Le Qatar subit sans broncher un an d'embargo saoudien

L'émirat gazier s'accommode sans trop de dégâts du quasi-blocus imposé il y a un an par ses voisins arabes.

Le Qatar tient le choc. Il a « fêté » ce mardi un an d'embargo terrestre, aérien et maritime imposé par l'Arabie saoudite et ses alliés. « Même pas peur » semble être le cri de ralliement des 2,6 millions de résidents (dont seulement un dixième de Qataris) de l'émirat à qui le gaz confère les revenus par habitant les plus élevés de la planète. Le ministre qatari des

Affaires étrangères, **Sheikh Mohammed ben Abderrahmane al Thani**, a même joué la provocation envers Riyad en affirmant mardi que son pays « *se trouvait renforcé* » par l'embargo.

Quand l'Arabie saoudite, les Emirats arabes unis, Bahrein et l'Egypte ont, le 5 juin 2017, soudainement coupé toute relation économique et diplomatique avec Doha, avec expulsion de ses ressortissants et fermetures de comptes bancaires à la clé, ce fut un choc.

« *D'un seul coup, plus d'importations d'oeufs, de lait, de légumes et même d'insuline* », se rappelle l'homme d'affaires Roudi Baroudi, « *mais nous avons fait preuve de résilience et de cohésion nationale. Et aucun investisseur n'a plié bagage* ».

Le Qatar, qui a refusé le plan de reddition géopolitique en 13 points exigé par ses voisins (fermeture de sa télévision Al Jazeera, suspension de son soutien aux Frères musulmans, distanciation d'avec l'Iran, etc.), a trouvé des fournisseurs de substitution : la Turquie, l'Iran, les pays européens, le Maroc, l'Inde, la Chine, Oman (qui réexporte en fait des produits émiratis). « *Cela leur a permis de découvrir que les Saoudiens leur surfacturaient souvent et ils y ont donc gagné au change pour certains produits* », estime un connaisseur de la région.

Un plan de bataille

Doha a relevé à 49 %, contre 25 %, le plafond des participations étrangères dans toute entreprise locale et lancé, à grand renfort de subventions, un programme de soutien à l'industrie nationale, alors que jusqu'alors la totalité des biens de consommation était importée. C'est ainsi que 3.400 vaches ont été acheminées d'Australie… par avion (le seul accès terrestre est fermé via l'Arabie saoudite) et que Doha a installé en urgence la plus vaste plate-forme de traite du Proche Orient. Ont été mises en place une dizaine de routes commerciales nouvelles, par avion ou via Port Hamad.

Si ces mesures ont permis d'éviter pénuries et flambée inflationniste, le choc a été rude pour Qatar Airways, qui a dû suspendre 19 destinations et perdu un quart de son trafic passager, ainsi que pour le secteur touristique, avec une chute du nombre d'entrées de 25 % l'an dernier.

Un impact transitoire selon le FMI

Une facture alourdie par une fuite des capitaux évaluée à 40 milliards de dollars en quelques mois. Mais la Banque centrale et le fonds souverain, le Qatar Investment Autorithy, fort de 340 milliards d'actifs, ont injecté des liquidités d'un montant équivalent, à parité. Au total, la croissance économique a à peine faibli en 2017 et le déficit budgétaire n'a pas dépassé 1,6 % l'an dernier, a souligné le FMI dans un rapport en mars, qui estimait que l'impact de l'embargo était « *transitoire* ». L'indice de la Bourse de Doha a dévissé de 18 % en 2017, pire performance mondiale, mais a depuis regagné dix points.

La résilience du Qatar doit aussi beaucoup à sa stratégie d'influence et d'assurance via ses relations (assorties d'achats d'armes) avec notamment Paris, Londres et Washington, qui maintient une base de 11.000 soldats sur place.

Yves Bourdillon

Qatar maintains global LNG lead

One of the key targets of the siege countries was Qatar’s vibrant and resource-rich hydrocarbons industry. The economic blockade was basically aimed at interrupting Qatar’s export of oil, gas and petrochemicals in all ways possible.

Qatar Petroleum (QP) and its group companies immediately managed to absorb the initial impact of those measures, and were able to continue operating and export normally without any disruption across all its oil and gas facilities.

Qatar’s announcement of its offshore North Field expansion has been well-received by the global energy industry, whose major players see great opportunities in partnering with QP on the largest single non-associated gas field in the world.

Qatar’s plan is to develop an export-oriented gas project in the North Field. Qatargas has been entrusted with executing this mega-project on behalf of QP.

The expansion of Qatar’s LNG production from the North Field

is an important landmark in QP’s strategic growth plan and objectives of becoming one of the best national oil and gas companies in the world.
QP has already selected Japan’s Chiyoda Corp to execute the Front End Engineering and Design (FEED) of the onshore facilities of the North Field expansion project.

