

**Iraq cash not accounted for**

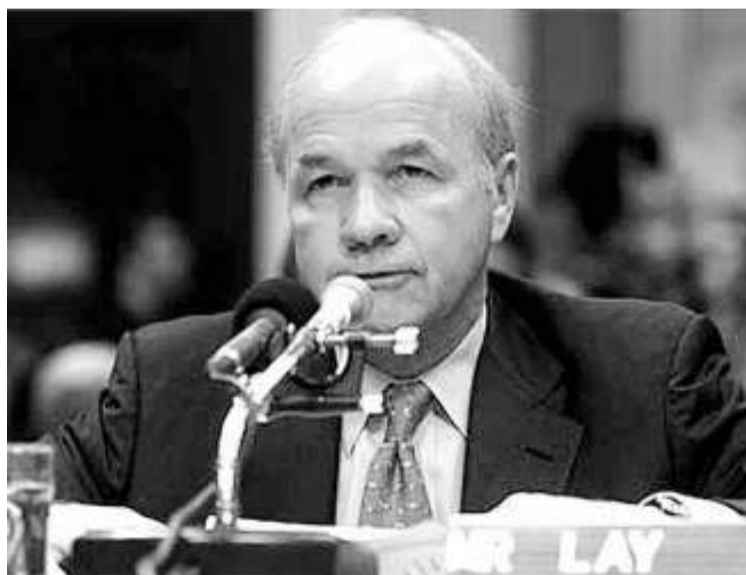
Occupying forces in Iraq are unable to account for about 20 billion dollars in cash made from Iraq's oil industries and other activities since the end of the war last year. The UN had stipulated that all revenues from a special development Fund be paid into a single account, but so far no account has been given. Last May, the Coalition Provisional Authority (CPA), which was given responsibility for Iraq's finances by the UN, stated that 19.5 billion dollars had been paid into the Development Fund for Iraq and used for purposes such as wheat, electricity and oil infrastructure purchases. Half of the money reportedly came from the sale of oil, yet a charity organisation, the Liberal Democrats, said that there 3.7 billion more was earned on oil sales than was paid into the programme. A representative from Christian Aid, another charity organisation working in Iraq, has criticised the CPA's handling of the country's funds. "For the entire year that the CPA has been in power in Iraq it has been impossible to tell with any accuracy what the CPA has been doing with Iraq's money", said Hellen Collinson. Another representative from the Liberal Democrats called for an investigation into the discrepancies. Studies by both charity organisations will be published on Wednesday, the same day as the transfer of power to Iraqi authorities, asking the British government to use its influence to demand transparency on this issue.

**UK housing prices slow**

Average prices for houses in the United Kingdom increased less in June compared with May, although the yearly increase is still expected to be around 8%. In June the average price went up by 0.4% compared with an increase of 0.6% in May. Authorities say that one reason for the slight drop might be a decrease in the demand from those buying their first homes. At the same time, the average time it took to sell a property increased slightly to 4.2 weeks. An economist for Hometrack said there was no reason to think that prices will fall, given the current low interest rates and the low unemployment figures for Britain.

**EU suspends Microsoft sanctions**

The European Commission has temporarily suspended an order requiring Microsoft to sell a version of windows without media player software, just before it would have taken effect, a source familiar with the situation told Reuters. The suspension will give an EU judge time to sort out the company's request for long-term suspension of EU-imposed changes to its business practices, which the European Commission demanded along with a record \$602.8 million fine when it found that Microsoft had broken the antitrust law. The software giant appealed the decision to a lower court, arguing that the Commission decision was wrong.

**Ex-Enron boss speaks**

Kenneth Lay, the former Chief Executive of Enron, has spoken publicly for the first time about the company's 2001 scandal. According to Lay, the company's finance officer Andrew Fastow was responsible for hiding debts in what turned out to be the largest corporate scandal in history. Fastow has pleaded guilty and has been sentenced to 10 years in prison. Prosecutors have lately been trying to determine if Lay knew about some of the schemes that Fastow used to conceal losses. Lay, who has a close relationship with US President George Bush, had previously refused to testify before investigating committees and made limited comments about the scandal.



