

# Russia Wants to Sell Its Missiles to U.S. Allies



The S-400 has never been used in combat, but it's already causing geopolitical turmoil.

By Henry Meyer and Ilya Arkhipov

Russia's S-400 missile system has never been used in combat. Yet it's already provoking fights around the world, as Russia searches for buyers in markets long dominated by American weapons makers. China's neighbors are fretting as the country bolsters its military reach with Russian hardware, encouraging India to follow suit. Tensions between rivals Saudi Arabia and Qatar have ratcheted up as both countries negotiate with Moscow on possible deals, while the recent decision by NATO member Turkey to buy the S-400 has drawn threats of U.S. sanctions.

With Algeria, Belarus, Iran, and Vietnam also likely customers, Russia could generate \$30 billion in sales over the next 12 to 15 years, according to the *Moscow Defense Brief*, a leading publisher of Russian military information. That's all part of President Vladimir Putin's plan to use the Russian weapons industry not only to earn billions of dollars but also to drive a wedge between the U.S. and some of its key allies. "The S-400 has both commercial and geopolitical dimensions," says Vladimir Frolov, a former Russian diplomat who's now a foreign policy analyst in Moscow. "It creates an opening for Russian influence for years to come."

The Russian weapon has a few advantages over the only other comparable missile system on the market, the MIM-104 Patriot, made by U.S. company Raytheon Co., according to defense research group Jane's by IHS Markit Ltd. Both are surface-to-air systems designed to shoot down aircraft and ballistic missiles. But the S-400 has a longer range than the Patriot, 250 kilometers (155 miles) vs. 160 kilometers. An upgrade coming later this year is expected to stretch the S-400's range to 400 kilometers. It also has a more powerful radar, can destroy targets moving twice as fast, and is quicker to set up. While both systems are mounted on trucks, the S-400 can be ready for action in five minutes, compared with an hour for a Patriot battery. The S-400 is also slightly cheaper than the Patriot, on a per-battery basis.

The S-500, an advanced version comparable to the U.S. Thaad anti-ballistic-missile system that's capable of downing hypersonic cruise missiles, is expected to enter production by 2022. The S-400 is manufactured by the state-run company Almaz-Antey, which has been sanctioned by the U.S. over Russia's military support for separatists in eastern Ukraine. Despite that, Almaz-Antey is opening two sites elsewhere in Russia to supplement its Moscow plant. The Russians don't shy away from talking up the S-400 to potential buyers. It "has no equal," says state arms trader Rosoboronexport's spokesman

Vyacheslav Davidenko. "Russian air-defense systems don't allow anyone to attack without paying a price."

The Patriot has superior anti-ballistic-missile capability, says Omar Lamrani, senior military analyst at Stratfor Enterprises LLC, a Texas consultant. It can also be integrated into other U.S.-made missile-defense systems, increasing its effectiveness. The Patriot has a long and successful track record on the battlefield, having come to fame during the 1991 Gulf War. But its performance recently has come under scrutiny. In March video footage appeared to show a failed Patriot launch as Saudi Arabia intercepted a barrage of rockets fired by Yemen's Houthi rebels. One missile did an abrupt U-turn and crashed into the ground in the Saudi capital, and another one exploded midair. It's unclear whether the Patriots malfunctioned or the Saudi crew failed to operate them properly. Whatever the cause, it hasn't stopped Romania, Poland, and Sweden from pursuing plans to buy them. Raytheon declined to comment on the misfire footage, and says that the Patriot's "performance in testing scenarios and in combat speaks for itself."

Russia has a history of producing strong air-defense systems, dating to the Cold War, when it needed to counter NATO's air forces. In the early 1990s the U.S. paid Boris Yeltsin's cash-strapped government \$120 million for an air-defense launch complex to study the technology. Now the U.S. faces a growing threat from the sale of Russian advanced weaponry to its strategic rivals and erstwhile allies.

In 2014, China signed a \$1.9 billion deal to buy 32 S-400 launchers, each equipped with four missiles, half of which were delivered last year, the *Moscow Defense Brief* says. New contracts with China may be in the pipeline, it adds; these acquisitions will allow the country to threaten aircraft in Taiwan, which Beijing regards as a rebel province, as well as challenge Japan and neighbors in Southeast Asia for control of

the skies in disputed areas. "It poses big challenges for the U.S., Taiwan—which it is obliged to protect—also for American allies and anybody who challenges Chinese territorial claims in the South China Seas," says Alexander Gabuev, chairman of the Carnegie Moscow Center's Russia in the Asia-Pacific Program.

India, which has had sporadic skirmishes with China since the countries fought a bloody border war in 1962, is in the final stages of negotiating a \$6 billion S-400 deal. According to Indian media, the contract may be signed before an October summit between Putin and Prime Minister Narendra Modi.

