

Oil Price Near \$128

The price of oil rocketed to a record high of \$127.82 per barrel on Friday, as US President George W. Bush prepared to urge Saudi Arabia to pump more crude, analysts said.

According to AFP, Friday's record run for New York's light sweet crude beat the previous all-time peak of \$126.98, which was set Tuesday on worries about tight supplies despite an official downgrade to global oil demand growth.

After peaking at \$127.98, New York's main oil futures contract, light sweet crude for June delivery, stood at \$127.43, up 3.31 dollars from Thursday's close.

London's Brent crude contract for June spiked to its own historic peak of \$126.34 on Friday, beating the record of \$125.90 reached on May 9. It later Friday stood at \$126.07, up \$3.44.

Oil prices have risen by more than a quarter since the start of 2008, when they surged past \$100 a barrel for the first time.



Ukraine Joins WTO

Ukraine became the 152nd country to join the World Trade Organization on Friday after 14 years of negotiations, getting in ahead of bigger neighbor Russia and committing the former Soviet republic to economic reforms and opening new trade channels.

According to International Herald Tribune, experts expect new economic ties to boost chiefly agricultural, chemical and metals exports.

A membership protocol ratified by parliament last month officially came into effect Friday, according to a statement from President Viktor Yushchenko's office.

Over the 14 years of accession negotiations, Ukraine implemented a range of economic reforms and amended more than 50 laws to bring the country into line with WTO norms. Membership obliges Kiev to further reforms.

Russia, its main trade partner, is the only major economy yet to join. Ukraine will have veto power over Russian accession but may be eager to see Moscow bound by the same trade rules amid political tension.

Many believe Russia's inclusion in the trade club would be beneficial to Ukraine because it would prevent Moscow from applying tariffs that are against WTO rules.

Key Ukrainian exports to Russia include spirits, oil, sugar and various raw materials.

India, S. Africa Pursue Mobile Phone Deal

Indian mobile firm Bharti Airtel and South African phone business MTN are continuing exploratory talks about a tie-up, according to media reports.

Experts estimate a deal could be worth \$20 billion, making it India's largest takeover of a foreign firm, BBC said.

Earlier this week Bharti said talks were aimed at combining the strengths of the two "leading emerging markets" firms but that it had not made a bid.

Any tie-up would create the world's sixth-largest mobile operator.

Combined together, the firms would have more than 130 million subscribers across more than 20 nations.

After China, India is the second-largest market for wireless services.

Jan Meintjes, a fund manager at South Africa's Gryphon Asset Management, said there were other options beyond a merger.

"It can be joint venture or it can be one of a number of other structures ... Both sides will want something that will bring the best value to shareholders," he said.

Financial Crisis Winding Down

US Treasury Secretary Henry Paulson said Friday he believes the financial crisis is winding down, but that it would take some time to fully emerge from the economic malaise.

"In my judgment we are closer to the end of the market turmoil than the beginning," Paulson said in a speech in Washington to business leaders, AFP reported.

"Looking forward, I expect that financial markets will be driven less by the recent turmoil and more by broader economic conditions and, specifically, by the recovery of the housing sector," he said in remarks prepared for delivery.

Paulson, a former chief executive of Wall Street investment bank Goldman Sachs, said that more time was needed for markets and investors to regain confidence and that they were re-evaluating risks.

"We should not expect to work through this process quickly and we should expect some bumps in the road ahead," he added. But "we are seeing signs of progress as capital and credit markets stabilize," he said. "The markets are considerably calmer now than they were in March." He also predicted a faster pace of economic growth before the end of the year.

News in Brief

ECB Pumps \$25b Into Money Markets

The European Central Bank said it was launching a 28-day liquidity-providing operation with an intended volume of 25 billion dollars, in line with an announcement on May 2.

The operation is being carried out together with the US central bank, the Federal Reserve, and is part of a series of steps to provide liquidity to encourage lending between banks in the wake of the subprime mortgage crisis and an ensuing credit crunch, AFP said.

The ECB said on May 2 it would increase its participation in such initiatives from 15 to 25 billion dollars and has said it plans a further operation also valued at 25 billion dollars.



S. Korea, NZ to Study Free-Trade Accord

South Korea and New Zealand officials will study the feasibility of a free-trade agreement, the first step toward signing an accord.