The facilities will produce an additional 23mn tonnes per year (tpy) of liquefied natural gas (LNG), which will raise Qatar’s production from 77mn tpy to 100mn tpy.
QP president and CEO Saad Sherida al-Kaabi said earlier that “the expansion of Qatar’s LNG production from the North Field is an important landmark in Qatar Petroleum’s strategic growth plan and objectives of becoming one of the best national oil & gas companies in the world.
“We are continuing discussions with potential international joint venture partners for this strategic project to determine an optimised arrangement with the objective of delivering maximum value to the State of Qatar and contribute to the optimal utilisation of Qatar’s natural resources.”
Another major project announced by QP recently was the development and operation of a new world scale petrochemicals complex at the Ras Laffan Industrial City.
The petrochemicals complex will include an ethane cracker with a capacity of more than 1.6mn tpy of ethylene, making it the “largest ethane cracker” in the Middle East, and one of the largest in the world.
The petrochemicals complex will also include world-class derivative plants, which will consolidate Qatar’s position among the leading petrochemicals producers in the world markets.
The engineering design of the petrochemicals complex should commence shortly, leading to a planned start-up in 2025.
QP has invited a group of leading international companies, with extensive experiences in the petrochemicals industry, to submit proposals for partnering with it in the development and operation of the new world scale petrochemicals complex.

The feedstock for the petrochemical complex will be ethane produced primarily from the new North Field LNG expansion project that will produce an additional 23mn tpy of LNG, as well as from existing gas projects producing ethane.
On the project, Qatar Petroleum President and CEO Saad Sherida al-Kaabi said, “This development is a first step towards the launch of a new world scale Petrochemicals Complex at Ras Laffan, marking another important milestone for Qatar Petroleum.”
Al-Kaabi added: “Petrochemicals represent a major pillar of our growth strategy to achieve our vision of becoming one of the best national oil companies in the world. This project will complement our efforts to implement our strategy, and will enable Qatar Petroleum to further expand its footprint in the global petrochemicals markets.”

Qatar open to meet India’s growing LNG demand: CEO of QP

The Peninsula

DOHA: Qatar, the world's largest exporter of liquefied natural gas (LNG), is open to supply more gas to India to meet the country's fast growing requirements for clean energy.

India, one of the major importers of Qatari gas, is giving more focus on the use of natural gas (reducing the use of coal, diesel and petrol) to transform into a gas-based economy. "India is a very important country for us, especially with regard to our growing LNG production, and India's rising demand for energy. We are always open to enhance cooperation to meet its energy requirements," Eng Saad Sherida Al Kaabi, President and CEO of Qatar Petroleum (QP) said in response to a question from The Peninsula.

Al Kaabi added: "Currently we are supplying over 8 million tonnes of our LNG to India every year under long-term agreements. We intend to supply more. A few months ago I visited India and have had meetings with top officials of all the important Indian companies that are buying LNG. We have had discussions on these issues, and we are looking forward to increase the level of cooperation to satisfy India's growing

LNG demand." He reiterated that he is always open to have discussions and supply more LNG to India. "We have good relationships with Indian companies. India is a strategic business partner of QP. Indian energy companies are good reliant customers, and we hope to grow that business because that's very important for us," said Al Kaabi.

India with a population of over 1.3 billion people, which is also the Asia's third largest economy, is investing heavily on developing needful infrastructure to boost the consumption of gas. It has set an ambitious target of enhancing the share of gas to 15 percent of its primary energy basket within next few years, which is currently 6.5 percent. The energy-hungry economy, which is currently the third largest consumer of oil and gas, is also working to develop a gas trading exchange to create new market, aiming to boost domestic consumption of gas as well as re-exporting it to neighbouring countries.

Al Kaabi said that during his visit he also met with India's Minister of Petroleum & Natural Gas and Skill Development & Entrepreneurship, Dharmendra Debendra Pradhan, and had fruitful discussions to boost energy cooperation between the two friendly countries.

Pradhan, a big supporter of gas and other forms of clean energy, reaffirmed his commitment to boost India's gas consumption in a recent TV interview. "Today India's re-gasification capacity is about 26 million tonnes per annum (mtpa), which is adding another 30mtpa of re-gasification facility in the eastern coast of the country. This is the biggest jump of re-gasification capacity ever," said the Minister in a TV interview.

Pradhan added that currently about 150 districts of the country are linked with piped gas supply, and by the end of 2019, India will have another 200 districts connected with piped gas, taking the total to 350 districts, covering more than half of the country of 1.3 billion people.

India is revamping its several key industries, including fertiliser, steel, and other industries to transforming them into gas-fuelled facilities.
In addition, the country also has plans to use gas as primary fuel for its huge transport sector, including the maritime and inland transport. “We are very focused to use more LNG, PNG (piped natural gas) and CNG (compressed natural gas). I am confident that India (in terms of gas consumption) will achieve more than the world average of 24 percent of gas in the global energy-mix. In the state of Gujarat we already have achieved 26 percent, which we want to replicate across the country,” the Minister said.

Jordan senate meets as protests over IMF-backed austerity continue

AFP AMMAN: Jordan’s senate met yesterday for a special session after another night of protests across the country against IMF-backed austerity measures including a draft income tax law and price hikes.

Some 3,000 people faced down a heavy security presence to gather near the prime minister’s office in Amman until the early hours of last morning, waving Jordanian flags and signs reading “we will not kneel”.

Protests have gripped the country since Wednesday, when hundreds responding to a call by trade unions, flooded the streets of Amman and other cities to demand the fall of the government. Last month, the government proposed a new income tax law, yet to be approved by parliament, aimed at raising taxes on employees by at least five percent and on companies by between 20 and 40 percent. The measures are the latest in a series of economic reforms since Amman secured a $723m three-year credit line from the International Monetary Fund in 2016.

