

# Greece mulling defense deal extension with US



Athens is looking to extend the US-Greece defense agreement, also known as the Souda Agreement, by a year when US Secretary of State Mike Pompeo visits in October or November, it emerged after Wednesday's meeting between Prime Minister Kyriakos Mitsotakis and US House Appropriations Committee Chairwoman Nita Lowey at the Maximos Mansion in Athens.

Meanwhile, the prospect of a meeting next month between Mitsotakis and US President Donald Trump was also reportedly discussed.

Lowey also met with Foreign Minister Nikos Dendias and his deputy Antonis Diamataris for talks that reportedly focused on areas of the US-Greece Strategic Dialogue and efforts to promote common interests in the Eastern Mediterranean region.

In a tweet, US Ambassador to Greece Geoffrey Pyatt, who was at both meetings, said the discussion with Dendias focused on

“progress in all areas of the US-Greece Strategic Dialogue and the commitment of both our governments to do even more to promote common interests in the EastMed and strengthen Greece as regional pillar of stability.”

As for the meeting between Mitsotakis and Trump, this could reportedly take place on the sidelines of the United Nations General Assembly in New York in late September. Pyatt reportedly said that the timing is right for such a meeting.

Meanwhile, Mitsotakis begins his tour of European capitals on Friday, starting in Paris for talks with French President Emmanuel Macron.

The prime minister is expected to tout the momentum of New Democracy’s election victory, which has been reflected in the positive reaction of markets, as well as the notion that his government is a pillar of stability in the European south.

The bottom line is to restore confidence in Greece and to convey the message that it is no longer a “problematic” country in Europe, but one that is ready to undertake and support EU initiatives – among them Macron’s green agenda and the strengthening of European defense cooperation.

By getting this message across, Mitsotakis aims to pave the way for discussions on the primary surpluses Greece has agreed to achieve.

He is expected to provide reassurances that the targets for 2019 and 2020 will be met, but also that his reform package to stimulate the Greek economy will allow for a new outlook as of 2021.

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# Turkish navtex sparks fresh tension with Cyprus



Tensions are expected to heighten again in the Eastern Mediterranean after Turkey issued another navigational telex (Navtex) Wednesday reserving areas within Cyprus' exclusive economic zone (EEZ) for renewed exploratory activities by its Barbaros seismic vessel.

Ankara reserved an area spanning blocks 2, 9 and 13 of Cyprus' EEZ which it claims belong to the Turkish Cypriots in the occupied north of the island.

Cyprus has already licensed blocks 2 and 9 to South Korean energy company Kogas and Italy's Eni while France's Total was recently also given rights to these blocks.

Moreover, Paris has signaled its willingness to send frigates to the region to safeguard its interests. As yet no license has been awarded for Block 13.

Cyprus reacted to Ankara's move by issuing its own navtex calling on the Barbaros to refrain from illegal activity within its territorial waters.

Meanwhile, Turkish F-16 jets conducted two overflights Wednesday over the Aegean islet of Agathonisi and one over Farmakonisi.

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## Oil Tankers' Tracking Signals Are Vanishing in the Strait of Hormuz



Oil tanker owners are finding a way to reduce the risks of navigating the Strait of Hormuz, the world's most important – and lately most dangerous – energy chokepoint: vanish from

global tracking systems.

Copying from Iran's own playbook, at least 20 ships turned off their transponders while passing through the strait this month, tanker-tracking data compiled by Bloomberg show. Others appear to have slightly altered their routes once inside the Persian Gulf, sailing closer than usual to Saudi Arabia's coast en route to ports in Kuwait or Iraq.

Before the latest increase in tensions with Iran, ships were more consistent about signaling their positions as they passed through a waterway that handles a third of seaborne petroleum. Once inside the Gulf, shipping routes took them fairly close to the Iranian coast, skirting the offshore South Pars/North gas field shared by Iran and Qatar. Most still do, but a growing number appear to be trying something new.

