Iraq Draft Oil Law Approved

BAGHDAD, Iraq, Feb. 27--The Iraqi Cabinet approved draft legislation Monday to manage the country's vast oil industry and divide its wealth among the population, a key US benchmark for progress in this country. According to AFP, the legislation now goes to parliament for approval.

Prime Minister Nouri al-Maliki announced the decision after the Kurds accepted the draft oil bill over the weekend--nearly two months after the government's own deadline for enacting a new oil law.

Al-Maliki said the measures would be "another foundation stone" in building a new Iraq, which relies on oil revenues for about 90 percent of its national budget. It was unclear when 275-member parliament will vote on the measure. The legislature reconvenes early next month.

All major parties have agreed to work for approval of the measure by May, but there are no guarantees in Iraq's fractious, sectarian political system.

"The draft law represents a major breakthrough for Iraq's economic and political transition," said Deputy Prime Minister Brahma Sale, a Kurd. "I very much hope the main political groups will rise to the occasion" and approve the bill in parliament.

Iraq has some of the world's largest petroleum reserves, and supporters hope the legislation will encourage major oil companies to invest billions--if the security situation improves.

Under the measure, revenues will be distributed to all 18 provinces based on population size--a concession to the Sunnis whose central and western homeland has relatively few proven reserves. Most of Iraq's oil is in the Kurdish north and Shiite south, and many Sunnis fear they would be cut out of a fair share.

However, the bill had been bogged down for months in infighting between al-Maliki's Shiite-led government and the self-ruled Kurdish administration of northern Iraq over who had the final say in negotiating contracts and managing the revenues.

Under the oil legislation, regional administrations will be empowered to negotiate contracts with international oil companies. The contracts will be reviewed by a central government committee in Baghdad headed by the prime minister.

A new law is needed, most outside experts believe, to encourage international companies to pour billions into Iraq to repair pipelines, upgrade wells, develop new fields and begin to exploit the country's vast petroleum reserves, estimated at about 115 billion barrels.

According to Iraqis familiar with the deliberations, the draft law would offer international oil companies several methods to invest, including production-sharing agreements. Those would give US and other international companies a substantial share of the oil revenues to recover their initial investments and then allow them big tax breaks.

Russian PM in Tokyo to Discuss Energy

TOKYO, Feb. 27--Russian Prime Minister Mikhail Fradkov on Tuesday met with Japan's emperor at the start of a visit expected to focus on Tokyo's push to secure Russian gas.

According to AFP, Fradkov came here one day after Russia's energy minister, Viktor Khristenko, who reassured Japan that Russia will continue to supply gas, even though the Kremlim took control of a major project in Siberia.

Fradkov had an audience Tuesday afternoon with Emperor Akihito and Empress Michiko before talks with Yohei Kono, speaker of the lower house, officials said.

He will meet his Japanese counterpart Shinzo Abe on Wednesday and will also take part in a forum on investment in Russia.

Japan is almost entirely dependent on imports for its oil and gas needs and is set to be the main market for the giant Sakhalin-2 gas project, of which Russian monopoly Gazprom took majority control in December.

The Sakhalin project was originally led by British-Dutch group Shell in a consortium with Japan's Mitsui and Mitsubishi trading houses. The three companies remain minority shareholders.

Japan and Russia have yet to sign a peace treaty formally ending World War II due to a dispute over four islands seized by Soviet troops days after Tokyo surrendered in 1945.

The Nikkei business daily said Tuesday the two prime ministers were expected to sign a nuclear energy accord in which Russia will enrich uranium for Japan to use in power generation.

Japan relies on nuclear power for 30 percent of its energy needs but enriches little uranium due to public concerns about safety.

Russia would become the third country after Britain and France to which Japan sends spent nuclear fuel for uranium enrichment.

Airbus Restructuring Okayed

PARIS, Feb. 27--The board of Airbus parent EADS approved a restructuring plan for the troubled European aircraft maker Monday, breaking a weeklong deadlock over the distribution of job cuts and works on future jet programs between France and Germany.

European Aeronautic Defense and Space Co. said in a statement its directors had unanimously approved the plan, dubbed "Power8," but gave no information on the expected cuts or production shake-up. Details of the turnaround strategy will be announced Wednesday after staff representatives have been informed, the company said.

The Franco-German defense company said the restructuring will equip civil airliner division Airbus to "face the challenge of the US dollar weakness" as well as the rocketing costs of delays to its flagship double-decker A380 plane.

