He was speaking at a meeting of experts called to harmonize policies

aimed at combatting the illegal trade in diamonds in the countries of central Africa that produce them.

Mvouo said that to end the traffic "only the spirit cultivated by the Economic Community of Central African States (CEEAC) will help overcome suspicion, mistrust, prejudice and rejection of others."

He called for CEEAC to set up a link with the Kimberley process which bans trading in diamonds from countries where there is conflict or in stones that might help finance war.

The experts, from Angola, the Central African Republic, Congo and the Democratic Republic of Congo, are charged with preparing a

meeting of mines ministers from their respective countries due to take place in Brazzaville on Monday and Tuesday.

Congo was denied membership of the Kimberley process in July because it could not explain the difference between its declared production of 50,000 carats and its exports, estimated at between three and five million carats.

The Brazzaville meeting takes place as diamond industry leaders meet for two days in Antwerp, Belgium to find ways to improve the industry's image, badly tarnished by the trade in illegal or blood diamonds.

"For the diamond to maintain its status as a



Illegal diamond traffic damages the economies of central African countries.

sought-after luxury product, the consumer must continue to consider it both unique and rare," said Peter Meets, head of the Diamond High Council. "Those are qualities that can be found primarily in natural stones," he added.

Every year Antwerp, Belgium's second city, sees some 80 percent of the world's uncut diamonds pass through its workshops and dealing rooms, and more than 50 percent of the global supply of cut diamonds.

## EU Mulling Options to Counter Euro's Surge

**BRUSSELS, Belgium, Nov. 14--** Finance ministers from the 12-nation eurozone met Monday for talks clouded by the euro's record surge against the US dollar, which is adding to high oil prices in threatening Europe's fragile recovery, AFP reported.

Some sources suggest they could issue a declaration aimed at curbing the euro's rise, which saw it surge above the symbolic 1.30 dollar mark last week, although they may hold off on such a statement.

"Several ministers are concerned about the very high level of the single currency and the situation on exchange markets, in particular the Asian dimension," said one EU source.

Ministers are gathering amid signs that the appreciation of the euro is starting to eat into growth, already threatened by surging world oil prices in recent months.

Provisional figures from EU statistics office Eurostat showed eurozone GDP was up a mere 0.3 percent in the third quarter from the second quarter.

Italy's Domenico Siniscalco earlier claimed that "a coordinated intervention is being talked about again," while his boss Silvio Berlusconi warned that eurozone growth "won't get any better unless there is a supranational intervention that alters the euro's value".

Equally, German economics minister Wolfgang Clement has called on the ECB "to do its part to calm the situation".

For all the mounting political pressure for ECB intervention, EU sources were wary of predicting the outcome of Monday's talks. "What is possible... is that there will be a declaration on the euro," one source said.

The Asian angle on the euro's rise against the dollar is also causing concern in Europe. EU monetary affairs commissioner Joaquin Almunia warned last week that the undervaluation of China's currency--which is pegged to the greenback--was an economic headache for Europe. "The fixed exchange rate between the US dollar and the renminbi (yuan) is cre-



Finance ministers from the 12-nation eurozone are to meet for talks clouded by the euro's record surge against the US dollar, which is adding to high oil prices in threatening Europe's fragile recovery. (AFP Photo)

ating problems... We have to remind some Asian countries that they have to create more flexible exchange rates," the Spanish commissioner said. Foreign critics have long argued that the yuan's decade-old peg to the dollar has now left the Chinese currency seriously undervalued, giving Chinese exporters an unfair advantage in global markets.

## WORLD News In Brief

### Landmark Conference

**NAIROBI--**An unprecedented UN-organized international conference aimed at stabilizing Africa's powderkeg Great Lakes region is due to start Monday in Tanzania's economic capital, Dar es Salaam.

### Computer Sales Up

**SINGAPORE--** Computer sales in the Asia-Pacific region outside Japan increased almost 10 percent to 8.5 million units in the September quarter, boosted by exceptionally strong orders in India, an industry report said.

### No Capital Tie-up

**PARIS--**Peugeot of France denied a report from Tokyo that it was in talks with scandal-hit Japanese automaker Mitsubishi Motors over a comprehensive alliance that includes a capital tie-up.

### FTAA Talks

**MEXICO CITY--**A Mexican official said his government supports the establishment of the Free Trade Area of the Americas (FTAA) and looks forward to the resumption of talks between the United States and Brazil, the co-presidents of the FTAA coordinating committee.

## Germany in Favor Of Minimum Wage

**BERLIN, Nov. 14--**Germany's ruling Social Democrats (SPD) and trade unions are in favor of introducing a national minimum wage and could make their position officially known later this month, German media reported on Saturday, AFP reported.

"The party and the unions are agreed on the principle that it is right to introduce a minimum wage set by the law," senior SPD official Andrea Nahles told the Berliner Zeitung.

"The party is waiting to see what the unions propose on a case by case basis," she added.

According to union sources, Chancellor Gerhard Schroeder's party is due to make a joint announcement with union leaders on the introduction of a minimum wage during a congress of trade unions on November 29.