It's little surprise that ships are doing everything possible to minimize risk. The Gulf region has witnessed a spate of vessel attacks, tanker seizures and drone shoot-downs since May, all against the backdrop of U.S. sanctions aimed at crippling Iran. War-risk insurance soared for tanker owners seeking to load cargoes in the region.

Two British warships are now situated in the waters around Hormuz where they were recently escorting the nation's ships. The U.S. 5th Fleet also permanently operates in the region. On Wednesday, the Norwegian Maritime Authority advised the country's flagged vessels to minimize transit time in Iran's territorial waters. Tanker captains have become increasingly nervous about the risks of getting caught up in the conflict.

See QuickTake on the Strait of Hormuz

At least 12 vessels loaded in Saudi Arabia and shut off their transponders while passing through the strait within the past month. They include the supertanker Kahla, which turned off its signal on July 20 before passing through the strait. It reappeared two days later on the other side of the waterway.

Likewise, at least eight vessels that loaded in Iraq and Kuwait went dark while leaving the Strait of Hormuz. A vessel shipping from the U.A.E. also dropped off tracking systems.

The apparent shutdown of signals coincides with a slew of disruptions in the region. On July 11, the Royal Navy intervened to prevent Iran from impeding a tanker operated by BP Plc from passing through Hormuz. Three days later, Iran seized a Panama-flagged vessel. On July 19, Iranian forces took control of a British-flagged tanker in retaliation for similar action by U.K. authorities. The vessel, the Stena Impero, remains impounded.

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## **US sanctions Iran's Foreign Minister Mohammad Javad Zarif**



The US Department of the Treasury has imposed sanctions against Iranian Foreign Minister Mohammad Javad Zarif.

The sanctions freeze any assets Mr Zarif may have in America, the department said.

“Javad Zarif implements the reckless agenda of Iran’s Supreme Leader (Ayatollah Ali Khamenei),” Treasury Secretary Steven Mnuchin said.

Mr Zarif tweeted the US had imposed sanctions on him because it considered him as a threat to its agenda.

- Iran-US tensions: What’s going on?
- US-Iran relations: A brief history
- Gulf crisis: Are we heading for a new tanker war?

Tensions between the US and Iran have heightened since the US last year withdrew from the 2015 nuclear deal that aimed to curb Iranian nuclear activities.

There are growing concerns that a number of recent incidents in the Gulf could lead to a military conflict in the vital shipping region.

On Wednesday, the US extended waivers which allow Russia, China and European countries to continue civilian nuclear cooperation with Iran.



Media caption Iran's Foreign Minister: We cannot leave our own neighbourhood

White House security adviser John Bolton said on Wednesday that it was a "short 90 day extension".

"I think the idea here is we are watching those nuclear activities very, very closely," he added.

## **What did the US say?**

Mr Mnuchin described Mr Zarif as the Iranian "regime's primary spokesperson around the world".

"The United States is sending a clear message to the Iranian regime that its recent behaviour is completely unacceptable.

"At the same time the Iranian regime denies Iranian citizens' access to social media, Foreign Minister Javad Zarif spreads the regime's propaganda and disinformation around the world through these mediums," Mr Mnuchin said.

# How did Mr Zarif respond?

Mr Zarif said the US move “has no effect on me or my family, as I have no property or interest outside of Iran”.



“The US reason for designating me is that I am Iran’s ‘primary spokesperson around the world. Is the truth really that painful?’” he asked.

“Thank you for considering me such a huge threat to your agenda.”

# What about the 2015 nuclear deal?

Last year, the US unilaterally withdrew from the agreement between Iran and world powers.

Washington has since reimposed tight sanctions affecting the Iranian economy, and also

The other parties of the 2015 deal – China, France, Germany Russia and the UK – criticised Mr Trump’s decision and said they remained fully committed to the deal.



Media caption Inside Iran: Iranians on Trump and the nuclear deal

Iran responded by breaching the limit on its stockpile of low-enriched uranium set under the nuclear deal.

Tehran stepped up production of enriched uranium, used to make reactor fuel but also potentially nuclear bombs, in May.

