

# Can Eurozone reform help contain Trump?



By Jochen Andritzky/Brussels

US President Donald Trump is using economic warfare to pursue his foreign-policy objectives. In August, his administration announced that it would double tariffs on steel and aluminium imports from Turkey, in order to pressure the Turkish authorities to release an American pastor detained for two years on espionage charges. At the beginning of next month, the United States will also ratchet up unilateral sanctions against Iran.

The Trump administration knows that a key source of US economic leverage is the dollar's role as the world's dominant reserve currency. Countering America's disproportionate power to destabilise the global economy thus requires reducing the

share of international trade conducted in dollars. Can the euro serve as a credible alternative?

The euro is the world's second-leading currency, but it still lags far behind the US dollar. Two-thirds of all loans issued by local banks in foreign currencies are denominated in dollars, compared to just 20% in euros. Similar proportions apply to global foreign-exchange reserves.

European Commission President Jean-Claude Juncker is eager to change this. Last month, he declared it "absurd" that "Europe pays for 80% of its energy import bill – worth €300bn a year – in US dollars," even though only about 2% of the EU's energy imports come from the US. He then called for the euro to become "the instrument of a new, more sovereign Europe," and promised to "present initiatives to strengthen the international role of the euro."

Juncker is not alone among European leaders in recognising how powerful a tool the single currency can be when it comes to projecting power. German Foreign Minister Heiko Maas has proposed that the European Union establish its own international payments system.

But these proposals, while ambitious, may overlook what is really needed to elevate the euro's status. If the euro's role in international trade increased, so would foreign companies' holdings of euro-denominated assets and the total volume of euro-denominated loans. More global trade in euros could lead foreign banking systems to become heavily exposed to the currency.

That means that, in the event of a crisis, the European Central Bank would have to take action, much as the US Federal Reserve has done in the past. During the 2008 global financial crisis, the Fed served as de facto global lender of last resort, agreeing to unsecured swap lines not only with reserve-currency central banks like the ECB and the Swiss National Bank, but also with emerging economies like Mexico and Brazil. The goal was to stabilise the global economy, but the liquidity also helped to prevent domestic disturbances from foreign sales of dollar assets and to stop foreign banks

from scrambling to buy dollars.

The ECB adopted a much more restrictive approach. In late 2008, it began to provide euros to the central banks of Hungary, Latvia, and Poland, but required them to put up euro-denominated securities as collateral. The ECB wanted to guard its balance sheet against unsecured exposure to Hungarian forint or Polish z?oty. But these countries held too few eligible securities to obtain enough euros under the ECB's initial terms. It took another year for the ECB, under pressure from Austria and other countries, to establish proper swap lines against foreign-currency collateral with the Hungarian and Polish central banks.

Even now, the ECB will provide euro liquidity only to countries considered systemically relevant for the eurozone. This risk-averse approach contrasts with that of the Fed and, more tellingly, with that of the People's Bank of China, which in recent years has established an extensive network of swap lines to promote the renminbi's use in trade – and thus its standing as an international currency.

If Juncker's vision is to be realised, the ECB will have to abandon this parochial mindset and adopt a Fed-style role as international lender of last resort. Yet it remains unclear whether the ECB actually would be willing to leave part of its balance sheet exposed to the fate of non-eurozone countries.

The ECB has good reason to be cautious: it lacks a political counterpart akin to the Fed's US Treasury Secretary. With no eurozone finance minister with whom to coordinate in times of crisis, a decision by the ECB to help third countries – even EU countries – could be met with strong resistance. The ECB's reluctance to establish a swap line with Hungary may be a case in point: Hungary was already distancing itself from the EU.

Eventually, the ECB did resolve to do "whatever it takes" to save the euro. But if European leaders want to advance Juncker's vision of strengthening EU sovereignty by boosting the euro's international role, they cannot rely on the ECB to repeat that approach, without proper institutional support.

Instead, eurozone leaders should complete the reforms of the

currency union's architecture and provide a political counterpart to the ECB that would support centralised monetary policy. This is the best initial response to Trump's economic attacks. Anything else would be putting the cart before the horse – yet again. – Project Syndicate

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## **Egypt to receive first Israeli gas in March**



Egypt will begin importing natural gas from Israel under a \$15 billion deal as early as March if an undersea pipeline connecting the Mediterranean neighbors is found to be in good condition, moving the country closer to its goal of becoming

an energy-exporting hub.

