

Economic Growth Provides Little for Poorest Nations

GENEVA, July 21--Snowballing urbanization and economic growth in the world's poorest nations are creating too few opportunities for their citizens, leaving them vulnerable in the face of competitive and increasingly open world markets, a UN study warned.

The UN Conference on Trade and Development (UNCTAD) said that unless the world's 50 least developed countries (LDCs), three-quarters of which are in Africa,

were able to meet the job-creation challenge, then there would be increased pressure for migration to industrialized nations, AFP said.

Without sustained efforts to build up productivity in the LDCs, there would also be an increased risk of humanitarian crises and even civil conflict, UNCTAD said.

Agriculture accounted for 70 percent of the labor force in LDCs in 2000-2003, but overall, the decade 2000-2010

will be the first in which the economically active non-farming population is forecast to grow faster than its rural counterpart. Most LDCs have simply been unable to generate enough productive, off-farm jobs to escape the poverty trap, said UNCTAD.

"There is a need to translate growth into jobs and poverty reduction," said UNCTAD chief Supachai Panichpakdi.

The economies of the LDCs, most of which

have undertaken rapid trade liberalisation, grew by an average of 5.9 percent in 2004, the year for which the most recent data is available, said UNCTAD. The rate was the highest in two decades.

The increase was associated with a doubling of aid from rich countries between 1999 and 2004. Also crucial were high demand for the LDCs oil and other natural resources, record merchandise exports in 2004 of 57 billion dollars--a

near-fivefold increase on the previous year--and a record 10.7 billion in private foreign investment.

But progress was uneven.

Four oil-exporting LDCs -- Angola, Equatorial Guinea, Sudan and Yemen--accounted for more than half of the export increase.

The four countries, plus the oil nations of Chad and Mauritania, also drew 70 percent of foreign investment, UNCTAD noted.

First US Charges Over Stock-Options Scandal

SAN FRANCISCO, USA, July 21--Prosecutors filed the first criminal charges in a scandal roiling a host of companies accused of bloating stock option awards to top executives.

Prosecutors in San Francisco alleged that Gregory Reyes, the former chief executive of telecommunications equipment group Brocade, and its ex-vice president Stephanie Jensen back-dated options to take advantage of higher stock values, AFP reported.

"The criminal charges filed today allege that this back-dating scheme contributed to the restatements of hundreds of millions of dollars of Brocade's financial results," US Attorney Kevin Ryan said.

"It is integral to the public trust in our financial markets that books and records are maintained honestly, and that the true financial condition of public companies is disclosed accurately," he said.

Back-dating the grant date allows options recipient a larger profit.

The practice was apparently rife at technology companies that fiercely competed for top engineers and other talent, especially during the US "dot-com boom" in the 1990s, according to Ryan.

A stock-option backdating scheme was carried out at Brocade for four years ending in 2004, US Securities and Exchange Commission (SEC) chairman Christopher Cox said at a press conference in San Francisco.

The tactic dented out illicit rewards to hundreds of employees and inflated Brocade's earnings by more than a billion dollars in one year alone, according to Cox.

"It strikes at the heart of confidence in financial markets and deceives share holders," Cox said of stock-option backdating. "It is poisonous to an efficient marketplace."

Ongoing SEC investigations into reports of the practice at more than 80 companies nationwide is expected "to lead to more enforcement actions in the coming weeks and months," Cox said.

Oil Prices Drop Mideast Crisis Worries

SINGAPORE, July 21--Crude oil prices fell Friday following comments by the US Federal Reserve chief that surging energy prices are crimping growth even as they push up inflation, and that oil demand was decreasing, AP reported.

Light, sweet crude for September delivery dipped 22 cents to \$74.05 a barrel in electronic trading on the New York Mercantile Exchange. The contract lost 50 cents to settle at \$74.27 a barrel in the previous session.

The August crude contract, which expired

Thursday, rose 42 cents to settle at \$73.08 a barrel in New York floor trade.

Gasoline futures Friday dropped 0.12 cent to \$2.2465 a gallon while heating oil prices rose marginally to \$1.9365 a gallon. Natural gas futures lost 14.9 cents to \$5.942 per 1,000 cubic feet.

Federal Reserve Chairman Ben Bernanke said Thursday "the increase in energy prices is clearly making the economy worse off both in terms of real activity and in terms of inflation. There is no question about it."

If oil prices were to rise another \$10 or \$15 a barrel, there would be "significant consequences" for the economy, he added. He said high energy prices are already hurting the economy, "in terms of real activity and in terms of inflation."

"We are seeing some reduction in demand for oil, perhaps less than we would

like," said Bernanke, speaking before the House Financial Services Committee.