- Is the Iran nuclear deal finally dead?
- Why do the limits on uranium enrichment matter?
- Iran nuclear crisis in 300 words
- Iran nuclear deal: Key details

Last week, talks were held in Vienna to try to save the nuclear deal.

After meeting representatives from Britain, France, Germany, Russia and China, a senior Iranian official said the atmosphere had been “constructive”.

**And what about recent tanker**

# incidents?

Tensions between the UK and Iran rose in July after British forces seized the Iranian tanker, Grace 1, off Gibraltar. It was alleged to be carrying oil to Syria in breach of EU sanctions, a claim denied by Iran.



Media captionFootage released by Iran's Revolutionary Guard-affiliated Fars news agency appears to show Stena Impero being seized

Several days later the British-flagged Stena Impero was impounded by Iran, which said it had been "violating international maritime rules".

Britain sent a second warship on Sunday to escort its ships sailing through the Strait of Hormuz.

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# Israel, Saudis Talked Gas Deals, Netanyahu Ally Says



Saudi Arabia has looked into buying Israeli natural gas, according to a former member of Prime Minister Benjamin Netanyahu's cabinet, the latest sign of warming ties between two formally hostile nations.

The countries have discussed building a pipeline that would connect Saudi Arabia to Eilat, former Israeli parliamentary member Ayoub Kara, who cited conversations with "senior officials" in the region, said in an interview in Jerusalem. Eilat, the Israeli city which banks the Gulf of Aqaba and is about 40 kilometers (24.9 miles) from the border, was chosen for its proximity to Saudi Arabia.

An energy project of this magnitude would require formal diplomatic relations between Israel and Saudi Arabia and is likely to elicit political pushback. Israel remains largely unpopular in the Arab world for its treatment of Palestinians,

who live under occupation in the West Bank and under siege in Gaza. Israel and Saudi Arabia have united behind closed doors in their antagonism toward Iran but formalizing an alliance may still be hard to achieve.

Kara has been one of Netanyahu's closest advisers on relations with Arab countries and was among a handful of Israeli ministers to appear publicly in a Gulf state in the past year. "This is about mutual interest," he said.

Representatives for the energy ministries in Israel and Saudi Arabia didn't respond to requests for comment. The Saudi Information Ministry's Center for International Communication also didn't respond to a request for comment.

In Saudi Arabia, Israel would find an eager partner for its emerging natural gas industry. Companies found massive quantities of gas in Israeli waters about 10 years ago but have struggled to realize the fuel's potential. The partners developing Israel's biggest reservoir, have inked \$25 billion in contracts but still have more than 80% of the reservoir untied to any buyers.

Saudi Arabia plans to invest more than six times that amount in gas over the next decade, in part to meet rising demand for cheaper electricity.

## **Regional Opposition**

Mass demonstrations broke out in Amman in 2016 after the companies developing Israel's biggest offshore gas fields signed a \$10 billion contract with Jordan, home to millions of people of Palestinian origin.

While some Saudis argue that normalizing relations with Israel is a natural merging of interests, many others vehemently oppose the idea. Public resistance to establishing relations with Israel is so strong that a group of more than 2,000 citizens from different Gulf countries circulated an online

petition last year “to stop all forms of normalization with the Zionist entity.” They signed their full names – a rare step in a region where freedom of expression is limited.

While leaders of the Arab world used to be united behind the Palestinians, that support began to wane with the rise of the Iranian threat to Sunni Gulf countries, Kara said. Saudi Arabia and its regional allies now pay “lip service” to the Palestinian cause, and are seeking upgraded military and economic ties with Israel to counter Iran, he said.

Gulf states are “not interested in the Palestinian issue,” Kara said. “All they care about is the security and future of their countries.”

Part of the discussions between officials center on a new energy corridor that would connect Saudi Arabia to the Eilat-Ashkelon Pipeline in Israel. This would allow the Arab kingdom to export its oil to Europe and markets further west while skirting a sea route where the U.S. has accused Iran of carrying out several attacks against commercial ships, Kara said.