Mohammad Shoeib, chief executive officer of East Gas Co., a major Egyptian partner in the pipeline, said supplies would begin at 100 million standard cubic feet of gas per day in the first quarter of 2019 and gradually rise to a maximum of 700 million scf a day.

“We expect the pipeline is in good condition,” he told Bloomberg in an interview. “We aim to reach the pipeline’s maximum flow rate within three years.”

East Gas and the companies developing Israel’s largest natural gas fields agreed last month to buy 39 percent of the East Mediterranean Gas Co., which owns the pipeline connecting southern Israel to Egypt’s Sinai peninsula, clearing the main legal obstacle to the 10-year export contract signed in February. East Gas separately made a deal to buy a further 9 percent from MGPC.

The EMG pipeline was built to export Egyptian gas to Israel, but has been idle for about six years.

The partners expect to begin testing the pipeline soon before modifying facilities to reverse the flow, Shoeib said in his first public comments since the deal was announced, adding that the procedures were expected to take up to four months. Once the gas has been flowing for 30 days, the deal will close, he said.

Egypt halted supplies to Israel in 2012 due to a domestic gas shortage and repeated attacks by Islamist militants on a connecting overland stretch of pipeline in the Sinai. It was because of those stoppages that Egypt was embroiled in arbitration cases with some of EMG’s owners, which had threatened to delay export plans.

Delek, Noble and Egypt Said to Put Final Touches on Gas Deal Those issues have been all but resolved because East Gas and its partners bought out the litigants, but northern Sinai

remains unstable. The army embarked on a months-long campaign this year to root out militants who killed more than 300 people at a mosque in November.

“We are not worried about the security issue,” said Shoeib, who headed Egypt’s state gas company EGAS when the country decided to halt its exports. “We’re confident that the army and police have secured the area well.”

Shoeib, whose East Gas Co. also owns and operates a separate pipeline through Jordan, said that link could be used as a backup in case of problems with the EMG infrastructure or to pump additional quantities if needed.

Egypt announced at the end of last month it had once more become self-sufficient in gas due to a six-fold increase in production at its own giant Zohr gas field. Egypt also has idle liquefaction plants that allow it to export any of its own surplus gas or re-export gas piped in from Israel or elsewhere in the region. For Israel, using existing infrastructure to export via Egypt saves it the cost of building its own facilities.

“It’s a win-win situation,” Shoeib said. “It also sends the message to international investors that Egypt is able to settle disputes and create a good investment climate.”

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## **Unleashing the potential of Euro-Med cooperation**

Ten years ago, the leaders of the coastal states of the Mediterranean and the EU met in Paris to take the next step in regional cooperation, building on the Barcelona Process

launched over a decade earlier. This led to the Union for the Mediterranean.

Ten years on, there is an even greater need for Mediterranean cooperation. Our region is going through a long and difficult transition. Competition among global and regional powerhouses and the absence of effective mechanisms for dialogue and cooperation can only worsen today's conflicts and risk sparking new ones. A more cooperative dynamic is the only way to put an end to the ongoing wars, and create jobs and sustainable growth for our peoples.

This region rich in history, culture and diversity has been the cradle of vibrant civilizations and cultures that gave birth to the alphabet, to democracy, philosophy, as well as the world's first great libraries and academies. With its wealth of natural and human resources, the economic weight of the region cannot be understated. In recent years, however, this region has had to face major challenges that undermine the realization of its tremendous potential.

Today we are convening the ministers of Foreign Affairs of the Union for the Mediterranean in Barcelona for the Third Regional Forum. The UfM is a unique space for dialogue and the only one where all countries of the region are able to focus on their shared interest in sustainable security and human development, through practical cooperation on common projects.

Our region's unique diversity is part of our richness: an opportunity more than a challenge. Beyond ethnic, cultural and religious divides, there is much more that unites us than divides us. We all want to counter the threat of terrorism and extremism. We all want to find political solutions to crises in Syria, Yemen, Libya and elsewhere in the region that have caused too much suffering. We are determined to solve the Palestinian-Israeli conflict on the basis of the two-state solution as the only path to comprehensive peace and security. And we all want to manage migration in a more sustainable and

humane way, both for those on the move and for their host communities. We share an interest in investing in our young people, with education and good jobs for all. National policies alone are not sufficient. A coordinated regional approach is essential.