The sudden eruption of fighting between Zionist regime of Israel and militants in Lebanon last week lifted crude futures to a record \$78.40 last Friday, on fears that the fighting would escalate into a regional war and disrupt supplies.

While oil prices have receded from recent highs after data showed that US petroleum inventories grew across the board last week, worries about the Middle East crisis linger.

"It is difficult to construct an argument for lower prices as long as the situation in the Middle East persists. It still has the potential to mutate into an uglier and uglier state of affairs with each passing day," wrote Fimat USA broker Mike Fitzpatrick in a research note.

Mad Cow Pullback Won't Affect Japan Beef Move



Japanese customers check meat packs at a Tokyo meat shop, May 19. (AFP File Photo)

TOKYO, July 21--Japan's decision on reopening its market to US beef will not be affected by the U.S. decision to reduce its mad cow testing program, although Tokyo still wants Washington not to do so, Agriculture Minister Shoichi Nakagawa said on Friday, Reuters said.

US Agriculture Secretary Mike Johanns said on Thursday the United States would scale down its mad cow surveillance program by 90 percent to reflect a smaller presence of the disease in the country.

The move came despite a warning from Japan that Japanese consumers, already wary of eating U.S. beef due to mad cow fears, will become even more concerned if the United States goes ahead with a plan to cut back on its mad cow testing.

"It will not have a direct impact on our procedures," Nakagawa told reporters when asked if the U.S. reduction of mad cow testing would affect Japan's decision on U.S. beef imports.

Japan is expected to lift a ban on US beef as early as next week, in line with a June agreement between the two governments that U.S. beef shipments to Japan would restart after Japan inspects US beef processing plants to confirm they operate in compliance with Japan's safety requirements.

Japanese inspectors have been in the United States since June 24, checking each of the 35 US beef processing plants authorized by the U.S. government as suppliers to Japan. They are set to end their mission later on Friday after meeting with U.S. government officials.

Mercosur Trade Summit Opens

CORDOBA, Argentina, July 21--Cuba leader Fidel Castro arrived at a Mercosur trade summit, with his ally, Venezuelan President Hugo Chavez, attending as a member for the first time.

Castro, nearly 80, appeared in an olive military uniform at the door of a Cubana airliner.

Chavez arrived earlier at Argentina's second-largest city in the Andes foothills promising that "Mercosur will enter a new phase" raising "the banner of social concerns".

With all five Mercosur presidents politically left of center, the political moment "could not be more favorable for Castro's visit," an Argentine diplomat told AFP before the Cuban president's arrival was confirmed.

Castro, who turns 80 on August 13, rarely travels outside of Cuba. Cuba is not a Mercosur member, but he is expected to sign an agreement easing trade with the South American free-trade zone.

Chavez joined the presidents of Mercosur's founding members--Argentina's Nestor Kirchner, Brazil's Luiz Inacio Lula Da Silva, Paraguay's Nicanor Duarte and Uruguay's Tabare Vazquez--along with Chavez, Michelle

Bachelet of Chile and Evo Morales of Bolivia, leaders of Mercosur's associate members.

Mexican Foreign Minister Ernesto Derbez will also attend as an observer.

Castro last traveled to Argentina in 2003 for Kirchner's presidential inauguration. At the time he was the keynote speaker at a vast rally at the law faculty at the University of Buenos Aires.

Leftist militants here in Cordoba, some 600 kilometers (375 miles) northwest of Buenos Aires, plan a rally at the local university headlining Chavez, Morales and possibly Kirchner. They now hope that Castro will join the speakers.

But Castro's presence, still larger than life in Latin America, threatens to eclipse what was supposed to be the main event, Venezuela's first-time summit appearance as a full member.

Venezuela is the world's eighth largest oil producer and fifth largest oil exporter. It became the fifth Mercosur member at a special July 4 summit.

With its new member, the bloc now has a total population of more than 250 million people, a gross regional product of over one trillion dollars and regional trade surpassing 300 billion dollars.

WORLD News In Brief Capital Alliance

TOKYO--Carlos Ghosn, head of Nissan Motor Co. and Renault SA, said on Friday that a capital alliance with General Motors Corp. was not a precondition to any tie-up with the US automaker, adding that the issue was not discussed with the GM team last week.

Microsoft Profit

SEATTLE--For Microsoft Corp., it was likely a relief to end its fiscal year on a more positive note. After startling investors in the fiscal third quarter when it disclosed plans to seriously boost spending, the company on Thursday topped Wall Street estimates for its fiscal fourth quarter and announced plans to repurchase at least \$20 billion worth of shares.

ADB Loan

MANILA--The Asian Development Bank (ADB) said Friday it will lend \$75 million to the private sector in Kazakhstan to help boost financing for small- and medium-sized enterprises.

