NEWS

agency, Coface. They confirmed some short-term operations in Iraq, but said it had been off cover for medium-term credits for a considerable period.

Coface's mostly medium and long-term exposure to Iraq totals $2,317.4 million, including $358.2 million due after 1994 (MEED 29:8:87, page 5). A return to cover by France would represent a considerable triumph for Baghdad.

Medium-term payments to France in 1987 have already been rescheduled, although the terms are not clear. Talks between Baghdad and Paris about FF 470 million ($77 million) in short-term debt started in 1986, but no firm repayment schedule has been announced.

Any improvement in Iraq's credit status would provide a major boost to Baghdad's war-torn economy, as France has been a key exporter in all areas, including weapons.

Tax cuts benefit war-zone firms

Foreign companies working on development projects in Iraq will be exempt from all taxes and duties. The Revolution Command Council (RCC) decision also covers income tax due from non-Iraqi employees of such companies.

The move will have an effect on contractors and companies operating joint ventures in Iraq, industry observers say. But it will have a minimal impact on consultants or suppliers that do not have to declare their profits inside the country.

The change could increase foreign companies' profits by about 5 per cent.

Contractors in countries such as the UK, where a trade protocol exists, may be encouraged to tender at lower prices as their profits will not be taxed locally.

The removal of income tax for foreign workers on development projects will represent more a bonus to the employees for working in a country at war, than a stimulant for the employment of more expatriate staff.

IN BRIEF

● ***Qadisiya State Enterprise for Electrical Industries*** has a $2 million order to supply single and triple-phase power gauges to North Yemen. The company recently made its first shipment of power distribution transformers to Jordan in an order valued at $200,000. It is to supply Jordan with a further $250,000 worth of power gauges soon.

● Talks on economic relations with Yugoslavia have been held by a visiting Yugoslav team.

JORDAN

Bids called for Shidiya phosphate project

Bids have been invited for four contracts to supply heavy equipment for ***Jordan Phosphate Mines Company's (JPMC's)***

Iraq's finance minister forecasts current account balance for 1987

A SIGNIFICANT recovery in Iraq's financial position, leading to the elimination of the current account deficit in 1987, has been forecast by its new Finance Minister, Hikmat Mekhailef al-Hadithi. Baghdad is also getting on top of its debt problems, he added in an interview with MEED in Washington — his first since he was appointed at the end of September.

"We have no arrears now; every outstanding debt is being negotiated or has been settled," he declared. "We are clear in the market."

Al-Hadithi, 48, was previously president of Iraq's board of auditing, a state agency overseeing government spending. In 1980-84, he was economic adviser to President Saddam Hussain after spending 10 years with Planning Ministry.

The new finance minister, who has a doctorate in economics from the University of North Carolina, said the improvement in Iraq's balance of payments results from higher oil exports and harsh cuts in imports — imports were reduced by 40 per cent last year. The increase in oil export capacity is allowing Iraq to export 2 million barrels a day of crude.

Higher export volumes in 1986 enabled Iraq to hold the current account deficit at the previous year's levels, despite the oil price crash. Higher exports and lower imports this year produced a current account balance in the first six months, Al-Hadithi said. Iraq is now heading for a balance on the current account for the full year. Al-Hadithi declined to define the size of the previous year's deficit or the composition of the calculation producing the projected balance in 1987.

Other factors contributing to improve financial performance cited by Al-Hadithi include progress in securing further export credit lines from major western countries. These inlcude recent agreements with the US and the UK, and the resumption of some cover by France's export credit agency Coface.

He said The Export-Import Bank of the US (Eximbank) has granted a fresh $200 million credit and that a further $290 million protocol was signed in late September with the UK's Export Credits Guarantee Department (ECGD – MEED 26:9:87;5:9:87).

In a demonstration of increasing confidence in Iraq, rescheduling agreements have been concluded with West Germany and Japan, and Coface is offering both short and medium/long-term insurance cover, Al-Hadithi said *(although Coface officials have failed to confirm that medium-term cover is now available)*.

On the rescheduling of the $500 million Euroloan contracted in 1985, the minister said negotiations are nearly finalised and no real difficulties are expected. The first repayment of the loan is due in October.