Our primary objective is to put the people of the region at the center of our cooperation. We are working together to match the aspirations of young people with the opportunities they deserve. Extremism, poverty and conflict not only ruin lives today, but have dire consequences for generations to come. We will not find all the solutions, but we must be bold in exploring new ways of tackling these common challenges, together.

It is in this complex context that the UfM has been working and engaging substantially in a wide range of sectors. We have created Euro-Mediterranean universities to educate a new generation with a unique Euro-Mediterranean vision. We have given opportunities and training to over 100,000 young people and supported the development of over 800 small and medium enterprises. Ministers have met to work in areas as varied as mobility, women empowerment, climate action, renewable energies, environmental protection, resource management, regional connectivity and urban development. The structure and the system of governance of the UfM, with its co-presidency currently held by Jordan and the EU, has created a sense of shared responsibility among the different partners. The commitment and dedication of the UfM Secretariat to the cause and the mission of the organization has been crucial. With its action-oriented approach, the UfM has been delivering on concrete initiatives with a tangible impact on the ground.

Leveraging its diversity of experiences, capitalizing on the continuous political support from member states and pooling its human capital, we are confident that the UfM will proceed pragmatically with its positive agenda. We are realistic about the difficult state of our region, but this is no reason to



give up and accept chaos. Now more than ever, on the conduct of each depends the fate of all.

Federica Mogherini is the European Union's high representative for Foreign Affairs and Security Policy and vice president of the European Commission. Ayman Safadi is the Foreign Affairs and Expatriates minister of the Hashemite Kingdom of Jordan. Nasser Kemal is the secretary-general of the UfM Secretariat.

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## **U.S. duo win Nobel for climate change work**



STOCKHOLM: Two Americans won the Nobel Prize in economics Monday, one for studying the economics of climate change and the other for showing how to help foster the innovation needed to solve such a problem. William Nordhaus of Yale University

and Paul Romer of New York University will share the 9 million-kronor (\$1.01 million) award, the Royal Swedish Academy of Sciences said. Nordhaus has called for the world to combat climate change by imposing a universal tax on carbon.

Carbon dioxide, which is emitted when fossil fuels are burned, is a heat-trapping "greenhouse gas" blamed for global warming, and a tax would make polluters pay for the costs imposed on society.

By using a tax rather than government edicts to slash emissions, the policy encourages companies to find innovative ways to reduce pollution.

Romer has studied the way innovation drives prosperity and has looked at ways to encourage it.

He told a news conference Monday his research had given him hope that people can solve even a problem as difficult as a warming planet.

"Many people think that dealing with protecting the environment will be so costly and so hard that they just want to ignore the problem. They want to deny it exists," Romer said.

"I hope the prize today could help everyone see humans are capable of amazing accomplishments when we set about trying to do something."

While the two academics worked separately, their research dovetails on an issue that has become pressing. The question of climate change remains politically sensitive, especially in big oil-producing countries like the United States, which U.S. President Donald Trump has pulled out of the Paris accord on fighting climate change.

"It's an ingenious pairing," said David Warsh, author of the 2007 book "Knowledge and the Wealth of Nations" about the

award.

“Nordhaus has been concerned all along with repairing the damage” to the global environment.

“Romer has been writing about the means at your disposal” to attack such a technological challenge.

Per Stromberg, head of the Nobel economics prize committee, said the award is “about the long-run future of the world economy.”

The prize comes just a day after an international panel of scientists warned that preventing an extra single degree of global warming could make a life-or-death difference in the next few decades for multitudes of people and ecosystems.

The wide-ranging report from the Intergovernmental Panel on Climate Change which has itself won a Nobel prize cited Nordhaus in its research. It detailed how Earth’s weather, health and ecosystems would be in better shape if world leaders limited human-caused warming to just a half degree Celsius from now, instead of the globally agreed-upon goal of 1 degree Celsius.

Nordhaus has argued that climate change should be considered a “global public good,” like public health and international trade, and regulated accordingly, but not through a command-and-control approach. Instead, by agreeing on a global price for burning carbon that reflects its whole cost, this primary cause of rising temperatures could be traded and taxed, putting market forces to work on the problem.

Many economists have since endorsed the concept of taxing carbon and using this financial lever to influence societal behavior.

But adopting the regulatory frameworks on a global scale has been a challenge, and the world’s political leaders are

failing to meet it, the head of the United Nations said last month. While many developed economies have adopted a carbon tax, the United States has not.