Notification

TOKYO--Japan's transport ministry on Friday instructed Toyota Motor Corp to improve its system for responding to faulty vehicles following police allegations of a defect cover-up.

Air France-KLM Under Investigation

PARIS, July 21--Airline group Air France-KLM has been put under investigation by a French financial judge as part of a broadening probe into money laundering and illegal employment practices at a bankrupt airline security group, the company's lawyer said.

Under French law, a company can be treated as a legal entity and found responsible for crimes that a judge is unable to attribute to individuals, AFP reported.

Placing a person or company under investigation is the first step to laying charges, but Air France-KLM lawyer Jean-Rene Farthouat said the group would make an appeal, saying the investigation was "founded on no serious basis."

The legal director of Air France-KLM Jean-Marc Bardy appeared for three hours before judge Herve Lourau as the representative of Air France-KLM on Thursday, Farthouat said.

The group has been put under investigation for alleged complicity in the illegal use of company property and illegal employment practices in relation to the bankruptcy of airline security group Pretory.

Air France-KLM "is suspected of having known that the company Pretory was not respecting the legal provisions and as a result was making unwarranted money for itself," said Farthouat.

Air France-KLM could later be put under investigation for organized money laundering.

The judge is investigating contracts between Air France and Pretory for the supply of on-board security agents for flights going to the United States in the wake of the September 11, 2001 attacks.

Pretory's turnover increased sharply as a result of the contracts and the group had 600 employees at one point before being placed under bankruptcy administration for liquidation of its assets in December 2003.

A judicial investigation was launched after a government agency tracking money laundering uncovered suspicious transfers linked to Pretory of 10 million euros (12.7 million dollars).

Air France-KLM chief executive Jean-Cyril Spinetta met judge Lourau on Tuesday but was not put under investigation.

Lourau is looking into how Pretory could have been awarded such huge contracts since it was totally unknown in the airline security sector.

He is also checking how Pretory paid its staff.

Singapore Airlines To Buy 29 Airbus Jets

Singapore, July 21--Singapore Airlines has signed a letter of intent to buy 20 A350s and nine A380 super-jumbos from European aircraft manufacturer Airbus, the company said Friday.

The firm order is worth \$7.5 billion US and includes an option for another 20 A350s and six more of the double-decker A380s, SIA said.

Deliveries of the A350 XWB-900s, dubbed extra wide-body, are scheduled to begin in 2012 and run through to 2014 while the nine additional A380s will begin arriving in late 2008 and run until 2010, SIA said.

The announcement of the deal came one month after the profitable carrier reached a deal with Airbus' US rival Boeing for 20 Boeing 787 Dreamliner aircraft worth \$4.5 billion.

SIA plans to be the first airline to fly the A380, the biggest commercial airliner ever, when it takes delivery of the first of 10 super-jumbos on order by the end of the year.

Technical problems on the A380 had earlier prompted the carrier to express its disappointment over delays in deliveries which have been progressively pushed back.

"This latest order, together with Singapore Airlines' order in June for 20 Boeing 787s, will position the airline well for future growth and uphold our policy of continuous fleet renewal and modernisation," SIA chief executive officer Chew Choon Seng said.

Google Winning Search Engine Wars

SAN FRANCISCO, USA, July 21--Google Inc.'s second-quarter profit seems likely to erase any lingering doubts about which Internet company rules the Web.

While rivals eBay Inc. and Yahoo Inc. merely matched analysts' earnings expectations, Google on Thursday soared well beyond Wall Street's financial hurdle -- just like the online search engine leader has done in all but one quarter since it went public nearly two years ago, AP reported.

"Google is clearly winning the battle," said Internet analyst Derek Brown of Pacific Growth Equities. "These are almost logic-defying results."

The Mountain View, Calif.-based company earned \$721.1 million, or \$2.33 per share, during the three months ended in June, more than doubling its net income of \$342.8 million, or \$1.19 per share, at the same time last year.

Excluding expenses for employee stock compensation and several other one-time items, Google said it earned \$2.49 per share--well above the average estimate of \$2.22 per share among 32 analysts surveyed by Thomson Financial.

Google's search engine



The Google headquarters in Mountain View, California. (Reuters File Photo)

has been hitting on all cylinders for so long that investors almost seem to take its high-powered performance for granted.

It marks the seventh time in eight quarters as a public company that Google has beat Wall Street's expectations, even though its management insists the search engine isn't being steered by investors' relentless push for higher profit.

Revenue for the period totaled \$2.46 billion, a 77 percent increase from \$1.38 billion a year ago.

Google's revenue fell to \$1.67 billion after subtracting commissions paid to its partners in the Internet's largest advertising network.

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