

# IPI Project May Have Multiple Partners



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On Friday, Pakistan and India agreed to complete the IPI gas pipeline by 2012 before Iran begins exporting gas in 2013. China has also expressed its eagerness to become part of the \$7.5 billion IPI gas pipeline project—much to the dismay of Washington and its friends.

In this respect, Iranian Ambassador to Pakistan Mashallah Shakeri said that the Islamic Republic of Iran supports the idea of exporting gas to China via Pakistan. "However, we can only make a commitment after conducting a feasibility study but we support this idea," he told Pakistan's 'The Post' on Saturday.

"We basically support that but we cannot comment about it at this stage. We have to work it out and see how it can become viable," the envoy said at a news conference.

Pakistan has recently offered China a transit gas pipeline through its territory, along the historic Karakoram Highway to help meet its growing industrial needs. However, the ambassador said the Iran-Pakistan-India (IPI) pipeline is initially designed to incorporate the three countries.

He said that the inclusion of fourth country in the project would require a feasibility study before a final decision is made, adding that 'there is no plan to ink the IPI agreement

during President Mahmoud Ahmadinejad's brief four-hour stopover in Islamabad on Monday. However, involvement of multiple partners in the gas pipeline project would bring stability and viability to the multi-billion dollar project'.

"We are seriously studying Pakistan's proposal to participate in the IPI gas pipeline project," Chinese Foreign Minister Yong Jiechi told reporters at a joint news conference with his Pakistani counterpart Makhdoom Shah Mahmood Qureshi on Friday.

President Ahmadinejad in his Monday meeting with President Pervez Musharraf and Prime Minister Yousaf Raza Gillani will discuss bilateral matters, issues of the region and the Islamic world and trilateral cooperation between Iran, Pakistan and Afghanistan.

The Iranian president will lead a high-level delegation comprising of foreign, commerce, petroleum and energy ministers besides officials of state-run Iranian banks. About the president's visit, Shakeri said that his country attaches great importance to ties with Pakistan in all areas and they would continue to have extensive cooperation in political, security and other areas.

About the delay in launching a bus service between the two countries, he said that the Iranian government is ready to launch the

much-awaited bus service between Quetta and Zahedan but the Baluchistan provincial government (in Pakistan) is not ready so far. "It is now up to the Baluchistan government to provide necessary facilities," he said.

The new gas pipeline could be worth more than \$7.5 billion, making it the most lucrative project ever undertaken by the two south Asian neighbors. Funding will come from international lenders and commercial banks.

In brief, another reminder of the pipeline project edging closer to reality is President Mahmoud Ahmadinejad's visit to Pakistan on Monday, contrary to the widespread impression that it will be shelved due to relentless American opposition.

Ahmadinejad's stopovers in Islamabad and New Delhi will focus on helping both governments overcome glitches in the Iran-Pakistan-India gas pipeline project and seek an early signing of the agreement.

He will make a four-hour stopover in Islamabad while flying to Sri Lanka on a two-day state visit. He would pause for an equal duration in New Delhi on his way back to Tehran.

Pakistan's long-term future rests on success in embarking upon key new projects, such as the IPI gas pipeline with a possible extension into China in future.

## News in Brief

### GECF Meeting Not Ministerial

The upcoming meeting of the Gas Exporting Countries Forum (GECF) in Tehran will be held at the expert level, announced an Iranian official.

"The April 28 session will not be a ministerial meeting," an informed source in Iran's Oil Ministry told ISNA. "Experts from the GECF will discuss the formation of an organization for gas exporting countries."

Head of Russia's Gas Society Valery Yazev earlier told RIA Novosti on Thursday that the GECF would convene in the Iranian capital on Monday and hold a ministerial meeting, in which the charter of a gas organization similar to that of the Organization of Petroleum Exporting Countries (OPEC) would be discussed.

According to Yazev, the formation of an OPEC-like organization for natural gas would not have a profound impact on gas prices as the cost of each type of energy depends on the competition in the supply of other forms of energy.

The GECF was established in Tehran in 2001. The Forum neither has an official charter nor a fixed membership structure.

### Oman Cooperation Underlined

Head of Iran's Chamber of Commerce, Industries and Mines has called for expanding cooperation and establishing a joint bank and shipping line with Oman.

In an interview with Fars news agency, Mohammad Nahavandian said that Tehran and Muscat can expand cooperation in various fields including telecommunications, energy and cement industry.