The senate convened hours after protests ended yesterday to discuss “ways of dealing with draft law… in the interest of all parties”, Jordan’s official Petra news agency said. Senate speaker Faisal Al Fayez said there was a need for “comprehensive national dialogue” on the law, echoing an earlier call by King Abdullah II.

Fayez said the government should “balance economic challenges and pressures with the interests of different social sectors”, but cautioned against violence and called on authorities to bring “troublemakers” to justice. Since January, Jordan – which suffers from high unemployment and has few natural resources – has seen repeated price rises including on staples such as bread, as well as extra taxes on basic goods. The price of fuel has risen on five occasions since the beginning of the year, while electricity bills have shot up 55 percent since February.

The IMF-backed measures have sparked some of the biggest economic protests in five years. Overnight, protesters outside Prime Minister Hani Mulki’s office shouted slogans including “the ones raising prices want to burn the country” and “this Jordan is our Jordan, Mulki should leave”. Demonstrators tussled with security forces and some fainted, but others smoked water pipes and one sat on the pavement and played the Arabian lute, or oud.

In another part of the city, security forces used tear gas to prevent hundreds of demonstrators from joining the rally near Mulki’s office, Jordanian news websites reported. “Women have started looking in rubbish bins to find food for their children, and every day we’re hit by price hikes and new taxes,” said one protester.

Bank employee Mohammad Shalabiya, 28, said demonstrators wanted “to tell the government that the citizen’s income isn’t suitable for this kind of law and that we have a right to demonstrate”. Lina Rsheidat, 35, a housewife with a red keffiyeh scarf around her neck, said the proposed law was “unjust” and would “harm the Jordanian people”.

According to official estimates, 18.5 percent of the population is unemployed, while 20 percent are on the brink of poverty. The Economist Intelligence Unit earlier this year ranked Jordan’s capital as one of the most expensive in the

Arab world. “The popular movement… has surprised the government,” Adel Mahmoud, a Jordanian political analyst, said. Discontent could “snowball… triggering a domestic crisis”, he said, adding that he expected protests to continue until demands are met.

Jordan, a key US ally, has largely avoided the unrest witnessed by other countries in the region since the Arab Spring revolts broke out in 2011, although protests did flare late that year after the government cut fuel subsidies.

QP acquires 30% stake in 2 ExxonMobil affiliates

Qatar Petroleum (QP) has signed an agreement with ExxonMobil to become a 30% equity holder in two ExxonMobil affiliates in Argentina that hold different interests in hydrocarbon licences for seven blocks in the world-class Vaca Muerta play in the onshore Neuquén basin.

QP president and CEO Saad Sherida al-Kaabi and ExxonMobil Corporation senior vice president and principal financial officer Andrew P Swiger signed agreements on Sunday in Doha.

The agreements will give QP a 30% shareholding in ExxonMobil Exploration Argentina SRL and Mobil Argentina SA, which hold rights with other partners for seven blocks under unconventional exploration licenses with active drilling plans, as well as exploitation licences with pilot drilling and production.

Al-Kaabi said: “We are pleased to enter into an agreement with our longtime partner ExxonMobil, and to participate in the further development of the Vaca Muerta unconventional resource in Argentina.

“This is an important milestone as it marks Qatar Petroleum’s first investment in Argentina, as well as its first significant international investment in unconventional oil and gas resources. We look forward to working with ExxonMobil to leverage our combined world-class capabilities to unlock the potential of these assets for the benefit of all stakeholders.”

Swiger said the agreement builds on ExxonMobil’s “longstanding and successful” partnership with QP, “and underscores our commitment to develop Argentina’s resources to further support domestic production of oil and natural gas.”

The Vaca Muerta shale in the Neuquén province in western Argentina is considered among the most prospective unconventional shale oil/gas plays outside North America. Activity in the basin has picked up recently, mainly due to governmental incentives and rising domestic energy demand. A number of international operators have established presence in the basin and announced ambitious investment plans.

ExxonMobil’s wholly-owned subsidiary, XTO Energy, which is among the world leaders in unconventional oil and gas operations, is providing operational support to the two ExxonMobil affiliates concerned in Argentina, including developing detailed appraisal and development plans for these assets based on recently-drilled wells and pilot production testing.

In addition, the implementation of leading technologies will be a priority for the partners in order to maximise the value to all stakeholders, while preserving the highest safety standards and reducing operating costs. Page 2

QP eyes oil production growth in next 10 years

Qatar Petroleum is planning to expand its production capacity from its current 4.8mn barrels per day equivalent of oil to 6.5mbpd in the next eight to 10 years, said president and CEO Saad Sherida al-Kaabi.

Al-Kaabi, who made the announcement during a signing ceremony with ExxonMobil in Doha yesterday, said the planned growth in production capacity is part of QP’s long-term strategy.

Similarly, al-Kaabi said the agreement signed between QP and ExxonMobil yesterday “is an important milestone on the road to expanding our international footprint, which is an important part of Qatar Petroleum’s growth strategy.”