U.N. Secretary-General Antonio Guterres bluntly told leaders in New York last month that unless current emission trends for greenhouse gases are reversed by 2020, it will be impossible to reach the goals of the Paris climate accords.

The U.N. chief challenged governments to end fossil fuel subsidies, help shift toward renewable energy and back a price for carbon emissions that reflects their actual cost.

He cited, for example, that climate-related disasters cost the world \$320 billion last year, a figure likely to grow with increased warming.

Romer's work suggests that to achieve the innovation needed to meet the climate change goals, regulation is needed. His research found that unregulated economies will produce technological change, but insufficiently provide research and development; this can be addressed by government interventions such as R&D subsidies.

The economics prize is the last of the Nobels to be announced this year. Last year's prize went to American Richard Thaler for studying how human irrationality affects economic theory.

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**Natural gas here to stay  
beyond energy transition, Big**

# Oil says



LONDON (Reuters) – Energy companies are betting demand for natural gas will rise at break-neck pace for decades, undermining warnings that tackling climate change would require a rapid switch to renewable energy.

Top oil companies including Royal Dutch Shell (RDSa.AS), BP (BP.L) and Total (TOTF.PA) are adapting with growing urgency to the need to develop cleaner energy sources, investing more and more in solar and wind power, electric vehicle technology and even forestation.

Still, they see oil, and especially natural gas, the least polluting fossil fuel, playing a major role throughout the decades of transition and beyond as demand for electricity and plastics grows.

“Shell’s core business is, and will be for the foreseeable future, very much in oil and gas... and particularly in natural

gas," Shell Chief Executive Officer Ben van Beurden said in a speech at the Oil & Money conference.

By 2035, Shell expects global gas demand to grow annually by 2 percent, twice the pace of worldwide energy demand, van Beurden said.

The United Nations said in a report earlier this week that limiting the Earth's temperature rise to 1.5 degrees Celsius means making rapid, unprecedented changes in the way people use energy.

That will include the tripling of renewable energy to supply 70-85 percent of electricity by 2050.

Technology to capture and store carbon emissions would further reduce the share of gas-fired power to 8 percent, the report said, while making no mention of oil in this context.

It is unclear how the global economy will reach such goals.

Natural gas is today around 22 percent in the global energy mix. But many energy company executives prefer to see it as part of the shift to low-carbon economies.

Qatar, one of the world's largest gas suppliers, is set to grow its liquefied natural gas (LNG) capacity by over 40 percent by the next decade to around 110 million tonnes per year, as demand for the super-chilled fuel is set to soar, particularly in fast-growing economies such as China and India.

Royal Dutch Shell PLC29.325  
RDSA.ASAMSTERDAM STOCK EXCHANGE  
-0.29(-1.00%)

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- RDSa.AS
- BP.L
- TOTF.PA

“We believe that natural gas will continue to play a key role, not as a so-called transition fuel but rather as a destination fuel,” Qatar Petroleum CEO Saad Al Kaabi said.

Shell is investing more than any other of its peers in clean energy, spending \$1 billion to \$2 billion a year on renewables and low-carbon energy. That compares with a total annual spending budget of \$25 billion-\$30 billion.

The investments “might even make people think we have gone soft on the future of oil and gas. If they did think that... they would be wrong,” van Beurden said.

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# In rebuttal to Trump, bin Salman says Saudi won't pay US for kingdom's security



Saudi Crown Prince Mohammed bin Salman says Riyadh “will pay nothing” to the United States for the kingdom’s “security,” in rebuttal to US President Donald Trump who recently said King Salman would not last in power “for two weeks” without US military support.

“Actually we will pay nothing for our security. We believe that all the armaments we have from the United States of America are paid for, it’s not free armament,” the Saudi crown prince said in a Bloomberg interview conducted on Wednesday and published on Friday.

He made the comments in response to a question whether Riyadh needed to pay Washington more for its security.

“Ever since the relationship started between Saudi Arabia and the United States of America, we’ve bought everything with money,” he further said, adding that since Trump came to



power, the kingdom decided to purchase over 60 percent of its needed armament from the US "for the next 10 years."

The 33-year-old crown prince went on to say that Saudi Arabia had agreed to buy \$110 billion worth of US weapons and signed investment deals worth billions more, some "\$400 billion" in total, since Trump took office in early 2017, and described the deals as "a good achievement" for Trump.