Turkey risks U.S. sanctions over its \$2.5 billion deal, financed with Russian loans, to buy the S-400. Under a 2017 law, the White House has to penalize countries that conduct a "significant transaction" with Russia's defense sector. A defense spending bill passed by the U.S. Senate on June 18 calls for a freeze in arms sales to Turkey in response to its S-400 purchases. The bill also calls for the removal of Turkey from the F-35 joint strike fighter program, a multicountry, \$400 billion plan to build and sell tactical jets to allies. Turkey was a key member of the program; it had ordered 100 F-35s and was slated to co-produce the jet. Some of its companies are the sole producers of essential parts in the supply chain. "The Turks have got to decide whether they're going to be in NATO or aligned with Russia," says Senator James Lankford, an Oklahoma Republican.

Despite the threats, Turkey's foreign minister, Mevlut Cavusoglu, says the deal to buy the S-400 is done. On June 13, Turkish President Recep Tayyip Erdogan said Turkey and Russia may also co-produce the next-generation S-500. "Russia seems to have communicated to Turkey that it's in their interest in one way or another to align with them," says Thomas Karako, director of the Missile Defense Project at the Center for Strategic & International Studies. "This is one of several ways in which they seem to be hugging their friends to the

northeast.” The deal is a major milestone toward improving ties between the two countries after Turkey shot down a Russian fighter jet near its border with Syria in 2015.

On June 21, the U.S. Senate Committee on Appropriations passed an amendment attached to the annual Department of State funding bill that prohibits spending money to transfer the F-35 to Turkey until the secretary of state certifies that Turkey isn’t buying the S-400. “This provision makes it clear that if Turkey ignores the concerns of its NATO allies and moves forward with this partnership with Putin, it will no longer receive F-35s,” Senator Chris Van Hollen, a Democrat from Maryland, said in a statement.

Although losing Turkey as a customer would be a hit to F-35 manufacturer Lockheed Martin Corp., there are concerns that Russia will gain valuable intelligence—insights into U.S. air defense and aerial capabilities—if the country remains in the program. Senior U.S. defense officials have said that if Turkey operates both the F-35 and the S-400, it could compromise the F-35’s security, including its stealth capabilities. “It is in the American national interest to see Turkey remain strategically and politically aligned with the West, and we believe it is also in Turkey’s interests,” Assistant Secretary A. Wess Mitchell said at a congressional hearing in April.

As for Saudi Arabia, the increasingly warm ties it’s enjoyed with Russia, particularly over coordination in the oil markets, have also provoked alarm in the U.S. President Trump’s nominee for assistant secretary of state for near eastern affairs, David Schenker, said during his Senate confirmation hearing on June 14 that he would “tell Saudi Arabia not to do it” when asked about the kingdom’s talks to buy the S-400. During an historic visit by King Salman to Russia in October, Saudi Arabia agreed on other arms purchases, including antitank weapons and multiple-rocket launchers, and licensed Saudi production of Kalashnikov

assault rifles.

Neighboring U.S.-allied states Kuwait, Bahrain, and the United Arab Emirates are also acquiring Russian weapons. The advanced Russian missile system has turned into a major bargaining chip in the region as rival powers seek to cement new relations with Russia to balance U.S. influence. In a letter to the French president, Saudi Arabia warned of “military actions” against Qatar if it buys the S-400, as *Le Monde* reported in early June.

The S-400 still has an element of “hype,” says Stratfor’s Lamrani. Still, “it has a very promising future—there are places where opportunities are opening up for Russia.” —*With Stepan Kravchenko, Daniel Flatley, and Erik Wasson.*

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## **Saudi pledges ‘measurable’ oil supply boost as OPEC, Russia agree deal**



VIENNA (Reuters) – OPEC agreed with Russia and other oil-

producing allies on Saturday to raise output from July, with Saudi Arabia pledging a “measurable” supply boost but giving no specific numbers.

The Organization of the Petroleum Exporting Countries had announced an OPEC-only production agreement on Friday, also without clear output targets. Benchmark Brent oil rose by \$2.5 or 3.4 percent on the day to \$75.55 a barrel.

On Saturday, non-OPEC oil producers agreed to participate in the pact but a communique issued after their talks with the Vienna-based group provided no concrete numbers amid deep disagreements between OPEC arch-rivals Saudi Arabia and Iran.

U.S. President Donald Trump was among those wondering how much more oil OPEC would deliver. “Hope OPEC will increase output substantially. Need to keep prices down!” Trump wrote on Twitter after OPEC announced its Friday decision.

The United States, China and India had urged oil producers to release more supply to prevent an oil deficit that could undermine global economic growth.

OPEC and non-OPEC said in their statement that they would raise supply by returning to 100 percent compliance with previously agreed output cuts, after months of underproduction.