He added: “It goes hand-in-hand with the planned expansion of our local production from the North Field, which will further boost Qatar’s leading global position by raising its LNG production from 77mn to 100mn tonnes per year; and with the recently announced Petrochemicals Complex project, which includes the largest ethane cracker in the Middle East, and one of the largest in the world.”

Pope Francis to discuss climate change with oil company CEOs

Bloomberg/London/Rome

Oil company bosses will travel to the Vatican this week to discuss climate change with Pope Francis.

The meeting will be on June 8 and June 9 at the Casina Pio IV villa in the Vatican, with an audience with the Pope on the second day, according to a spokesman. It is being organized by a department headed by Cardinal Peter Turkson, who helped write Pope Francis’ 2015 encyclical on climate.

“We look forward to the dialogue, and the opportunity to

discuss how we can address climate change and opportunities in the energy transition," a spokesman for Equinor ASA, Norway's largest oil company, said in an e-mailed statement on Friday.
BP chief executive officer Bob Dudley will also travel to Rome for the meeting arranged by the University of Notre Dame, according to people familiar with the talks. The Pope has made climate change a cornerstone of his papacy, saying in an encyclical letter that the science around the topic is clear and that the Catholic Church should view it as a moral issue.
A spokeswoman for BP declined to comment. Exxon Mobil Corp and Eni SpA will also participate in the meeting, according to reports from Axios and Reuters. A spokesman for Royal Dutch Shell declined to comment on whether its CEO would be involved.
The University of Notre Dame didn't respond to requests for comment.

Trial by fire: A year into the siege, Qatar's economy has proved its tenacity

Roudi Baroudi

It has been a year since the Kingdom of Saudi Arabia and a few other regional countries launched an attempt to subjugate Qatar by strangling the latter’s economy with an illegal air, land, and sea blockade. They have failed, and spectacularly so.

The effort – based largely on unsubstantiated accusations of Qatari support for terrorism but actually rooted in Saudi ambitions – has forced Qatar to spend more than it had budgeted, but money is one thing that the world’s largest exporter of LNG has no trouble obtaining. After a brief period of uncertainty, therefore, economic activities returned to their usual heady pace, and business is booming in most key sectors.

There were initial concerns about shortages of some food products and other imports, for instance, but prompt government action and the responses of certain friendly countries (most prominently Turkey) have emphatically quashed both short and medium-term fears. In addition, the experience has prompted Qatar to implement long-term food security plans that will blunt any future attempts at external blackmail. Some were worried, too, that what has become the longest air blockade since World War II would wreak havoc on the transport sector.

Qatar Airways, a widely recognised symbol of Qatar’s emergence as a genuine player on the international stage, was indeed inconvenienced by losing access to the airspace over KSA, the United Arab Emirates, Egypt, and Bahrain. While the flag carrier has been forced to take longer routes and use more fuel, however, it has only redoubled its resolve to keep Qatar connected with the rest of the world.

The airline was proud to carry the first emergency supplies into the country following the imposition of the blockade, and it has added (or announced plans to add) some two dozen new destinations over the past year. In the process, Qatar Airways also picked up no less than 50 individual awards in 2017, including “World’s Best Business Class” and “Best Airline in the Middle East”. In fact the primary victims of the Saudi-led campaign have been innocent citizens of Qatar and the very countries trying to isolate it: Some 16,000 GCC families with one or more dual-national members have been cruelly torn apart by the blockade, including thousands of children separated from at least one parent. If anything, the experience has only strengthened compassion and solidarity in Qatari society, with nationals and foreign residents alike offering mutual support to bolster resilience in the face of the embargo. Never has there been stronger collective resolve to defend Qatar’s freedom and independence.

Both the resilience and the resolve have been bolstered by the performance of the marine transport industry. The siege has not only sharply curtailed Qatar’s shipping and trans-shipping options (leaving Oman and Kuwait as its only GCC outlets), but also closed its only land border (with KSA), completely eliminating overland trade. Once again, this has imposed a few new costs and prompted a few added concerns, but Qatar’s ports are reaping the rewards: the numbers of both inbound and outbound cargo shipments have risen dramatically, spinning up business for everything from modern bulk and container terminals to small local harbors and the ancillary enterprises that serve them.

In the all-important energy sector, initial concerns about possible supply disruptions have been successfully addressed, with Qatar once again leading the world in LNG exports. In addition, Qatar Petroleum has announced plans to increase LNG production from 77 million tons per annum to 100 million MTPA, which should guarantee its No. 1 exporter status for another 20–25 years. Alongside the LNG expansion, Qatar also is scaling up its already world-class petrochemical industry, with QP recently announcing plans to build a massive new complex at Ras Laffan. The company is seeking qualified partners for the enormous project, which is centred on what will be the largest ethane cracker in the Middle East, and one of the largest anywhere, plus several derivatives plants, consolidating Qatar’s position as a major player in global petchem markets.

Moreover, the entire episode has only underlined the stabilising role that Qatar has long played in the dynamics of global energy security by, inter alia, continuing to stress dialogue and diplomacy as the best means of boosting market stability, thereby protecting the interests of producers and consumers alike. Faced with serious obstacles thrown up by the blockade, Qatar’s energy sector moved quickly and decisively to ensure that its obligations would be met, and this despite conditions meeting the definition of force majeure.