"Also included in these agreements are that part of these armaments will be manufactured in Saudi Arabia, so it will create jobs in America and Saudi Arabia, good trade, good benefits for both countries and also good economic growth. Plus, it will help our security," Bin Salman further noted.

His interview came a day after Trump told a cheering crowd of supporters at a rally in Southaven, Mississippi, that Saudi King Salman would not last in power unless the US provided military support for the Arab kingdom.

"We protect Saudi Arabia. Would you say they're rich? And I love the King, King Salman. But I said 'King – we're protecting you – you might not be there for two weeks without us – you have to pay for your military,'" Trump said.

On Saturday, Trump said at a rally in West Virginia that although the Saudis "have got trillions of dollars", "we don't get what we should be getting" from them. He also stressed that with the support of Washington Saudi Arabia is "totally safe", but "without us, who knows what's going to happen."

Pressed on how he would regard Trump's humiliating and harsh rhetoric against Saudi Arabia, bin Salman said, "I love working with him," referring to the controversial remarks as a "bad issue" offset by "99 percent of good things." His response, however, prompted the interviewer to say that "it seems to be a little bit more than one percent."

Last year, Trump signed the largest arms deal in history with

the Arab country despite warnings that he could be accused of being complicit in the regime's war crimes in Yemen.

On Wednesday, Saudi Arabian Military Industries' (SAMI) Chief Executive Andreas Schwer said he expected to finalize the first partnership deals with South African arms companies by the end of the year, without mentioning the initial partners by name.

Last December, Russia said it was working with Saudi Arabia to finalize the agreement to sell the S-400 Triumf, the latest Russian long-range anti-aircraft missile system.

Saudi King Salman made a four-day trip to Moscow in March 2017. During the visit, Russia also agreed to sell Riyadh a Kornet-M anti-armor system, Tos-A1 rocket launcher, AGS-30 grenade launcher, and Kalashnikov AK-103, according to the information office of Russia's Federal Service for Military-Technical Cooperation.

However, Saudi Arabia relies heavily on the US in its brutal war on Yemen. Washington has deployed a commando force on the Arab kingdom's border with Yemen to help destroy arms belonging to Yemen's popular Houthi Ansarullah movement. Washington has also provided logistical support and aerial refueling.

Saudi Arabia and allies invaded Yemen in March 2015 to reinstate Riyadh-allied former officials. The coalition has failed to achieve the goal despite superior military power. Instead, some 15,000 Yemenis have been killed in the war.

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# Isolato, sotto pressione e sorvegliato. Ma il Qatar trasforma l'embargo in risorsa



È un conflitto a bassa tensione, di cui in Occidente si parla poco, quello che continua a svolgersi nel Golfo Persico.

Da una parte Arabia Saudita, Bahrein, Emirati Arabi ed Egitto, dall'altra la penisola del Qatar, uno stato piccolo, ma detentore di uno dei fondi sovrani più ricchi del mondo, con un patrimonio di oltre 300 miliardi di dollari, partecipazioni azionarie nelle più importanti aziende del pianeta (dalla Volkswagen a Tiffany, da Credit Suisse a Barclays). Da oltre un anno il Qatar si trova, di fatto, isolato dai Paesi che gli sono vicini (perfino i cammelli qatarioti sono stati rimpatriati). La contrapposizione, formalmente, è stata motivata dal fatto che il Qatar avrebbe sostenuto organizzazioni legate al terrorismo. Rimprovero poco credibile, considerato che l'Arabia Saudita non è immacolata a riguardo.

In pratica, piuttosto, i vicini non gradiscono il fatto che il piccolo e ricchissimo emirato, retto da Tamim bin Hamad al-Thani, si muova in autonomia politica. I contatti con Iran, Russia, Cina, Turchia, risultano molto indigesti. Come risulta indigesta ai vicini la presenza proprio in Qatar di Al Jazeera, network informativo che ha monopolizzato lo scenario

giornalistico mediatico, ed è diventato il riferimento informativo mediorientale. E ancora meno gradito ai vicini il fatto che il Qatar rappresenti oggi uno degli stati economicamente in ascesa, con investimenti in tutto il mondo – come si accennava – e una proiezione internazionale crescente: dai mondiali di calcio 2022 – in stadi da 150 mila persone tutti con aria condizionata – alle gare automobilistiche e motociclistiche, a una ricca serie di istituzioni ed eventi legati all'arte, alla cultura, al turismo.