Although the sources said that a minimum wage would not be brought in before the next general election in 2006, and that the unions could rally behind the SPD if it makes the minimum wage a campaign issue.

Germany's unions remain divided on the issue. The services union, Ver.di, is calling for a single minimum wage across all sectors, while the metal workers union IG Metall argues that wages should be set branch by branch.

The ruling coalition of Social Democrats and Greens started floating the idea of a minimum wage in recent months, following a groundswell of popular opposition to the government's labor market and social security reforms.

Under the current system, wages and working hours are generally set sector by sector through negotiations between management and staff representatives, without involvement by the state.

## ZURICH, Switzerland, Nov. 14--

More and more Swiss insurers are responding to the spiraling cost of health care in Switzerland by encouraging their clients to take advantage of cheaper treatment in neighboring European countries, AFP reported.

The country's second largest health insurance firm, CSS, recently recommended that patients--especially those living near Germany--cross the border to recover in a clinic after an operation.

Although Swiss clinics and hospitals have carved

## Swiss Patients Sent Abroad to Cut Costs

out a worldwide reputation for quality medical care, the treatment they offer can cost up to three times as much as in other west European countries, according to insurers.

Authorities have struggled to control huge annual hikes in compulsory private health insurance premiums since legislation was revised eight years ago.

Insurers claim the treatment costs they are footing in Switzerland's highly segmented health care market--hospitals are organized differently in each of the country's 23

cantons--are still going up. A survey by the Swiss newspaper NZZ am Sonntag found that two weeks of semi-private care following orthopedic surgery cost 7,200 Swiss francs (4,650 euros, \$6,110) in a northern Swiss clinic and 2,600 Swiss francs only a few miles across the border in Germany.

The cost difference is such that some insurers are ready to pay the bill for a relative to join the patient during their stay in a convalescence home in southern Germany.

Insurer Helsana said it

regularly interviewed patients once they return to Switzerland to see if they were happy with the care they received abroad.

"So far our clients have been enthusiastic about the quality of the treatment," said Helsana spokesman Christian Buesch.

The Waldeck clinic in Bad Durrheim, in southern Germany, takes patients who are insured with Helsana and another Swiss insurer, Swica.

Some insurers are examining if it is worth taking the cost-cutting scheme a stage further, by sending

patients to hospitals abroad for surgery.

A heart bypass operation can cost 30,000 Swiss francs (20,000 euros) less, abroad, according to CSS.

Some Swiss, who have to foot the first few hundred Swiss francs of their annual medical bills under standard insurance

excess payment, are already used to buying their medicine abroad.

Prices for some common household drugs can be up to 28 percent cheaper in neighboring France, according to a survey commissioned by Swica.

## Chile Boasts Asian Economy

**SANTIAGO, Chile, Nov. 14--** Chile, host of the 21-member Asia-Pacific Economic Cooperation forum's November 20-21 summit, has applied the lessons of the "Asian Tigers"--market economics and lots of exports--more than any other country in Latin America, AFP reported.

In the summit, Chile hopes to build on its accomplishments by further prising open the tastiest markets of all--in Asia.

"The Pacific is the ocean of the future. That is where the world's biggest trade deals are. That is where the fastest-growing economies are. The Pacific is the future for Chile," President Ricardo Lagos said a few days ahead of the summit.

APEC's 21 Pacific Rim economies, including the United States, Japan, China and Russia, account for 56 percent of world economic out-

put and 47 percent of world trade.

Since the second half of the 1980s, Chile has sustained solid growth, interrupted only in 1999 by the shock of the Asian crisis. Gross domestic product is expected to grow 5.5 percent this year, and inflation is set to be tame at about three percent. Strict budgetary discipline has helped. So has free trade.

Chilean exports, which this year should reach \$30 billion, generate nearly 60 percent of economic activity. Exports are split roughly three between the Americas, Europe and Asia. But the Chilean authorities are greedy to expand trade with Asia, the region with the fastest-growing economies of the world.

Chile has already signed a string of free trade agreements, first with Mexico and Canada, then the European Union, United States, and South Korea. Chile would also like to impress

APEC partners by launching negotiations for a free-trade agreement with China, now Chile's third-largest customer after the United States and Japan.

The program of economic liberalization offers Chile the promise of becoming a developed country within 15 years, with annual growth rates of 5.5 percent, Economist Minister Nicolas Eyzaguirre has forecast.

By 2020, per capita annual income could soar to \$20,000 from \$5,000, putting it in the same category as Spain or Greece, he says.

Already, organizers of one of the foremost capitalists' clubs, the Davos Forum, class Chile as being among the most competitive countries in the world, ranking it 22nd in a recent study, far in front of other Latin American countries, with Mexico at 48th, Uruguay 54th, Brazil 57th and Argentina 74th.

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Managing Director: Mohammad T. Roghanian

Executive Editor: Amin Sabooni

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Fax: 8761869

Subscription Dept. Tel: 8415866

Fax: 8417715

Advertising Dept. Phone: 8753119, 8757702, 8733764

Internet Add: <http://www.iran-daily.com>

E-mail Add: [iran-daily@iran-daily.com](mailto:iran-daily@iran-daily.com)

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