According to AP, Airbus has been badly hit by the lower dollar--the currency in which its planes are priced--and is expected to shift more of its supplier costs and contract work to dollar-linked economies as part of the restructuring effort.

Airbus planes under construction of the type A319 are seen in the picture.

It also has to fund development of the A350, its 11.6 billion euros (US$15.3 billion) answer to the runaway success of US rival Boeing Co.'s 787 in the lucrative market for long-range, mid-sized planes.

Two years in accumulated delays to the 555-seater A380 have wiped about 5 billion euros (US$6.6 billion) off profit forecasts for 2006-2010. The Power8 plan seeks to claw back the same figure in savings over the period, generating 2.1 billion euros (US$2.8 billion) in annual cost reductions in later years.

Those targets still stand, EADS said in its statement--despite a final bout of haggling that forced Airbus CEO Louis Gallois to cancel his scheduled Feb. 20 announcement of the plan and agree to make changes, two days after a board meeting at which DaimlerChrysler AG, the main German shareholder, refused to give its backing.

The stalemate ended just three days after French President Jacques Chirac and German Chancellor Angela Merkel said after talks near Berlin that the burden of Airbus cuts and the development of future plane technologies should be shared out fairly between their two countries.

EU Takeover Barriers Still Exist

LONDON, Feb. 27--European Union efforts to abolish barriers against hostile takeovers within the 27-nation community have failed, the European Commission warned in a report on Tuesday, AFP quoted the Financial Times as saying.

European countries approved rules governing takeovers in 2004, after 14 years of debate, though the regulations were watered down from the EU executive's original proposals.

"A large number of member states have shown strong reluctance to lift takeover barriers," the report which examines the effects of the takeover directive, a copy of which the business daily obtained, said.

The commission's original proposals would have aligned Europe more closely with US corporate practices that enshrine the rights of minority shareholders rather than company bosses.

Smaller stakeholders have long complained that their interests get squeezed out by company boards in Europe, many of which are family-controlled and on cosy terms with rival firms.

But the text agreed by ministers made compliance with crucial clauses optional, including one that prevents boards of directors of firms from taking key decisions on hostile takeover bids without shareholders' backing.

"The number of member states implementing the directive in a seemingly protectionist way is unexpectedly large," the report said, according to the FT.

World News In Brief

Improving Relations

LONDON--Negotiating relationships between major economic powers have improved in recent weeks as they attempt to reach a breakthrough in WTO talks, European Union trade commissioner Peter Mandelson said.

Foreign Reserves

PHNOM PENH--Cambodia's foreign currency reserves have climbed to more than US$1 billion (760 million euros) due to constant economic growth over the last decade, Prime Minister Hun Sen said Tuesday.

Aid Package

TORONTO--Prime Minister Stephen Harper announced a new US$172 million reconstruction aid package for Afghanistan on Monday, heeding calls by opposition lawmakers for Canada to focus more on development projects in the country.

New Plant

TOKYO--Toyota Motor Corp. plans to build a sport utility vehicle plant in the US state of Mississippi for around 100 billion yen ($830 million), a newspaper reported on Tuesday, the latest sign of its pressing need for capacity to keep up with booming demand.

Brazil to Reduce Mercosur Asymmetries

MONTEVIDEO, Uruguay, Feb. 27--Brazil will take its responsibility as the largest partner in the Southern Common Market (Mercosur) to reduce asymmetries in the regional bloc, visiting Brazilian President Luis Inacio Lula da Silva told the media here Monday.

According to Xinhuanet, Mercosur, founded in 1991, includes Brazil, Argentina and Venezuela, South America's three largest economies, and the smaller nations of Uruguay and Paraguay.

"It is possible to create more equal conditions of exchange and we must create favorable conditions to reduce asymmetries," Lula told a press conference after a two-hour meeting with his Uruguayan counterpart Tabare Vazquez.

Lula also said that he supported each nation's right to negotiate with others, citing as an example US President GeorgeW. Bush's visit to Brazil and Uruguay due to begin next week.

The question of so-called "asymmetries" has plagued Mercosur since its founding. Mercosur nations in January decided to create a special fund to help the smaller partners.

Vazquez, for his part, called for the regional economic integration process to include practical elements for improving the quality of life for citizens in both Uruguay and Brazil.

Brazil and Uruguay had signed agreements to promote trade and investment, to work together on bio-fuels, to create a joint energy and mines commission, and on the construction and maintenance of two cross-border bridges.