It fine-tuned the tasking and disposition of its LNG carrier fleet, making even more efficient use of these assets to ensure timely deliveries to TransAtlantic, Trans-Pacific, Mediterranean, and Indian Ocean clients. It expanded and deepened cooperation with buyers and sellers to better coordinate supply with demand, further burnishing its credentials as a reliable partner. As a consequence, Qatar reaffirmed its unmatched ability to protect security of supply at any point in time, improving both security and competitiveness in world markets.

Qatar was likewise successful in demonstrating that it remains a highly attractive place to do business. Since the unlawful siege began, the government has continued to secure new foreign direct investment from some of the world’s most important oil and gas companies, including ExxonMobil, Shell, and TOTAL. Over the same period, more than 120 entities received licensing from the Qatar Financial Center, a massive increase on the previous 12-month period for the QFC platform, which confers significant benefits on registered companies, including legal and financial environments based on English common law.

Going forward, all available data suggest that the leadership’s response to the crisis, and Qatar’s world-class financial and economic credentials, have enabled business activity to remain as robust as ever. In fact, senior officials expect growth of about 3% for 2018, meaning that in spite of the blockade, Qatar’s economy will out-perform those of most neighboring countries. In addition to all of these economic and financial successes, Qatar also has used the past year to achieve significant advances in social policy.

Nowhere was this more prominent than in the area of progressive new labor legislation, particularly as regards expatriate workers. New laws passed in 2017 give such workers several new protections, including guarantees for regular payment of wages into local bank accounts, development of mechanisms to resolve labor disputes, and the establishment of a new committee to counter human trafficking. On the geopolitical level, the entire episode has only increased Qatar’s soft power by attracting the sympathy of governments and people around the world, the great majority of whom know a manufactured crisis when they see one.

On the other hand, the failed Saudi-led attempt to isolate Qatar has managed to both exacerbate existing tensions within the GCC and to generate new ones. It also has divided much of the Arab and Islamic worlds, forced smaller countries to make impossible choices, and exposed the extent to which some governments use their financial resources to bribe or coerce those of less affluent societies. The crisis even briefly divided the top echelons of the Trump Administration in its early days. Since then, Washington has been consistent in advocating a peaceful resolution of the dispute: President Trump has offered to mediate, and then-CIA Director Mike Pompeo (now secretary of state) visited Saudi Arabia in April to warn that “Enough is enough.”

Washington also has reaffirmed its security commitments to Doha on other levels, including the continuation of its large presence at Qatar’s massive Al-Udeid Air Base. The facility, which hosts the headquarters of the Pentagon’s Central Command and more than 10,000 US and allied troops, is far and away the most important staging point for coalition air operations against terror groups across the entire region, from Syria and Iraq to Yemen and Afghanistan. In addition, the US government has approved the sale of up to 72 F-15 fighter-bombers for the Qatar Emiri Air Force. Other major powers also have lined up to help Qatar maintain its independence and, if necessary, defend its borders.

Britain, for instance, has agreed to sell Qatar at least two dozen of its multi-role Eurofighter Typhoons; France has committed to providing at least 36 of its Rafale fighters, plus almost 500 of its latest VBCI armored vehicles; and Turkey has accelerated the deployment of its troops and equipment to its own recently activated base near Doha. Several countries have continued to plan and hold joint military exercises with Qatar, and Russia has agreed to cooperation in military supplies and air defense, possibly including sales of its highly touted S-400 system.

Given these and other manifestations of support, the position of the broader international community – i.e. those not susceptible to either largesse or intimidation – is not in doubt, which means that the longer the blockading countries and their followers try to bully Qatar, the more isolated they become. By contrast, the crisis has revealed the Qatari state to have ample planning and policymaking resources. This has allowed the leadership to carry out a comprehensive response to the unlawful siege, including emergency measures to dilute the initial shock of the blockade, the fostering of greater competition in the marketplace, improved energy efficiency, and a highly ambitious program of economic self-sufficiency – all underpinned by enormously successful diplomatic and public relations campaigns.

Overall, the outlook is very positive, which is far better than anyone might have expected and indicates that Qatar will continue to play the roles for which it has become known on the world stage: championing the cause of stable, free-flowing, and competitive energy supplies; running an open, dynamic economy; providing cleaner fuels for customers around the world; developing massive new LNG capacity for global clients that will catalyse and stabilise global energy markets for years to come; advocating (and even mediating) dialogue over conflict; and exerting a moderating influence on an often volatile region.

Qatar is committed to Global Energy Partnership. All this helps to explain why Doha has refrained, on almost every level, from retaliating for the blockade by taking its own punitive measures. Solid energy policies have allowed Qatar to master the politics of LNG production and supply, and its gas sector has continued to honored all of its worldwide commitments, including those to buyers in the blockading countries. The latter are only shooting themselves in the foot by continuing their efforts to ostracise Qatar, and Doha works to maintain channels of communication so that if and when a change of heart is forthcoming, there are no obstacles to a reconciliation among brothers.