Passenger numbers have risen since the days of the SARS outbreak and the attack on New York's twin towers

## IATA boss announces recovery in international air passenger traffic

*Passenger numbers recovered significantly between January and May*

**REUTERS**

International air passenger traffic rose by 19.4 percent between January and May this year compared with the same period last year, the global airlines body IATA said on Monday. Freight traffic over the same five months had also risen by 12.2 percent, according to figures released by the Geneva-based grouping, the International Air Transport Association.

"Not only have we recovered from the impact of SARS and war in Iraq, all major regions of the world are reporting traffic levels above those of 2000, which was the last normal year for our industry," said Director-General Giovanni Bisignani. In May alone, passengers on all international routes were up 38 percent on May last year, when the industry was suffering from the impact of the SARS flu-type epidemic that swept across Asia and reached Canada, together with the downturn in passenger numbers caused by the invasion of Iraq. For Asian

airlines, IATA said, the recovery was even more dramatic. Traffic there in May was up by 108 percent on that of the same month last year, indicating that the "SARS effect" had been well and truly overcome. IATA said the January-May figures showed passenger traffic was up 8.8 percent over the same period in 2000, just before the onset of a global economic downturn which set the industry on a steep downward path. This decline had been sharpened by growing global political instability after the September 2001 hijacking attacks in the United States, the U.S.-led assaults on Afghanistan and Iraq, global terrorism, and the SARS crisis.

Earlier this year, airline chiefs feared that steep rises in oil prices would hit the industry's overall global bottom line, but Bisignani, in a statement on the figures, claimed that a recent decline had helped improve the situation. Even so, efficiency gains and cost-cutting would have to remain priorities for airlines

if the industry was to return to full health, he declared. IATA said that despite the shocks that had rocked the industry over the past four years, its underlying growth rate was 3.6 percent a year. However, this is still only half the rate achieved during the later 1990s.

Of the major regions apart from Asia, North America saw a passenger growth rate of 32.8 percent in the first five months of this year over January-May 2003 and Europe saw an increase of 19.1 percent, according to IATA. In the Middle East, traffic was up by 43.9 percent, and in Latin America by 11.5 percent January-May, and in Africa the increase was 8.3 percent.

However, Bisignani added a warning about fuel prices. "On average", he said, "fuel accounts for 16 percent of airline operating costs, and fuel prices are 55 percent higher than a year ago. This could add 8 to 12 billion Dollars to our annual fuel bill and strangle our modest projected return to profitability."

## China surpassed US in foreign direct investment last year

**ALEX LEFF**

China overtook the US as the biggest recipient of foreign direct investment in 2003, the Organisation of Economic Co-operation and Development (OECD) has found. Last year was no cause for celebration on the FDI front due to a weak global economy. Investment in OECD countries, including China, slumped 28 percent to 384 billion dollars last year. "The weak global economic recovery, security worries and a preference on the part of many firms

to consolidate acquisitions rather than make new ones," were behind the investment dip, the report said.

Countries outside the organisation, on the other hand, saw a six-fold increase of 192 billion dollars in net flows of incoming FDI. The OECD is made up of the world's biggest economies: that of the US, Japan, Germany, France, the UK, Italy and China, in addition to a number of emerging countries such as India and Russia. China brought in 53 billion dollars in investment from the

countries listed, ahead of India with 4 billion dollars, and Russian with only one billion dollars. Russia's FDI activity was the worst in ten years, and lacked dynamism, according to the study. It found most investment in Russian firms went to the energy sector. The US experienced the lowest drop in foreign investment, attracting only 40 billion dollars in 2003, compared to 27 billion in 2002 and 167 billion in 2001. Germany and the UK were hit the worst in Europe.