Joint studies by private bodies in the two nations have indicated an agreement could deliver higher economic growth rates and increased trade for both countries, President Lee Myung Bak said in a joint statement with New Zealand Prime Minister Helen Clark, Bloomberg reported.

"Preparatory talks to discuss a possible Korea-New Zealand FTA, including its scope and level of ambition," will be held, the two leaders said, without providing a time frame.

South Korea, Asia's fourth-largest economy, is seeking to boost exports as falling consumer spending slows growth rates. It is the sixth-largest buyer of products from New Zealand, which has free-trade agreements with China, Singapore and Thailand, and this week agreed to study a similar agreement with Japan.

Philippines: Rice Prices Softening

The Philippines, one of the world's largest rice importers, said Friday prices are softening after Japan offered to sell rice to Manila amid news of bumper world harvests for 2008.

Large tenders by the Philippines to fill its expected 2008 production gap of up to 2.7 million tons have helped drive up prices by 76 percent between December 2007 and April 2008, according to the UN Food and Agriculture Organization.

However, the government's grain procurement arm, the National Food Authority (NFA), has seen prices in the international market ease, NFA spokesman Tom Escarez told AFP.

"Prices spike every time we have a large tender. The market became quiet after the tender for 675,000 tons failed and the market realized we were not in a hurry," he added.

A letter from Tokyo informing Manila that between 40,000 and 60,000 tons of Japanese rice is available also apparently helped calm the market, Escarez said.

The official said the two governments are currently negotiating the manner by which the supply will be procured, which he said would most probably be in the form of a soft loan or a negotiated supply contract.



No Money In Emissions



Four major utilities in Germany are estimated to have raked in 8 billion euros among them within a year of the ETS launch.

Cap and trade has become one of the stock phrases that one is almost guaranteed to hear at any European conference on climate change these days.

As reported by Ipsnews.net, the underlying concept is simple enough: a ceiling is placed on the total amount of carbon dioxide (CO₂), the main gas blamed by scientists for global warming, that a country may emit. This is then divided between the most polluting companies operating in that country. Companies that release more CO₂ than they are allowed to must buy extra permits; those that emit less than their allocation may sell their unused permits.

Yet like many ideas that work fine on paper, difficulties can arise when the system is put into practice, as the European Union's main institutions have found out. In 2005, the EU's Emissions Trade Scheme (ETS) came into operation as part of a battery of measures designed to prove the bloc's bonafides in tackling the most pressing ecological challenge of modern times.

So far, the scheme has not exactly worked a treat. Few countries have issued less licenses than industry wanted, thereby losing an opportunity to drive up the price of carbon and coax firms into investing in cleaner technology. And because most permits were awarded free of charge, power companies were able to reap windfall profits by selling unused permits.

Four major utilities in Germany are estimated to have raked in 8 billion euros among them within a year of the ETS launch. To address the flaws that have been detected in the scheme, the European Commission published proposals for a revamped ETS earlier this year.

Auctioning will also apply to some other industrial sectors that guzzle large quantities of energy. But special treatment can be given to companies

within Europe that would be put at a disadvantage because other parts of the world lack similar measures.

That the scheme has attracted a huge level of interest from industrialists was proven May 15 when the European Parliament held a hearing on the subject. Members of the Parliament (MEPs) are currently deliberating over what stance they should take on the plans for a revised ETS and are being heavily lobbied by corporate interests to ensure that it does not harm their profitability.

Matthias Duwe, director of the campaign group Climate Action Network Europe, was one of the few participants in the hearing who criticized the proposals from an environmental, rather than a commercial, perspective. He argued that the revamped system would still have serious shortcomings.

The overall aim of the Commission's blueprint is to ensure that companies covered by it reduce their emissions by 21 percent by 2020, compared to 2005 levels. This target, according to Duwe, is "no way near what is necessary" to prevent climate change from having increasingly dire consequences for humanity.

Another weakness pinpointed by environmentalists is that rather than requiring that all reductions take place within Europe, the ETS provides for a form of "off-setting". EU governments will be able to give companies on their territories credits for emission-reduction projects that take place in the wider world, such as projects that promote the use of low-polluting technologies in poor countries.

Peter Carl, head of the Commission's environment department, said it would be "patently absurd" to incur the risk that European companies would relocate to foreign countries which do not have emissions trading.