> *Roudi Baroudi is CEO of Energy and Environment Holding, an independent consultancy based in Doha.*

ECB at 20 can’t shake existential angst amid

enduring Italian crisis

The European Central Bank’s 20th anniversary arrives today as another financial scare – this time in Mario Draghi’s Italian homeland – shows that the euro area still hasn’t grown up.
It’s a chance for the ECB president to remind governments that their political project, to create a monetary union out of economically and culturally disparate sovereign nations, is far from finished. As anti-establishment populists gain ground across the bloc, the risk is that the single currency’s weaknesses could allow it to be ripped apart.
Italy highlighted that tension this week when a euro-sceptic finance minister nominated by democratically elected politicians was vetoed by the nation’s president, putting the country on course for new polls. Bond yields soared in the country, but also in neighbouring Spain and Greece, awakening memories of 2012 when investors bet the eurozone would splinter.
“The euro keeps catching up with the effects of the last crisis and then another one breaks,” said David Marsh, head of OMFIF, a think-tank for central banking, and author of books on the history of the euro. “Either you move to some kind of

political union with genuine pooling of sovereignty — a genuine sharing of risks including necessary debt restructuring, which is pretty large step — or a danger of some catastrophic crisis or a breakup becomes more acute."

Some of those concerns will be addressed by European Union leaders at a summit on June 28-29, where German Chancellor Angela Merkel and French President Emmanuel Macron have pledged to present a joint initiative to boost the union's resilience.

Major progress might be hard to agree on though, as Merkel faces resistance from among her allies and parts of the opposition. She's unlikely to loosen her stance given that Italy's election earned victories for parties promising big spending in the country that already has the euro area's largest debt burden.

"The main issue is that participation in the euro requires countries to respect certain conditions and rules," said Francesco Papadia, who was head of the ECB's market operations from 1998 to 2012 and is now a senior fellow at the Bruegel think-tank in Brussels. "If these conditions and rules are not respected, the construction is shaken."

The ECB itself is certainly is stronger than on June 1, 1998, when it was formed out of the European Monetary Institute and set up in a rented tower block in downtown Frankfurt. That was seven months before the euro was introduced.

"European Monetary Union was an hubristic endeavour from the start, full of unprecedented ambition in historical terms. The initial minimalist design didn't do justice to the wide-ranging implications of the project. The framework is not yet complete and is still risking existential threats" ECB vice president Vitor Constancio said on May 17.

The central bank has taken on responsibility for banking supervision, and developed powerful new tools such as quantitative easing, negative interest rates and free bank loans to guide the eurozone through two financial crises and avert the risk of deflation. Eurozone membership has jumped to 19 countries from 11.

Yet it also became a lightning rod for public discontent. Its new €1.3bn ($1.5bn) headquarters was a focal point for riots in 2015, and the institution was in the crossfire the same year as Greece was forced to impose capital controls. Core countries Germany, France, the Netherlands and Austria have all seen the rise of political groups opposed to the euro and to deeper integration.

Sweden's Riksbank, the world's oldest central bank, is celebrating its 350th anniversary this year. Speakers at a conference last week to mark the occasion included the heads of the 324-year-old Bank of England, Mark Carney, and the 105-year-old Federal Reserve, Jerome Powell.

The ECB is a newborn in comparison, but one tasked with being the custodian for the world's second-biggest currency.

"Can a currency survive without a political union, a monetary union without a political union?" Otmar Issing, the institution's first chief economist, said at the event. "How must the monetary union be reformed to make it less fragile in the context of crises? These are the challenges which the ECB will be confronted with for, I am afraid, some time to come."

Outgoing ECB vice president Constancio echoed that sentiment in more granular form in a video posted on Twitter yesterday, the day of his retirement.

"The crisis itself showed that the initial design of the monetary union was insufficient," he said, highlighting flaws from a lack of common deposit insurance to the need for a region-wide capital market. "Monetary union, being a collective endeavour, needs at the centre a macro stabilisation function – and that has to be done by introducing a stronger coordination of fiscal policies."