Set up in 1968, Eilat-Ashkelon Pipeline Co. was then jointly-owned by Iran and Israel and facilitated oil exports from Iran to Europe. That relationship ended after Ayatollah Ruhollah Khomeini rose to power in Tehran in 1979 and he marked Israel as an enemy to the Islamic Republic.

– *With assistance by Donna Abu-Nasr, and Vivian Nereim*

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# Italy to play low 2019 deficit card to avoid EU procedure



EU Commission threatened Rome with disciplinary steps; 2019 deficit could be 2% of GDP or lower, officials say; league economics chief says 1.8% is possible; coalition still undecided how to use savings emerging Reuters Rome Italian coalition officials say the country's public accounts are throwing up positive surprises this year, strengthening Rome's hand as it tries to ward off a possible Euro-pean Union disciplinary procedure. Recent data suggest the deficit this year will not only be below the European Commission's forecast of 2.5% of gross domestic product (GDP) but could even be below the 2.04% agreed with Brussels in December, two senior coalition members said. However, it remains to be seen how far the anti-austerity government will actually slash its current 2.4% target, because some in the 5-Star Movement, one of the

two ruling coalition parties, want the savings that are emerging to be quickly spent on new expansionary measures.

The other ruling party, the League, is pushing for deep tax cuts, but only from 2020. It is also not certain that an unexpectedly low 2019 deficit would be enough to convince Brussels that Italy's finances are on a sustainable path. But the latest data at least give Rome fresh arguments – something that looked impossible a few months ago. The Commission on Wednesday paved the way to disciplinary steps against Italy, complaining that its debt had risen in 2018 instead of falling and would continue to do so. It said Rome had also not reined in its annual budget deficit as promised in 2018 and would continue to run excessive deficits this year and next. A disciplinary procedure, which could eventually end in fines, had already been averted at the last moment in December when Italy cut its original 2.4% deficit target for this year to 2.04%, with the agreement of the Commission. In April, Italy restored the original 2.4% target because of a slump in growth, while the Commission forecast 2.5%.

Prime Minister Giuseppe Conte surprised observers when he said on Wednesday, in response to the Commission, that a deficit of 2.1% was possible. But now, senior officials in the government of the right-wing League and the anti-establishment 5-Star say it could be even lower. Claudio Borghi, the League's economics chief, told Reuters 1.8% was possible if current trends continue. The main reason for the surprise trend is that two flagship government measures – an early retirement option and a new means-tested welfare benefit – are proving less popular, and therefore less costly than expected. Taken together, it now looks as if the combined cost of the two policies will be €4bn (\$3.4bn) less than was set aside in the 2019 budget, Borghi said.

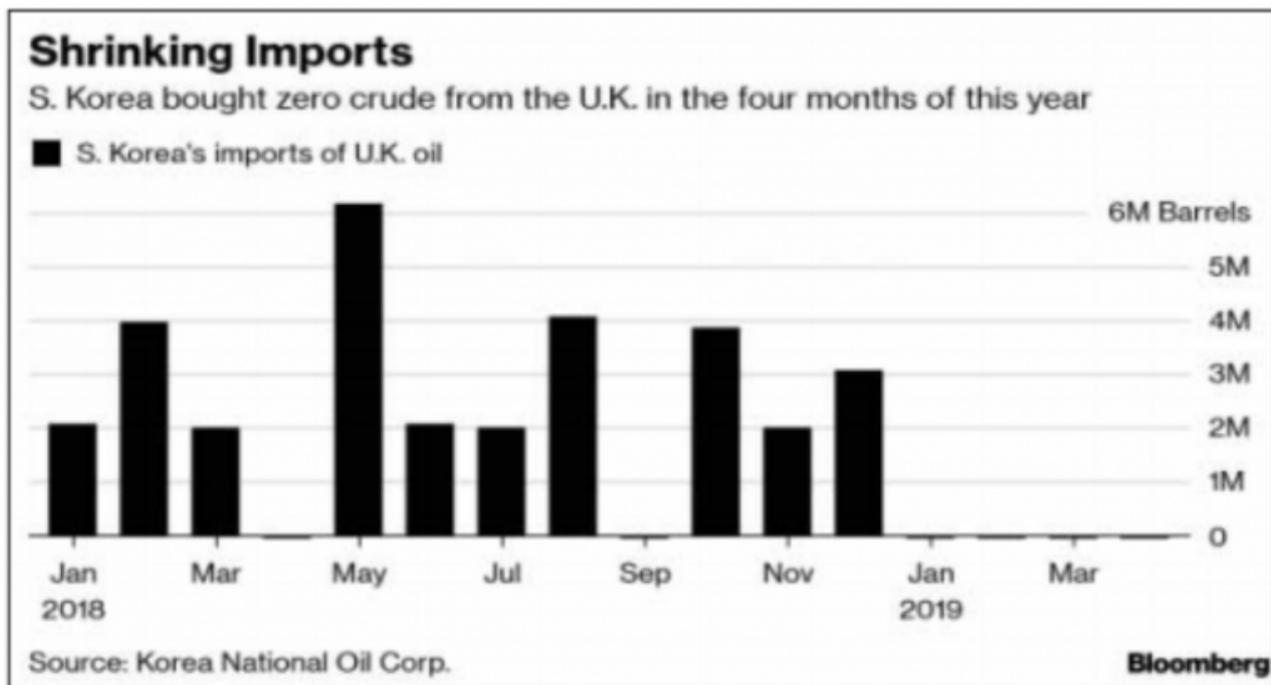
This estimate was confirmed by a government member closely involved in economic policy, who asked not to be named. Borghi said tax amnesties allowing people to settle disputes with the

