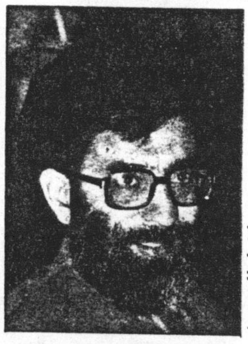

Ayatollah Khamenei

After Khomeini

A few Arab and Middle East states have sent condolences to Tehran over Imam Khomeini's death on 3 June, but some Gulf states, Egypt and other countries that sided with Iraq in the Gulf war, have either welcomed it or maintained silence.

Pakistan, Syria and Bangladesh declared a week of mourning; Turkey lowered flags to half-mast; and even Afghanistan said there would be three days of mourning. Pakistan's President Khan was the only foreign head of state to attend Khomeini's funeral in Tehran.

Iraq's official press referred to the death of the "malicious tyrant" ending a "dark era." The Saudi daily Al-Riyadh said Khomeini's "demon seed was sown everywhere, aggravating fear, tension and uncertainty." An Arab diplomat in Riyadh said the kingdom would not fear the new leadership in Tehran as much as Khomeini, because it could not "arouse passions" among Muslims as the Imam had.

The UAE and Oman, which maintained friendly relations with Iran during the war, and Bahrain and Qatar sent condolences, but have not otherwise commented. Libyan revolutionary leader Muammar Qaddafi described Khomeini as a "mystic revolutionary."

Egyptian and Jordanian officials look forward to the post-Khomeini era, saying they hope Iran's new leaders will take a more conciliatory stand in the peace talks with Iraq.

In Lebanon, Shia followers of Khomeini held large ceremonies to honour his memory. The Hezbollah and Amal groups, often at odds, both sent strong messages of support to the new leadership.

In Jerusalem, the Israeli Foreign Ministry said it hoped "the future leadership of Iran will adopt a more positive position both on the issue of human rights and its attitude to the Western world and Israel."

Few fans for OPEC deal

Oil prices softened on a new OPEC deal, reached on 7 June in Vienna, setting a combined production ceiling of 19.5 million barrels a day (b/d) for the second half of 1989, just less than 1 million b/d higher than in the first six months of the year.

The deal's credibility was immediately undermined by reports that Kuwait and the UAE do not feel bound by the new accord, which allocates quota increases of just over 5 per cent to all 13 OPEC member states. Kuwait had pressed for a quota rise of 30 per cent at the meeting and the UAE sought similar treatment. Analysts say one reason for the combined ceiling being set at the lower end of the range of estimated demand for OPEC crude is that the organisation recognises both Gulf states will continue to pump significantly more than their quotas.

The Paris-based International Energy Agency (IEA) forecasts that demand for OPEC crude will average almost 21 million b/d in the July-December. The eight-minister OPEC monitoring committee will meet on 22 September to review the ceiling if world demand justifies it.

Spot oil prices softened on news of the deal, reached after five days of hard bargaining. In New York, July futures for the US benchmark West Texas Intermediate crude fell by $0.60 to $19.85 a barrel following the meeting.

IFAD on the rocks

The International Fund for Agricultural Development (IFAD) was facing a serious crisis as MEED went to press. The reconvened 12th session of the Rome-based organisation's governing council once more failed to finalise financial commitments for IFAD's third replenishment. Saudi Arabia, one of the fund's main backers, has forced a deadlock by committing only 40 per cent of the amount it contributed to the second replenishment in 1986.

As the session drew to a close with only $600 million committed — well short of IFAD's target of $750 million — OECD country representatives were consulting their governments to decide whether to stand by their commitment of $400 million. The UK and Switzerland are likely to find more support for their demand that voting power be restructured, a suggestion first raised after the initial 12th session was aborted in January. Any restructuring would be to OPEC member countries' disadvantage.

An IFAD representative said the fund's main worry was that developing countries might back down on their pledge of $66 million. Brazil has already reduced its commitment to $7 million from $12 million in response to what the representative described as the "tremendous and inexplicable fall in the Saudi contribution." Riyadh has pledged only $30 million, compared with $72.6 million in 1986. Contributions from OECD and developing nations may now spiral downwards, well below the paper commitment of $600 million.

If a complete crisis is avoided by a restructuring of voting power, Middle East beneficiaries will lose out. Around 17 per cent of IFAD's current operations are in North Africa and the Middle East, but the two project proposals already rejected by the fund's executive board this year came from the region.

Economic unity moves

The road to economic unity is proving long and hard for Arab countries. Finance ministers of the GCC failed on 7 June to agree on a common level of tariffs to be applied to imports. Bahrain's Finance & National Economy Minister Ibrahim Abdel-Karim said following the ministerial meeting in Riyadh that it had been agreed to divide imports into four categories and measures had been approved to protect national industries.

GCC industry ministers approved guidelines in May to protect locally-made products and referred them to the finance ministers for implementation. Abdel-Karim said the finance ministers had failed to reach agreement about specific measures. "... consultations will continue in the hope of achieving results in the next meeting," he is reported as saying by Reuter. "There are still certain differences on the matter."

Three years ago, the GCC agreed to a maximum duty of 20 per cent and a minimum of 4 per cent. The GCC was scheduled to agree common external duties within five years, but the GCC supreme council has been asked to extend the period of deliberation. At the May meeting in Bahrain, industry ministers recommended that the higher rate should be applied more often (MEED 9:6:89).

Cuts are being made to spending by the Amman-based Council for Arab Economic Unity. An unidentified member of the council was reported as saying on 7 June that expenditure had been capped at $1.15 million for 1990, almost 25 per cent less than in 1989.

The 13-member council was set up in 1964 to increase pan-Arab co-operation. It has suffered financial difficulties because of the failure of some members to make subscription payments.

Soviet/Italian construction move

The Middle East is expected to be a prime target area for project work for a new Soviet/Italian joint venture engineering company. Sovitex was set up under Swiss law in Zurich on 7 June. The participant companies are Italy's TPL (with a 29 per cent share), Italian finance house Credipar (20 per cent), and three Soviet representatives, Machinoimport (21 per cent), the Paris-based Banque Commerciale pour l'Europe du Nord (Eurobank — 20 per cent) and Technoexport (10 per cent).

TPL is already closely involved with Technoexport in oil projects in the Middle East. In Iraq, TPL has a $256 million contract to work on the $700 million West Qurna oilfield development where Technoexport is main contractor. In Kuwait, TPL is the nominated subcontractor on a $60 million desalting contract won in late-1988 by the Moscow company.

Sovitex — which will be based in Rome — is now exploring future project possibilities in the region, including a float glass plant in Egypt and expanding Aden refinery. The latter scheme was discussed during a recent joint visit to South Yemen by TPL and Technoexport.

CRUDE OIL PRICES

($ a barrel)

	6 June	30 May
Dubai Fateh	15.95	15.50
Brent	18.40	18.00