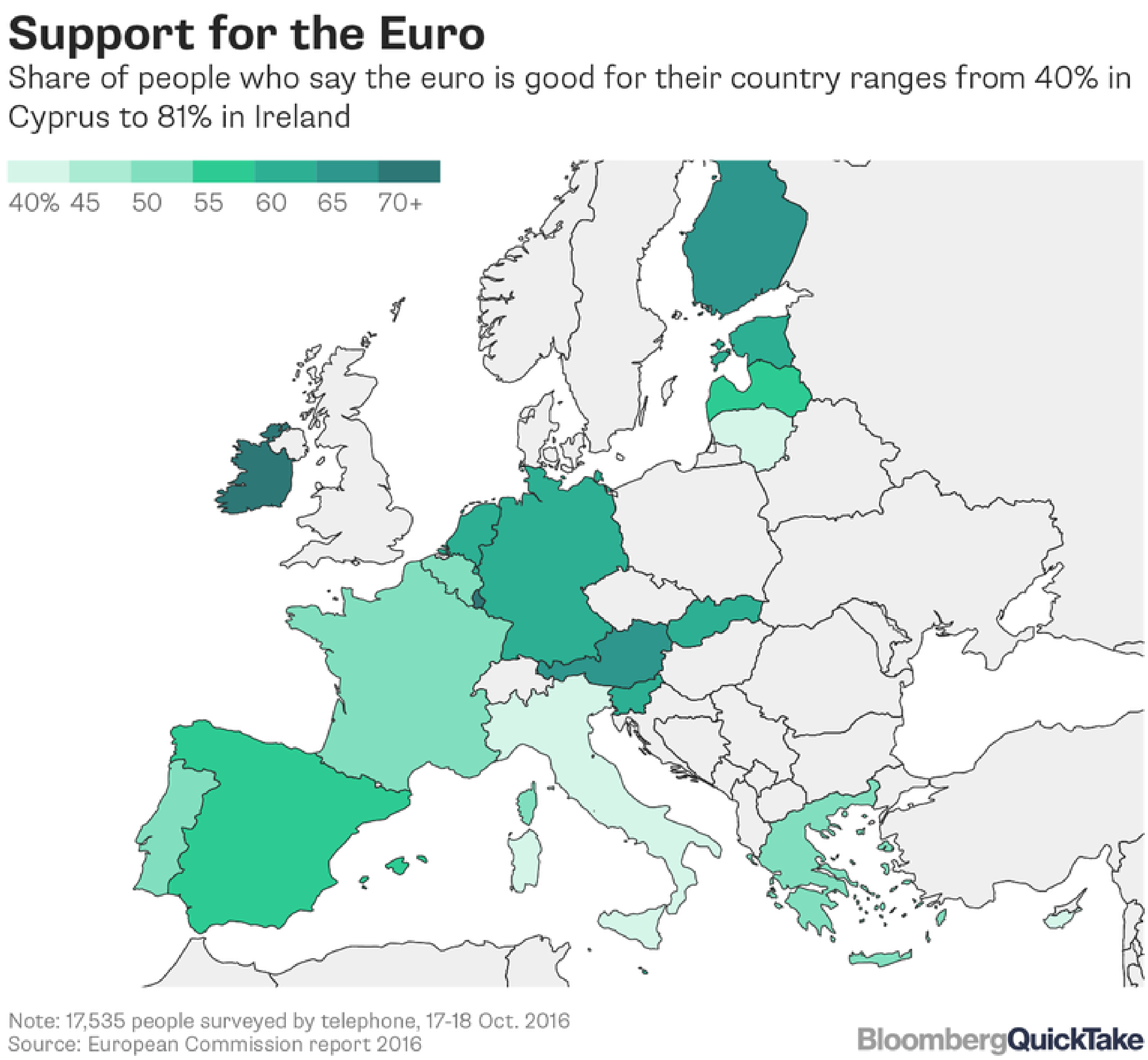
The Euro

A stack of 50, 20 and 10 euro notes is arranged for a photograph inside a Travelex store, operated by Travelex Holdings Ltd., in London, U.K., on Wednesday, March 6, 2013. The U.K. currency weakened against all except one of its 16 major counterparts as 11 of the 39 economists surveyed by Bloomberg News predict the central bank will tomorrow increase its asset-purchase target to at least 400 billion pounds ($603 billion) from the current 375 billion pounds. Photographer: Simon Dawson/Bloomberg

Hey, euro! For a while there, you looked like a goner. During those debt crisis days in 2012 when Greece was imploding and Spain's banks were teetering and the Germans were asking why they had to pick up the bill, there was a serious wobble. Common European currency? Remind us, please, what Europeans actually have in common. Now with Britain heading out of the European Union and Greece in a perpetual pinch, there are constant reminders of the euro's shortcomings. Though the rules governing the 19-nation shared currency have been tightened since the crisis, there's still a regular chorus of business leaders and politicians who say that its demise is just a matter of time. The latest challenge: populist politicians capitalizing on discontent and targeting the euro. Can the world's most ambitious financial experiment survive?

The Situation

As the euro stumbled on, wealthier nations in the north were often pitted against poorer ones in the south, amplifying the differences among them. Anti-EU protest parties have gained support from voters fed up with the failings of other member countries and the loss of control to bureaucrats in Brussels. Withdraw from the euro is a rallying cry for Italy's Five Star Movement and Marine Le Pen's National Front in France, which rattled investors before a presidential election in May with promises to redenominate the country's debt. Greece has struggled to qualify for crucial loans after surrendering to its third bailout in five years in 2015 to remain part of the euro. Months of bitter disagreement and Germany's insistence on more austerity left a lingering sense that Greece will have to leave the currency union eventually. Europe's slow recovery from a double-dip recession hasn't helped, with euro-zone unemployment forecast to remain above 9 percent for a ninth year in 2017. The euro dropped by the most on record in June 2016 on the surprise decision by British voters to leave the EU, even though the U.K. is not part of the common currency.



The Background

The precursor to the EU was set up in 1958, as the continent's leaders vowed to make another war between them all but impossible. The euro came in 1999, when a group of 11 countries jettisoned marks, francs and lire and turned control of interest rates over to a new central bank. The common currency's scale provided exchange-rate stability and better access to world markets. It Un homme tabassé par les gendarmes _ Comores Infosdid not, however, impose uniform financial discipline; to avoid surrendering national sovereignty, politicians largely sidestepped a unified approach to bank regulation and government spending. To the extent that there were rules, they were flouted. The events that brought the euro to its knees came during the global rout in 2009, when Greece came clean and said its budget deficit was twice as wide as forecast. Investors started dumping assets of the most indebted nations and borrowing costs soared. The shared euro made it impossible to devalue individual currencies of weaker economies, limiting options for recovery. Politicians lurched through bailouts for Greece, Ireland, Portugal and Cyprus plus a rescue of banks in Spain. The panic fueled fears of a breakup as fragile banks and their holdings of government bonds exposed the common currency’s vulnerabilities. The firestorm abated in July 2012, when European Central Bank President Mario Draghi pledged to do “whatever it takes” to save the euro.