authorities by paying a limited sum had yielded more than expected, as had measures against tax evasion. Among these, the requirement from January this year that a copy of virtually all transactions must be transmitted electronically to the taxman produced squeals of protest from companies but has bolstered sales tax revenues. State coffers have also been swelled by out-of-court settlements with several large multinationals accused of tax evasion, the largest of them a €1.3bn deal with Kering, the holding company of fashion house Gucci.

A senior Treasury official declined to confirm Borghi's 1.8% 2019 deficit projection but said it now looked "possible" that the deficit would be 2% or lower. Public finance data so far this year has been encouraging. The central government deficit for the first four months was just €1.5bn above last year's equivalent figure – below the trend projected in Rome's 2019 Stability Programme, which forecasts that the full-year deficit would rise by €16bn. Tax revenues through April were up 1.0% year-on-year despite a stagnant economy, compared with an official full-year target of 0.6% growth. In addition, dividend payments by the central bank and state-owned enterprises will also exceed the projections in the Stability Programme by more than 0.1% of GDP, the Treasury said in documents sent to Brussels this month.

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## **UK oil's appeal returns for S Korea even as Brexit looms**



After staying away for four months, South Korea is back in the market for North Sea crude. Hyundai Oilbank Co bought 2mn barrels of North Sea Forties crude for August delivery, a rare purchase this year, said traders who asked not to be identified because the information is private. The import was made after refiners in the Asian nation were given incentives to look beyond the Middle East for oil, and it followed a discharge of UK crude in May, the first such purchase this year. South Korea imported zero oil from the United Kingdom in the first four months of this year as the possibility of Brexit threatened to erode the appeal of the crude to one of Asia's top refining hubs. Britain's exit will mean the return of a 3% import tariff on Forties purchases that was waived by South Korea under a free-trade agreement with the European Union since 2011. While the Asian country is a steady buyer of UK oil, purchasing an average of over 2.6mn barrels a month in 2018, refiners were reluctant to bring cargoes earlier this year as the government delayed renewing a freight rebate scheme that encouraged purchases from regions other than the Middle East. The very-large crude carrier Farhah is scheduled to load Forties crude from Hound Point on June 20 for delivery to Daesan in August, according to traders and shipping fixtures compiled by Bloomberg. Last month, supertanker Athenian

Freedom also made a similar voyage, discharging a smaller cargo of the grade, ship-tracking data showed. Hyundai Oilbank operates a refinery in Daesan with crude processing capacity of 650,000 barrels a day.