Saudi Energy Minister Khalid al-Falih said OPEC and non-OPEC combined would pump roughly an extra 1 million barrels per day (bpd) in coming months, equal to 1 percent of global supply.

Top global exporter Saudi Arabia will increase output by hundreds of thousands of barrels, he said, with exact figures to be decided later.

“We already mobilized the Aramco machinery, before coming to Vienna, pre-empting this meeting,” Falih said, referring to the Saudi state oil company.

Russian Energy Minister Alexander Novak said his country would add 200,000 bpd in the second half of this year.

Asked to what extent the decision to increase supply had been driven by pressure from Trump, Novak said: "It is obvious that we are not being driven by tweets but base our actions on deep market analysis."

#### IRAN, SAUDI DISAGREEMENT

Iran, OPEC's third-largest producer, had demanded OPEC reject calls from Trump for an increase in oil supply, arguing that he had contributed to a recent rise in prices by imposing sanctions on Iran and fellow member Venezuela.

Trump slapped fresh sanctions on Tehran in May and market watchers expect Iran's output to drop by a third by the end of 2018. That means the country has little to gain from a deal to raise output, unlike Saudi Arabia.

Iranian Oil Minister Bijan Zanganeh said the real increase could amount to as little as 500,000 bpd because Saudi Arabia would not be allowed to pump more on behalf of Venezuela, where output has collapsed in recent months.

"Each country which has produced less (than its allocation) can produce more. Those which cannot, will not... This means that Saudi Arabia can increase its production by less than 100,000 bpd," Zanganeh told Argus Media.

But Falih said pro-rata quota reallocations did not have to be strict, meaning Saudi wanted to fill the gaps left by others.

"Some of the countries ... are not going to be able to produce, so the others will. And that implies there will be indirectly a reallocation," Falih said.

He also said OPEC could hold an extraordinary meeting before its next formal talks due on Dec. 3 or adjust deliveries in September, when its monitoring committee meets, if global oil

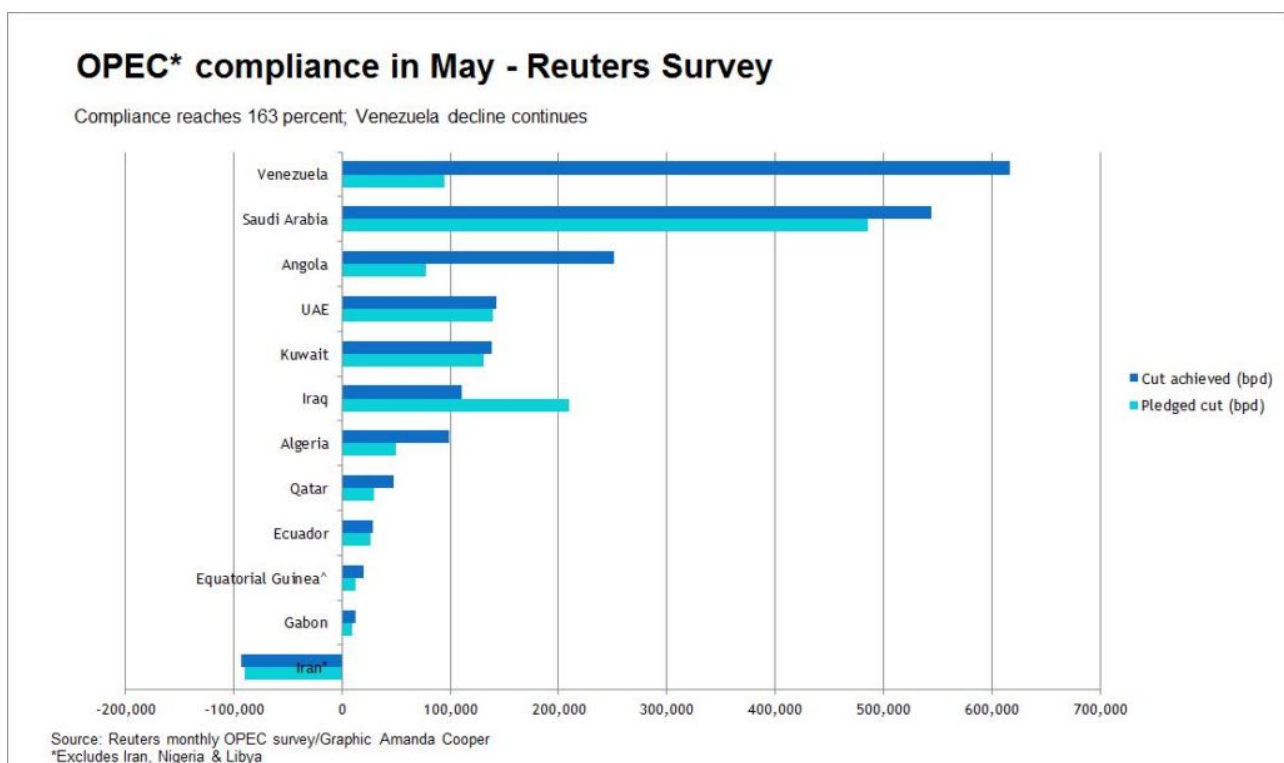


supply fell further because of sanctions on Iran.