Al-Hadithi also pointed to this year's shake-up in government departments, which has increased the effectiveness of public spending. Non-military expenditure will be reduced as a result of economic and administrative initiatives taken by Saddam Hussain. Ministries have been amalgamated, in a money-saving exercise. The spread of privatisation is also expected to improve efficiency and help government finances. All public-sector poultry and agriculture companies are to be sold to the private sector, as are some small transport firms. Some shares in national carrier Iraqi Airways are to be sold off privately — but Al-Hadithi specified no date.

In discussing financing for the $1,459 million IPSA 2 oil export pipeline, for which a contract was awarded in late September, the minister said an advance cash payment had been made on 20 September. This is understood to represent 10 per cent of the project order; the rest is to be paid in oil (MEED 26:9:87).

The new finance appointment is one of three ministerial changes that took place on 22 September. Al-Hadithi confirmed that Central Bank of Iraq governor Hikmat Ibrahim al-Azzawi had been dismissed, but said that no replacement had been named as at 28 September.

Western bankers have reacted positively to Al-Hadithi's statements. His decision to break with convention and speak publicly about Iraq's economic position reflects Baghdad's new efforts to restore its status in the international financial community. This has been gravely affected by recurrent heavy current account deficits, growing indebtedness and a failure to service fully its debt service obligations to international banks and supplier countries.

The projection of a current account balance would represent a remarkable recovery in Iraq's balance of payments. MEED projections earlier this year forecast that oil export earnings would net about $10,500 million and that external cash flow would reach $17,000 million — up to $9,000 million for imports, up to $7,000 million for military spending and $2,000 million-3,000 million in debt servicing (MEED 27:6:87, page 44).

STEPHEN TIMEWELL
recently in Washington

new Shidiya mines project. The company is also negotiating for a $31 million World Bank loan, some of which will be used to finance equipment purchases for the scheme (MEED 9:5:87).

Bidders are required to quote for one or more complete packages. Bids for parts of packages will not be accepted. Tenders have still to be called for two draglines (see Tenders).

Work is planned to start by late 1988. The aim is for Shidiya gradually to replace existing mines as the main producing unit.

The mine has estimated reserves of at least 1,000 million tonnes of ore of varying quality. The first phase calls for several grades to be mined, although only the best will be processed and sold. The second phase calls for the installation of equipment to upgrade the phosphate already mined but not processed, as well as facilities for new workings.

The overall cost of phase one is estimated at $71 million. Phase two, for which further World Bank support is expected, will cost $130 million.

IN BRIEF

● A joint venture of the UK's ***Bersey Agricultural Systems*** and the local ***National Housing & Construction Company*** has a JD 350,000 ($1 million) contract to build and equip sheep fattening units at Ramtha and Mafraq for the Jordan Co-operative Organisation. The UK's ***Pauls International*** has a JD 20,000 ($60,000) contract to provide feed for the units, and ***Rajimpex,*** also of the UK, has a JD 15,000 ($45,000) order to supply office equipment and veterinary products for the schemes. The two units are for completion by March 1988. Tenders for three more units are expected before the end of 1987. The European Investment Bank is lending JD 1 million ($3 million) for the JD 2 million ($6 million) programme.

● The Public Works Ministry is inviting local and foreign contractors to prequalify for work on the Prince Hamzeh medical centre, designed as a specialist hospital to serve the population of west Amman. Estimated cost of the 51,000-square-metre centre is JD 16 million ($48 million). Finance has yet to be settled.

● A joint venture of ***Jordan Electricity Authority*** and Switzerland's ***Societe Generale pour l'Industrie (SGI)*** is favoured to win a consultancy contract with Mauritania's ***Societe Nationale d'Eau & d'Electricite (Sonelec)*** to supply electricity to 13 towns. The order is valued at about $150,000.

KUWAIT

Latest bond issue ends in success

A KD 10 million bond issue has been completed successfully by the ***Kuwait International Investment Company (KIIC),*** the fifth in a series of recent issues reviving the local bond market.

The seven-year issue, which carried a 7½ per cent coupon and the same terms as other recent issues, was fully underwritten by KIIC, the lead manager, and 18 other Kuwaiti institutions. The issue, the first domestic offering by KIIC, hit the market on 29 September and the signing ceremony was completed on 7 October.

KIIC says it has been encouraged by the success of the issue and is looking forward to a period of sustained activity in the market. The issue is understood to have been mostly retained by KIIC for its managed fund portfolios.

The issue is expected to be the last offering before the introduction — in November at the earliest — of new treasury