Lula arrived in Uruguay on Monday, accompanied by Brazil's mines and energy minister and trade and industry minister, for a six-hour visit.

UAE Arrests Suspected Money Launderers

DUBAI, UAE, Feb. 27--Police in the United Arab Emirates have arrested a group of suspected money launderers that used banks in the oil-rich federation to launder millions of dollars, AFP quoted local press as reporting on Monday.

An unspecified number of people from Asia, Europe and America were held for allegedly laundering 50 million dollars "using corrupt staff who were paid commissions for their illegal activities," the English-language 7Days said, quoting police.

The arrests were made after a major 18-month operation, the daily said.

Dubai-based Al-Bayan Arabic daily said the UAE central bank has ordered the freezing of suspects' bank accounts, as well those of nine implicated companies.

It said that Dubai's prosecutor was investigating the case, suggesting that the suspect deals took place through financial institutions based in the booming emirate.

The UAE, from where most of the cash spent on the September 11, 2001 attacks on the United States was reportedly transferred, has recently launched a crackdown on suspect money.

Last July, the UAE central bank governor Sultan bin Nasser al-Suwaidi said his country was applying very tight rules to stamp out money laundering.

Japan Eyes First Carbon Market

TOKYO, Feb. 27--Japan is considering setting up its first market to trade in carbon dioxide emissions in a bid to speed up its compliance with the Kyoto Protocol, company officials said Tuesday.

According to AFP, the Kyoto treaty, aimed at curbing global warming, allows countries and companies to buy credits from those with a surplus to meet their requirements to reduce emissions.

A group led by the state-run Japan Bank for International Cooperation and Chuo Mitsui Trust and Banking Co. has received the government go-ahead for emissions trading but is still discussing details, company officials said.

"We hope to establish a project such as an emissions-right exchange in the later half of the year," said an official with the state-run bank.

"We still need further analysis on issues such as government involvement and assessment of potential participants," she said on condition of anonymity.

She said the market would reduce Japan's dependence on the European Union's Emissions Trading System, which has become the world's major exchange for carbon emissions.

"With the project, we hope to stimulate emission rights trading in Japan," she said.

Japan, which hosted the 1997 meeting that drafted the landmark Kyoto pact, is obligated to reduce its average annual emission volume of greenhouse gasses for 2008 through 2012 by six percent compared with 1990 levels.

But Japan's emissions rose eight percent in 2005 as its economy expands from a decade-long slump.

The United States, which is the world's top polluter, and Australia are the only major developed nations that have rejected the Kyoto Protocol, arguing that it is unfair as it does not address emissions by growing economies such as China.

The Japanese exchange would welcome Chinese, US and other foreign companies as domestic power companies and steelmakers are eager to buy their emissions allowances, the Nikkei business daily said.

Under the Kyoto Protocol, countries can obtain credits by reducing emissions in nations that are not part of the deal.

Japan acquired nearly 30 percent of the world's carbon dioxide credits between January 2005 and September 2006, more than any other country, the Nikkei said.

Ecuador Escalating Banana Battle

QUITO, Ecuador, Feb. 27--Ecuador has stepped up its fight against EU banana duties by asking the World Trade Organization (WTO) to rule on the issue, BBC News website reported.

Ecuador, the world's largest banana exporter, says it and other Latin American nations have to pay more than Caribbean and African (ACP) producers.

It first made a complaint to the WTO in November, claiming the EU duty regime brought in last year was unfair.

Brussels says the duties comply with an earlier 2001 ruling on the issue.

The EU was forced to modify its arrangements for banana imports six years ago, after losing a case brought by Ecuador and backed by the US.

But Ecuador says the current system--introduced in January 2006--denies it fair access to lucrative European markets.

It and other Latin American countries currently have to pay 176 euros ($225; £119) per ton on banana imports.

In contrast, annual imports from the Caribbean and Africa are currently duty-free unless they exceed 775,000 tons. At that point, they are subject to the same level of duty.

The WTO's dispute settlement body will meet next month to discuss the issue, with a formal panel likely to be convened soon after to rule on the case.

Latin American countries have historically accused the EU of giving preferential treatment to ACP nations, often former colonies of France, Britain and Portugal.

The EU has described Ecuador's move as unhelpful.

"As far as we are concerned, we have done what we needed to do," said a European Commission spokesman.

Ecuador accounts for about a quarter of all banana exports to Europe and the US.

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