OPEC and its allies have since last year been participating in a pact to cut output by 1.8 million bpd. The measure had helped rebalance the market in the past 18 months and lifted oil to around \$75 per barrel from as low as \$27 in 2016.

But unexpected outages in Venezuela, Libya and Angola have effectively brought supply cuts to around 2.8 million bpd in recent months.

Falih has warned the world could face a supply deficit of up to 1.8 million bpd in the second half of 2018.



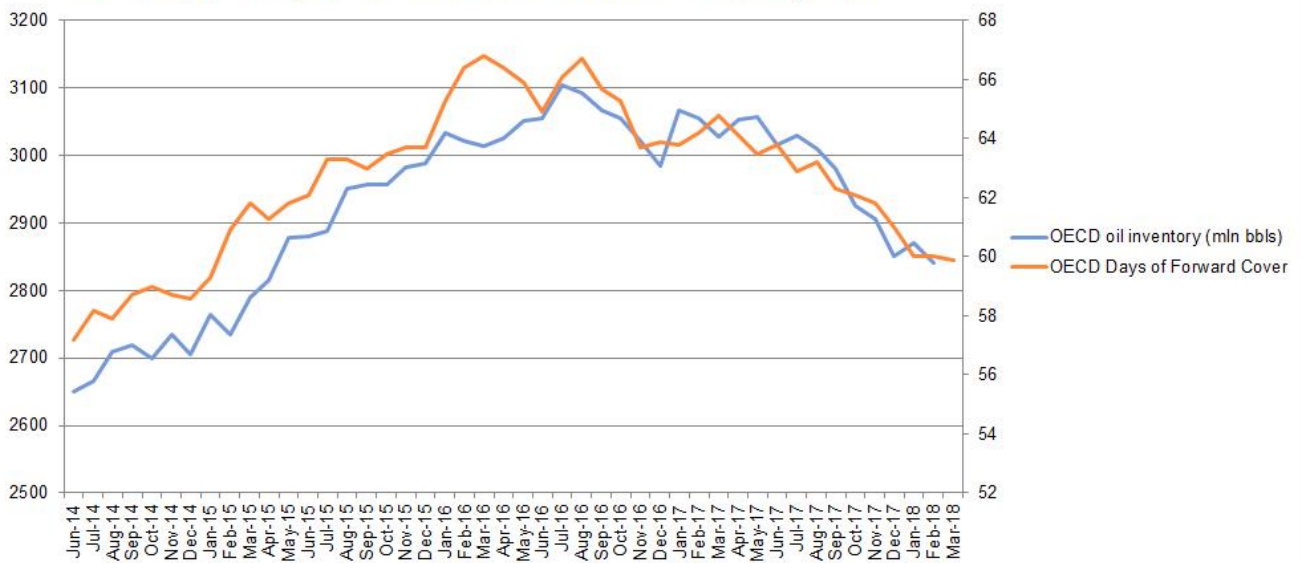
“Both Saudi and Iran can show that they won,” an OPEC delegate said.

“Zanganeh can go back to his country and say ‘I won’, because we are keeping the original agreement unchanged. Falih can go back and say ‘we will be able to raise production to meet market needs’.”

The United States, which rivals Russia and Saudi Arabia for the position of world No.1 oil producer, is not participating in the supply pact.

## Oil supply and demand reach balance

Amount of oil in storage relative to demand hits lowest since January 2015



Source: International Energy Agency, OPEC/Reuters - Amanda Cooper

## Leveraging the World Bank's Capital Increase



Jun 13, 2018 BERTRAND BADRÉ , CHARLOTTE PETRI GORNITZKA

With multilateralism under attack by populists and nationalists around the world, the recently approved \$13 billion capital boost for the World Bank Group is a welcome development. But it will backfire politically unless the additional capital is used to mobilize more private-sector financing of global development goals.

PARIS – In April, governments from around the world agreed to a \$13 billion capital increase for the World Bank Group, sending a clear signal that multilateralism is far from dead. The additional funding will strengthen the WBG's capacity to support development projects around the world. But it also raises critical questions about how best to deploy the new funds and raise public capital in the future.

Meeting the 2030 United Nations Sustainable Development Goals(SDGs), as well as the WBG's own goal of taking development finance from "from billions to trillions," requires maximizing the potential of the latest capital increase. And to do that will require building a new architecture for development finance, so that a multitude of actors operating with limited resources have incentives to optimize performance, pursue joint action, and avoid duplicating one another's efforts.