The Argument

Euro-area leaders say the common currency is now more resilient in the face of shocks. They argue that even if Greece were to fall out of the euro, the currency would survive, though there’s a vigorous debate about how serious the economic and political consequences would be. New systems have been put in place to centralize bank supervision and build firewalls between troubled debtors and taxpayers. The measures still may not have gone far enough. Aspirations by the euro’s founders for an “ever closer union” — including more oversight of national budgets and the pooling of debt — have not been realized. For some observers, the euro’s flaws simply sow the seeds for another crisis.

Deutsche Bank Hits Record Low as It Defends Troubled U.S. Unit

- U.S. Fed, FDIC said to place lender on troubled firm lists
- Deutsche Bank says it has 'significant liquidity reserves'

Deutsche Bank AG fell to a record low Thursday after reports that U.S. regulators added it to a group of troubled lenders they monitor. The firm said it's overhauling the operations at issue, and that there are "no concerns" about its financial stability.

The stock dropped 7.2 percent to 9.16 euros in Frankfurt, the lowest close since Bloomberg began keeping records in 1992. The bank's U.S. business was added to a group of troubled lenders monitored by the deposit insurance regulator, months after the Federal Reserve placed the lender on its own list of problem banks, a person familiar with the matter said Thursday.

The news compounds the challenges for new Chief Executive Officer Christian Sewing as he seeks to restore profitability. U.S. regulators warned Europe's biggest investment bank in March that it must more urgently fix lapses described in a series of settlements with the Fed over the past few years. After failing to make a profit for three years, Deutsche Bank is accelerating a plan to refocus on clients in Europe, though Sewing has said the U.S. will remain an important market.

"I'm concerned about Deutsche Bank's ability to fix problems in their controls and monitoring capacities," said Michael Huenseler, a portfolio manager at Assenagon Asset Management. "Regulators are continuing to keep a close eye on this, as well as rating agencies, and so should investors."

Risk Controls

Laura Benedict, a spokeswoman for the Fed, declined to comment on any matter that involves confidential supervisory material. David Barr, a spokesman for the FDIC, also declined to comment. The person familiar with the U.S. regulators' moves, who requested anonymity, confirmed reports earlier Thursday by the Wall Street Journal and Financial Times.

The decision means the FDIC views Deutsche Bank's federally insured U.S. business as having financial, operational or managerial weaknesses that threaten its continued financial viability. The Fed's decision dates from a year ago, and Deutsche Bank has had to seek the central bank's approval for hiring and firing senior U.S. managers, the Journal said.

In a statement late Thursday, Deutsche Bank said there are "no concerns with regard to the financial stability" of the parent company, and that its main U.S. banking subsidiary has "a very robust balance sheet.”

“We have previously indicated that our regulators have identified various areas for improvement relating to our control environment and infrastructure,” it said. “We are highly focused on addressing identified weaknesses in our U.S. operations.”

Deutsche Bank’s risk controls have been under scrutiny for years, yet remain problematic. Bloomberg News has reported that the lender inadvertently transferred 28 billion euros ($33 billion) to one of its outside accounts in March, a so-called “fat finger” error that echoed a similar 21-billion euro mistake in 2014. In both cases, the errant transfers were quickly spotted and the money returned.

The lender may have reduced some risk-taking as a result of the Fed’s scrutiny, according to the Journal.

2016 Lows
Deutsche Bank’s shares have tumbled 42 percent this year, the worst performance in the 42-member Bloomberg Europe Banks and Financial Services Index.

Deutsche Bank is “very well capitalized and has significant liquidity reserves,” Charlie Olivier, a spokesman for the German lender in London, said in a statement earlier Thursday.

Sewing replaced his ousted predecessor John Cryan in April. S&P Global Ratings has been reviewing Deutsche Bank’s credit profile since then, saying that repeated changes of leadership raised questions over the firm’s long-term direction amid a background of chronically low profitability. The German lender is predicting a return to profit in 2018.

The FDIC considers “problem” lenders to have “financial, operational, or managerial weaknesses that threaten their continued financial viability,” according to the regulator’s website.

Sewing, who has spent his whole career at Deutsche Bank, has tried to put to rest such concerns in his first two months in charge, announcing sharp cuts in capital-intensive and competitive businesses such as prime finance and global equities, and promising to eliminate at least 7,000 jobs from the current staffing level of 97,000.

U.S. regulators scolded top Deutsche Bank executives in March and urged them to fix problems that had emerged in a series of investigations. Last year, the Fed fined the firm almost $157 million for lax oversight of employees in New York, including a failure to ensure that workers abided by the Volcker Rule, which bans risky market bets with shareholders’ money, and not detecting that currency traders were engaging in “unsafe and unsound conduct,” the Fed said.