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## EU must compromise on Brexit deal: Johnson



AFP/London

Prime Minister Boris Johnson yesterday urged EU leaders to drop their opposition to renegotiating Brexit, as the pound slumped on growing concerns about a no-deal departure.

Johnson, who took office last week, wants to change the exit terms struck by predecessor Theresa May but insists he will leave the European Union without any agreement at all if necessary on October 31.

Brussels has said it will not reopen the text.

“The withdrawal agreement is dead,” Johnson told reporters

during his first visit to Scotland. "I am confident we will get a deal but it is also right we prepare for no-deal," he said.

The government has not yet announced plans for Johnson to visit EU capitals, and a spokeswoman indicated he would not go until Brussels changes its stance.

"He obviously wants to meet EU leaders and negotiate but not to be sat down and told that the EU cannot possibly reopen the withdrawal agreement," the spokeswoman said.

The Confederation for British Industry (CBI), the country's top business lobby group, said companies now needed to be on an "emergency footing" because of the growing likelihood of no-deal.

The pound lost more than 1% of its value against the dollar yesterday, hitting a two-year low. In a report, the CBI warned that both Britain and the EU were not prepared for a no-deal Brexit and urged businesses to step up contingency plans.

The group's head of EU negotiations Nicole Sykes tweeted that it was "like putting sandbags down for a flood".

"Your kitchen's still going to be underwater but MAYBE we can save the bedroom upstairs," she wrote.

The Institute for Government also warned that a no-deal Brexit would "dominate government for years", allowing little room for other domestic priorities outlined by Johnson such as health, education and transport.

The think-tank said such an outcome would also place the United Kingdom, which includes England, Scotland, Wales and Northern Ireland, "under unprecedented pressure".

On his first visit to Scotland as prime minister, Johnson visited a military base before meeting Scottish Conservative leader Ruth Davidson, who has been opposed to a no-deal Brexit.

Irish Prime Minister Leo Varadkar has also said that a no-deal Brexit would make more people in Northern Ireland "come to question the union" with Britain.

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# How Europe's populists lost the EU Game of Thrones



The conventional wisdom about European Commission President-elect Ursula von der Leyen's confirmation by the European Parliament this month is that Central and Eastern European populists pushed her over the line. That is wrong. Had such parties actually backed her, Von der Leyen's margin of victory would have been much larger, considering the support she had from the centre-right European People's Party (EPP) and the liberals in the EU parliament.

True, populist MEPs from Poland's Law and Justice (PiS) Party and Hungary's Fidesz were firmly opposed to Frans Timmermans, a Dutch socialist who has loudly condemned both parties over their violations of EU norms and the rule of law. But nor did they want to strengthen French President Emmanuel Macron, who supported Von der Leyen. The optimal outcome for Poland's de facto ruler, Jarosław Kaczyński, and Hungarian Prime Minister Viktor Orbán was Von der Leyen's confirmation by the smallest

possible majority. Populist MEPs thus appear to have been instructed to say they were voting for her without actually doing so.

Had Von der Leyen lost, it would have been ample payback to the rejection of the PiS candidate for deputy speaker of the European Parliament and former prime minister Beata Szydło's two failed bids to chair the Parliament's Employment Committee. Moreover, this was around the same time that Krzysztof Szczerski, also backed by PiS, lost his bid to become deputy secretary-general of Nato.

But, because Von der Leyen made it through, the populists are boasting that she owes her job to them, as though they have some kind of tacit deal with the former German defence minister. That seems highly dubious, given that a deal between Von der Leyen and PiS would have cost her the support of the socialists and liberals. But now that the populists have cast a shadow over her leadership, it is important to understand what they may want from her.

The first thing to recognise is that Central and Eastern Europe's populists – now including the Czech government – would prefer to pursue intergovernmental negotiations than to work through the European Commission. Though the Commission usually goes out of its way to back the EU's weaker members, populists, by definition, distrust institutions. They would rather install “the right people in the right positions,” and then strike a deal with them.

In the view of the Visegrád Four (Poland, Hungary, the Czech Republic, and Slovakia), the weaker the Commission, the better. The V4 governments are convinced that they will always reach agreements with Germany – with which their countries have deep economic and historical ties – more easily than with the EU.