A new framework will force all stakeholders – including the WBG, regional development banks, bilateral agencies, the European Investment Bank (EIB), and other institutions – to reexamine their role in the larger system. We know from past experience that by strengthening the WBG, the use of public and private capital in development finance could become more fragmented. To avoid that outcome, we need a system that motivates diverse parties to work together transparently.

A key focus should be on reinforcing the "billions-to-trillions" approach, which focuses on mobilizing private-sector capital and ensuring the best use of public-sector capital. Accordingly, the increase in public money must not be

allowed to deter private-sector contributions through hidden competition or a “crowding out” effect. Addressing these concerns will require a more clearly defined division of labor when it comes to allocating risks and responsibilities.

Moreover, it is time to rethink official development assistance (aid from governments), which remains crucial for alleviating poverty, protecting human dignity, and financing basic services for people in places where no other financial resources are available. Owing to limited investment in the SDGs, ODA must be deployed in such a way that it attracts additional financing, or channels existing resources through blended-finance (public-private) mechanisms.

As majority shareholders in the multilateral development-bank system, the largest contributors of ODA have a key role to play in aligning public- and private-sector incentives. By coming together, they can steer the international community toward a system based on shared goals and collective responsibility.

The WBG’s capital increase offers reassurance at a critical moment for multilateralism. But it should not be treated as an excuse to stop innovating, or to take the easy route of relying solely on public capital, while avoiding the difficult task of pursuing blended-finance approaches. Rather, we must seize the moment to address the sources of fragility, conflict, and violence around the world, and to create an encouraging environment for more private-sector investment. Only by maintaining the current momentum can we move the SDG agenda forward.

Until now, blended-finance mechanisms for mobilizing private capital have been used mostly in relatively stable middle-income countries. According to a recent OECD study, nearly 43% of the private finance raised by such mechanisms between 2012 and 2015 was used in upper-middle-income countries, while only 7% was put to work in the least-developed countries.

It is vitally important to expand the use of blended finance in fragile and low-income countries. Development banks' private-sector arms will need to do more to target their capital outlays in ways that mitigate risk and attract private-sector capital, rather than inadvertently crowding it out.

The world is just a few years into the SDG agenda. But it is already clear that achieving it will require new incentives for public and private actors to direct investments toward those who are at risk of being left behind. That means creating a system in which public funds are consistently targeted at the right areas, and for the right purposes.

At a time of populist agitation against multilateral institutions, the WBG's capital increase is a notable achievement in itself. But the current political environment makes it all the more important that we get the next phase of development finance right. We must stay focused on building and maintaining a cohesive architecture for meeting the SDGs and other international commitments, such as those embodied in the Paris climate agreement.

Change will not happen on its own. So, rather than being at the mercy of global financial flows, we must harness finance as a tool for achieving our goals. Doing so will require genuine, long-term engagement on the part of "shareholders," and pressure from engaged citizens the world over.

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# Energy for the common good of humanity



By Jeffrey D Sachs/New York

The climate crisis we now face is a reflection of a broader crisis: a global confusion of means and ends.

We continue to use fossil fuels because we can (means), not because they are good for us (ends). This confusion is why Pope Francis and Ecumenical Patriarch Bartholomew are spurring us to think deeply about what is truly good for humanity, and how to attain it.

Earlier this month, the Pope and patriarch each convened business, scientific, and academic leaders, in Rome and Athens, respectively, to hasten the transition from fossil fuels to safe renewable energy.

In most of the world today, the purposes of politics, economics, and technology have been debased.

Politics is regarded as a no-holds-barred fight for power, economics as a ruthless scramble for wealth, and technology as the magic elixir for more economic growth.

In truth, according to Francis and Bartholomew, we need



politics, economics, and technology to serve a far greater purpose than power, wealth, or economic growth. We need them to promote human well-being today and for future generations.

America may be the most confused of all.

The United States today is rich beyond imagining, with median household income and gross domestic product per capita each equal to nearly \$60,000.

The US could have it all.

Instead, what it has is widening income inequality, falling life expectancy, a rising suicide rate, and epidemics of obesity, opioid overdoses, school shootings, depressive disorders, and other grave ills.

The US incurred \$300bn in losses from climate-related disasters last year, including three massive hurricanes – the frequency and intensity of which has risen, owing to fossil-fuel dependence.

The US has vast power, wealth, and growth, and yet diminished well-being.

The US economy and politics are in the hands of corporate lobbies, including Big Oil.

Resources are relentlessly allocated to developing more oil and gas fields not because they are good for America or the world, but because the shareholders and managers of ExxonMobil, Chevron, Conoco Philipps, and others demand it.

Trump and his minions work daily to undermine global agreements and domestic regulations that have been put in place to accelerate the shift from fossil fuels to renewable energy.

Yes, we can produce more oil, coal, and gas.

But for what? Not for our safety: the hazards of global warming are already upon us.