He added that the best and most effective way of promoting regional security is to increase cooperation among regional states.

According to Nahavandian, establishing a joint bank, insurance company or shipping line will be profitable and ensure sustainable trade and pave the way for greater investment between the two countries.

Earlier, in a meeting last week in Tehran with his Omani counterpart and the accompanying trade delegation, Nahavandian had expressed Iran's readiness to set up a trade center in Oman.

Last week, Iran inked a multi-billion-dollar deal with Oman on developing the country's Kish gas-field.

The agreement on joint investment in the Kish gas field is worth \$7 billion with the possibility of increasing this figure to \$12 billion in the future.

### PSO Revising Loan Policy

Port and Shipping Organization will revise its policy on granting loans to upgrade the merchant navy fleet, disclosed the organization's managing director.

Ahmad Foroughi said that the organization's top priority for the year to March 2009 is to purchase standard vessels from domestic manufacturers who often have a foreign partner, according to ISNA.

Therefore, owners of vessels will receive support in the form of interest-free loans for purchase new vessels, he added.

The initiative seeks to encourage them to increase the safety standards of their vessels, which, he said, was the most important goal of the shipping sector.

It has also been decided that financial facilities will be made available for purchasing safety devices for vessels, Foroughi underlined. Such loans will be paid to owners of passenger vessels, he concluded.

## Low Lending Rates Encourage Rent-Seeking

The government needs to come up with a proper policy on cutting bank lending rates to curb inflation and liquidity growth. Otherwise, reducing lending rates alone will only promote rent-seeking in the banking system and channel funds to more profitable sectors such as housing and construction.

Stating the above to Fars news agency, Mohammad Baqer Sadri, a member of Iran's Economics Association, added, "Profit rates should also be increased or decreased in various sectors of the economy based on the inflation rate."

On the volume of liquidity, which stands at around 155 trillion rials, he cautioned that if bank lending rates are computed on the basis of inflation rate and demands, those rates will inevitably experience a significant growth, changing the structure of national economy for good.

In conclusion, he said that the banking system should learn more about the flow of liquidity and be less obsessed with policies to compute lending rates, "since printing money only increases the volume of liquidity which in turn pushes up the rate of inflation".

## CBI to Establish e-Banks

Central Bank of Iran (CBI) has decided to establish two e-banks in the current Iranian year to March 2009.

Announcing this, deputy governor of CBI for modern technologies, Mohammad-Hossein Mehrani, told IRNA that Iranian experts are working on the establishment of such banks.

Once operational, the e-banks will conduct all banking operations electronically both within the country and abroad, Mehrani said.

He added that the banks will have no branches and their activities will be based at their headquarters. Establishment of the e-banks will reduce the cost of manpower and modernize the banking system, he noted.

Electronic banking solutions have many features and capabilities in common, but traditionally also have some that are application specific.

The precursor for the modern home online banking services were the distance banking services over electronic media from the early 1980s (the term online became popular in the late '80s).

## Foreign Bond Issuance Unlikely

With the principal payment of its last foreign bond at 325 million euros, Iran has retired all its foreign bond issues, Meed Magazine reported.

Fitch Ratings, an international rating agency, said that henceforth it does not need to consider Iran in its risk rating since the country's bond issues are a thing of the past.

The agency's latest rating of Iran's securities was B+.

The Central Bank of Iran (CBI) has not ruled out issuance of foreign bonds in the future but, given high oil revenues, it is not expected that the Islamic Republic will issue a new series of foreign bonds soon.

Some analysts contend that given the US pressures on Iran, it is unlikely that foreign banks will want to cooperate.

Meed refers to Iran's serious need for foreign investments and mentions development of the country's metro projects as an example.

Based on the Meed's estimation, Iran needs \$18.5 billion for the implementation of its metro projects.

## Business Groups To Visit Africa

Five business groups will visit five African countries this year.

Announcing this, head of Hamedan Chamber of Commerce, Industry and Mines told ISNA that the countries include Algeria, Tunisia, Sudan, Ethiopia and Libya.

Majid Mokhtar Mousavi said Egypt was also on the agenda and once visas are issued, the group will visit Cairo.

Talks have been held with two exhibition companies to prepare grounds for participation in international events.

"Countries interested in hosting Iranian producers should contact these two companies," he said.

Exports from Hamedan province, including carpets, ceramic and pottery, are mainly shipped to Italy, the Netherlands, Germany, Ukraine, the UAE, the US, Canada and Russia through this chamber.