The Visegrád countries didn't even try to get their act together in the new parliament. Their approach to intra-EU relations is based not on building alliances or developing long-term strategies, but on wielding the veto. And yet, while PiS has the largest parliamentary delegation, with 26 seats,

it belongs to the marginal European Conservatives and Reformists group. Fidesz has 13 seats, but is part of the EPP; and the Czech populist party ANO has six MEPs, but sits in the Renew Europe group.

Then again, the V4 has always functioned as an ad hoc coalition without a common strategic vision. This time, it didn't even try to unite to block any of the leadership appointments. But the next test will come with budget negotiations, which is one area where the V4 has traditionally been able to form a plan and cooperate. Prior to an earlier budget negotiation, for example, Poland was able to secure Polish MEP Janusz Lewandowski's position as EU Budget and Financial Programming Commissioner.

The problem this time is that the Visegrád populists will not have any allies in key positions. That means they could soon face a problem: the disbursement of EU funds will be made conditional on a recipient government's respect for the rule of law. It isn't yet clear where Von der Leyen stands on this issue. But it is worth remembering that conditionality is a German idea, and that Germany is the largest source of EU funds.

Moreover, the V4 itself is divided on the question of whether EU funds should come with more strings attached. Hungary and Poland are staunchly opposed to the idea, of course; but the Czechs and the Slovaks have remained quiet, for fear of being thrown out of the Alliance of Liberals and Democrats for Europe or the Progressive Alliance of Socialists and Democrats. So, while the V4 governments might manage to negotiate jointly on local projects, the Czechs and Slovaks will probably stick closer to larger allies.

For Western Europeans, the fact that Eastern Europe got nothing in the leadership reshuffle is somewhat awkward. Most likely, the question of regional inclusion will be settled by making Laura Codruva Kövesi of Romania the head of the new European Public Prosecutor's Office. But this, too, would represent another blow against populists. Having made a name for herself as an anti-corruption crusader at home, Codruta

Kövesi now has Macron's backing, following the withdrawal of a French candidate for the job.

Yet while Von der Leyen is German, her victory is widely seen as a triumph for Macron. In the leadership negotiations, German Chancellor Angela Merkel couldn't play the "Eastern European card" and demand that Old Europe offer the newer members some concessions to avoid offending them. The countries to Germany's east have been offended for quite some time. – Project Syndicate

ł Sławomir Sierakowski, founder of the Krytyka Polityczna movement, is Director of the Institute for Advanced Study in Warsaw and Senior Fellow at the German Council on Foreign Relations.

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## **Turkey May Rethink Boeing Plane Orders, Erdogan Says**



Turkey's president said his government may have to "rethink" existing orders for Boeing Co. airplanes worth about \$10 billion, in comments that reflect the country's strained ties with the U.S.

Turkey's hesitation on the Boeing order adds to tension created when the country ordered a missile defense system from Russia, spurning an offer for Ankara to buy U.S. air-defense missiles.

"I've told Mr. Trump in Osaka that even if Turkey's not buying Patriots, it's buying Boeings. We're good customers," President Recep Tayyip Erdogan said Friday in Ankara, referring to Raytheon's Patriot systems. "But if it goes on like this, we'll have to rethink about this issue."

Erdogan spoke with U.S. President Donald Trump at the G-20 summit, during which he reminded him of existing orders for 100 Boeing jets by Turkish Airlines, the nation's flagship carrier where the government holds a 49% stake. Turkey has since begun receiving the S-400 missile defense systems from

Russia, which the U.S. has long said is incompatible with the its role as a NATO member and purchases of U.S. F-35 fighter jets.

Turkish Airlines in March 2018 said it'll buy 25 of Boeing's 787-9 jets, scheduled for delivery by 2023. In 2013, it had announced a decision to purchase 75 of the 737 MAX jets, the grounded airplanes involved in two fatal crashes. Five of these were delivered in the first quarter this year, with the rest set to be delivered by the end of 2023.