Not because we lack alternatives: the US has ample wind, solar, hydro, and other sources of primary energy that don't cause global warming.

The US economy, alas, is an out-of-control juggernaut, chasing

oil wealth and jeopardising our very survival.

Of course the US is not alone in the mad pursuit of wealth over well-being.

The same get-rich-quick confusion of means and ends is causing Argentina, host of the G20 Summit later this year, to pursue fracking of natural gas, with all the associated climate and environmental risks, instead of tapping its bounteous potential in wind, solar, and hydro power.

The same corruption of purpose is causing the Canadian government to guarantee a new pipeline to export output from its polluting and expensive oil sands to Asia, while under-investing in Canada's vast renewable energy sources.

In his meeting with the CEOs of major oil and gas companies, Francis told them, "Our desire to ensure energy for all must not lead to the undesired effect of a spiral of extreme climate changes due to a catastrophic rise in global temperatures, harsher environments, and increased levels of poverty." He noted that the oil companies are engaged in "the continued search for new fossil fuel reserves, whereas the Paris Agreement clearly urged keeping most fossil fuels underground." And he reminded the executives that, "Civilisation requires energy, but energy use must not destroy civilisation!"

Francis underscored the moral dimension of the problem:

"The transition to accessible and clean energy is a duty that we owe toward millions of our brothers and sisters around the world, poorer countries and generations yet to come.

Decisive progress on this path cannot be made without an increased awareness that all of us are part of one human family, united by bonds of fraternity and solidarity.

Only by thinking and acting with constant concern for this underlying unity that overrides all differences, only by cultivating a sense of universal intergenerational solidarity, can we set out really and resolutely on the road ahead."

As Francis was meeting the CEOs in Rome last week, Bartholomew was similarly convening leaders of scientific institutions, UN agencies, and major faiths in Athens and the Peloponnese, to



chart a path to environmental safety.

Bartholomew also underscored the fundamental moral concern. "The identity of every society and measure of every culture are not judged by the degree of technological development, economic growth or public infrastructure," he said. "Our civil life and civilisation are defined and judged primarily by our respect for the dignity of humanity and integrity of nature."

The 300mn faithful of the Eastern churches led by the Ecumenical Patriarch are in lands facing extreme dangers from global warming: intense heat waves, rising sea levels, and increasingly severe droughts.

The Mediterranean region is already beset by environmental distress and forced migration from conflict zones.

Unchecked climate change – which has already contributed to conflict – would spell disaster for the region.

Bartholomew's conference opened at the Acropolis, the very heart of ancient Athens, where 2,300 years ago Aristotle defined ethics and politics as the quest for well-being.

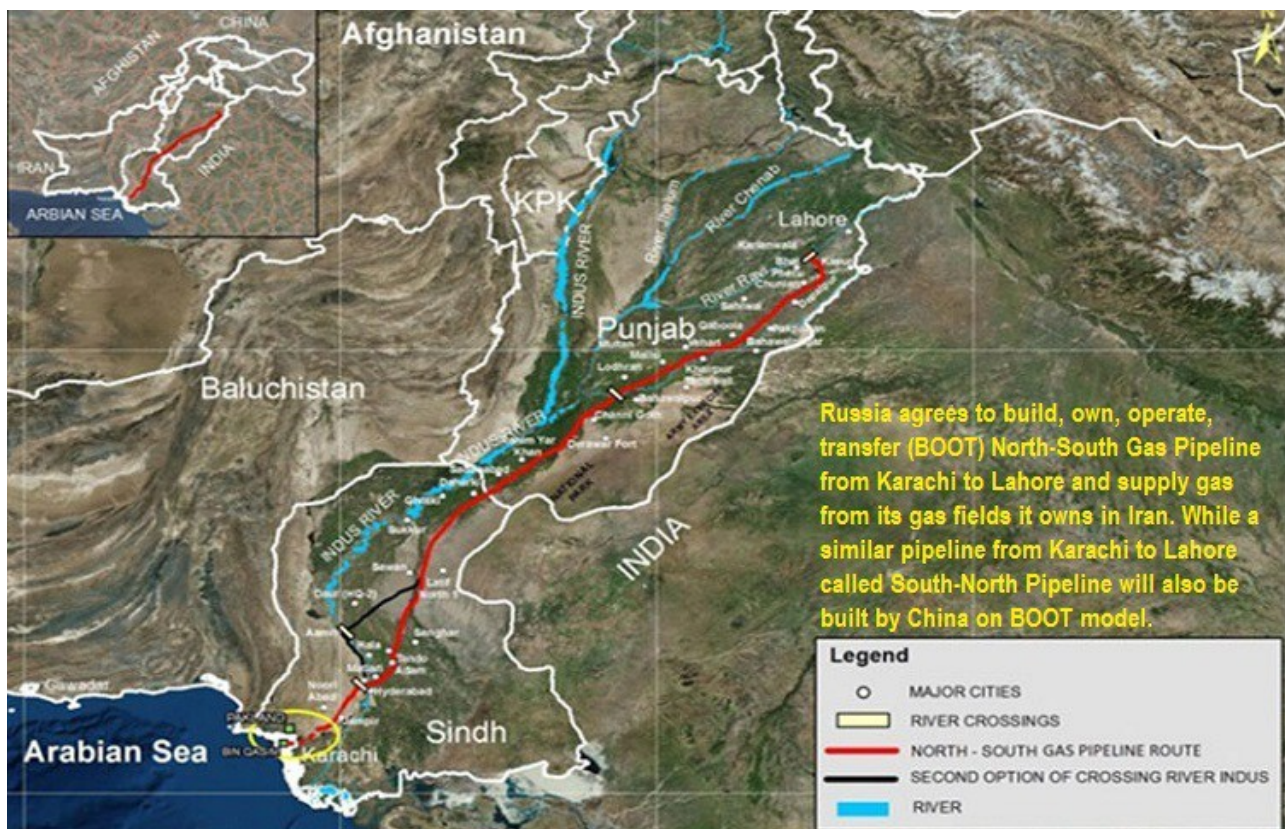
The political community, wrote Aristotle, should aim "at the highest good," to be achieved by cultivating the virtues of the citizenry.

Aristotle famously contrasted two types of knowledge: *techne* (technical know-how) and *phronesis* (practical wisdom). Scientists and engineers have given us the technical knowledge to move rapidly from fossil fuels to zero-carbon energy.

Francis and Bartholomew urge us to find the *phronesis*, the practical wisdom, to redirect our politics and economies toward the common good. – Project Syndicate

\*Jeffrey D Sachs, Professor of Sustainable Development and Professor of Health Policy and Management at Columbia University, is Director of Columbia's Center for Sustainable Development and the UN Sustainable Development Solutions Network.

# Pakistan, Russia set to sign \$10bn offshore gas pipeline deal



ISLAMABAD: In a major breakthrough, Pakistan and Russia are poised to sign a \$10-billion offshore gas pipeline deal, a project planned by the latter to capture the energy market of Pakistan.

Sources told a local newspaper that the cabinet had approved

the signing of the gas pipeline laying deal and Pakistan ambassador to Russia had been authorised to ink a memorandum of understanding with Moscow.

The envoy is likely to ink the understanding in Moscow on Monday. Final cost of the project will be assessed following a feasibility study to be conducted by Russian energy giant Gazprom.

Russia has nominated Public Joint Stock Company Gazprom for implementation of the project. Pakistan's cabinet has also permitted the company to conduct the feasibility study at its own cost and risk.

Inter State Gas Systems (ISGS) – a state-owned company of Pakistan established to handle gas import projects and is already working on gas pipeline schemes like Tapi, has been nominated by Pakistan to execute the offshore pipeline project along with Gazprom.

ISGS is also working on the \$10-billion Turkmenistan, Afghanistan, Pakistan and India (Tapi) gas pipeline to connect South and Central Asia and construction work on the scheme in Pakistan will start in March next year.

These projects are called a game changer for Pakistan as they will not only lead to regional connectivity, but will also meet growing energy needs of the country.

Amid a long-running tussle with Europe and the United States over the annexation of Ukrainian region of Crimea, Russia is looking for alternative markets and wants to capitalise on the growing energy demand in South Asia.

Russia, which controls and manages huge gas reserves in energy-rich Iran, plans to export gas by laying an offshore pipeline through Gwadar Port to Pakistan and India, which are seen as alternative markets because Moscow fears it may lose energy consumers in Europe over the Crimea stand-off.

Russia has been a big gas exporter to European Union (EU) countries and Turkey since long and despite US anger the European bloc has continued to make imports to meet its energy needs.

Moscow receives gas from Turkmenistan and then exports it to EU states. Later, it has got gas deposits in Iran as well and is looking to gain a foothold in markets of Pakistan and India.

Pakistan has been experiencing gas shortages, particularly in winter, for the past many years as domestic production has stood static with new additions being offset by depleting old deposits.

In a bid to tackle the crisis, the previous government of Pakistan Muslim League-Nawaz (PML-N) kicked off liquefied natural gas (LNG) imports from Qatar under a 15-year agreement two and a half years ago and is bringing supplies through other sources as well.

According to a government official, after signing the MoU for the offshore pipeline, work on the feasibility study will begin in an attempt to assess viability of the project. Russia is even ready to finance the study. Russian gas exports touched an all-time high in 2017.

According to Gazprom, gas flows to Europe and Turkey, excluding ex-Soviet states, hit a new daily record at 621.8 million cubic metres.

Annual exports touched 179.3 billion cubic metres (bcm) in 2016, a significant jump from the previous high of 161.5 bcm in 2013 and well above the 2015 total of 158.6 bcm.

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# Mohammed bin Salman is the worst enemy of his 'Vision 2030' plan



Iyad el-Baghdadi is president of the Kawaakibi Foundation, a nonprofit organization focused on the future of liberty in the Muslim world.

It's been two years since Saudi Arabia's Crown Prince Mohammed bin Salman announced a national transformation project to structurally overhaul the Saudi state. His "Vision 2030" reform program aims to change the kingdom into a "normal country," with a post-oil economy and a post-Wahhabi Islam.

Economic reform is the driver behind Vision 2030 – the International Monetary Fund has warned that Saudi Arabia will run out of cash without serious structural reform – but other reforms are no less important. Increasing labor participation by women, for example, requires lifting such restrictions as

the driving ban (which is set to end on June 24).

Perhaps the most head-turning change is the transition away from Wahhabism, the arch-conservative version of Islam that had long been allied with the Saudi state. The government has recently stopped all funding to Wahhabi institutions outside Saudi Arabia and severely curtailed the powers of the religious police. Curbing the Wahhabis is great news for everyone. They are extremist, regressive, sectarian, and had received Saudi state support to spread their ideology across the globe, often to destructive effect.

The rest of the international community has a direct stake in the success of Saudi Arabia's reform effort. Should Vision 2030 fail, we'll be facing an explosion of instability at the very heart of the Arab and Muslim world. Unfortunately, the 32-year-old in charge of Vision 2030 – Mohammed bin Salman himself – has become a threat to his own project.

Vision 2030 represents, at its core, a new Saudi social contract. But the way the crown prince is rewriting this contract should give us pause.

The Saudi system of governance prior to his rise could be described as a consultative authoritarianism. The king would seek and receive advice from senior members of the royal family, as well as trusted court advisers. In a series of drastic steps, including the roundup of rival princes, the crown prince has effectively dismantled the old structure. Saudi Arabia is now the absolute monarchy that it wasn't under King Abdullah, King Fahd or any of their predecessors.

Some have argued that serious reform would be impossible without a consolidation of power. But the crown prince's efforts have gone from the decisive to the destabilizing. His recent shakedown of leading business figures had nothing to do with the rule of law and may have spooked investors. Recent figures show that foreign direct investment hit a 14-year low



in Saudi Arabia last year (compared to an 8 percent rise in the neighboring United Arab Emirates).

In any case, the crown prince should have done away with the old system by allowing citizens space to have a say in the new Saudi Arabia that he is envisioning for them – allowing them to co-sign their new social contract. He is doing precisely the opposite.

Among those arrested so far is Essam Al Zamel, a young economist who ran the figures on Vision 2030 and offered criticisms and suggestions for improving it. Recent reports indicate he is being set up for serious charges that would justify long-term imprisonment.

He has also arrested moderate religious figures, including the young intellectual Abdullah Al Maliki, and ex-Wahhabi Muslim reformer Hassan Farhan Al Maliki. These figures could be effective advocates for religious reform, but instead they are facing charges that could put them away for a long time, alienating their support base.

Most recently, the crown prince has arrested Saudi Arabia's leading women's rights activists – including Loujain Al Hathloul, Eman Al Nafjan, and Aziza Al Yousuf – charging them with treason. These women have a long history of advocating for social reforms. But the government has treated them like threats instead of potential allies.

In short, the crown prince is promising economic reform while imprisoning economic reformers; he's promising religious reform while imprisoning religious reformers; he's promising social reform while imprisoning leading feminists. As he silences the once dynamic Saudi public sphere, note how these voices are being replaced: thousands of bots are flooding Saudi social media, many with pictures of the crown prince, cheering his every move.

The decision-making of the world's largest oil exporter is now

in the hand of a small number of individuals with no consultative process in place, and with dissenters immediately jailed.

Many of the crown prince's big moves have deteriorated into protracted wars of attrition, such as the war in Yemen or the feud with Qatar. His mass arrest of the leading women's rights activists is another potential quagmire.

Not only does it quite rightly tarnish his image among the global women's rights community (in the age of #MeToo, no less), but it also threatens his economic reform agenda, considering that the crown prince's ordered the detentions after a high-profile visit to the United States in which he met leading celebrities and business leaders. A war of attrition with the global women's rights movement is not one that he is likely to win, despite his huge PR budget.

The crown prince should release the women's rights activists, drop all charges against them, and allow them to continue their careers freely. That would be the best way to reassure the world that the reforms are real and remain on track.

For the sake of global stability, Saudi reforms need to be saved from Mohammed bin Salman's absolutism and heavy-handedness. History shows that governments with no tolerance for dissent usually end up creating disasters.

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## **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 Authority, 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

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## **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.”

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## **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.

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## **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.