Le ultime notizie riportano una perdita di 69 milioni di euro da parte di Qatar Airways a causa del blocco delle rotte aeree. Altra notizia recente, gli Emirati avrebbero acquistato mezzi di intercettazione dai servizi segreti Israeliani per tenere sotto controllo le comunicazioni tra gli alti papaveri qatarioti. Addirittura, nelle scorse settimane, vari giornali hanno parlato di un piano saudita per isolare fisicamente la penisola qatariota, scavando un canale. In breve, la pressione dei paesi limitrofi sul Qatar non si riduce, nonostante vari organismi internazionali abbiano consigliato di mollare la presa. Anche perché gli squilibri nella regione rischiano di avere un impatto negativo sul controllo del terrorismo in un'area del pianeta nient'affatto tranquilla.

Nonostante questo l'emirato di Tamim bin Hamad al-Thani non si dà per vinto. Anzi, l'isolamento ha innescato, oltre al moto di orgoglio nazionale, un processo di ripensamento culturale e civile, del paese. Per esempio, il Qatar che si trova, giocoforza, sempre più in contatto con l'Occidente, sta implementando una serie di iniziative volte a potenziare l'istruzione femminile, come la Qatar Foundation, che crea legami con svariate università partner, in particolare negli Usa. O come la biblioteca nazionale del Qatar, disegnata dall'architetto olandese Rem Koolhaas. Una gigantesca costruzione e un capolavoro di design. Nei primi mesi di apertura si parla di oltre cinquantamila iscritti ai servizi, e 150 mila libri in prestito. O come il grande museo di arte

islamica, una delle più grandi raccolte di arte del mondo.

Ma la reazione all'embargo continua anche dal punto di vista economico: al forum economico di Berlino, qualche giorno fa il Qatar ha dichiarato che investirà nell'economia tedesca 10 miliardi di euro, mossa diplomatica (oltre che economica) di ulteriore avvicinamento all'Europa. Per quanto riguarda la questione dei (numerosi) investimenti italiani, le autorità qatariote hanno confermato gli investimenti in Sardegna su Air Italy, e stanno discutendo su come evitare il trasferimento di 51 lavoratori a Milano. Insomma, il dinamismo qatariota sembra trarre nuovi motivi di azione dall'embargo. A questo punto si aspetta che i principali attori internazionali (vedi alla voce Usa e Donald Trump, che pure aveva fornito qualche rassicurazione a riguardo) si rendano conto che è il caso di muoversi per una risoluzione rapida, e razionale, della questione.

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**Germany set to form a panel of experts to facilitate Qatar's €10bn investments**



A few days ago, Qatar's relationship with Germany reached a new high when HH The Emir Sheikh Tamim bin Hamad Al Thani announced his nation's willingness to invest €10bn in Germany over the next five years.

Germany's Ambassador to Qatar Hans-Udo Muzel said plans were being formulated to move on to the next step regarding Qatar's investments in his country, reported *Gulf Times*.

HH The Emir had made the announcement at the opening session of the ninth 'Qatar-Germany Business and Investment Forum' held at the Maritim Hotel in Berlin recently.

Qatar's plans will revolve around 'vital projects' in the automobile, Information Technology and banking industries and add to their investment portfolio in Germany, which currently stands at more than €25bn.

Muzel said the yet-to-be formed committee would identify and recommend projects in Germany where Qatar can make investments.

"It's no secret that a major part of the investments announced will go into Germany's small and medium enterprises (SMEs), which are also called the hidden champions of German economy. SMEs in Germany aren't small entities. They're quite big

companies,” the German envoy was quoted as saying by ***Qatar Tribune***.

“We need to instal several institutions and mechanisms to make it easier for Qatar to go ahead with its investment plans. We like to have a proper kind of plan. This will be put into action soon,” he added.

Muzel said the Joint Task Force on Trade and Investment, which was formalised in the presence of HH The Emir and German Chancellor Angela Merkel, will be part of a team that would draft a proposal (for both the German and Qatari side) that would present the next steps needed to steer the direction of additional Qatari investments.

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## **What oil at \$100 would mean for world economy**



Bloomberg Hong Kong/Singapore

Rising oil prices are prompting forecasts of a return to \$100 a barrel for the first time since 2014, creating both winners and losers in the world economy.

Exporters of the fuel would enjoy bumper returns, giving a fillip to companies and government coffers. By contrast, consuming nations would bear the cost at the pump, potentially fanning inflation and hurting demand.

The good news is that Bloomberg Economics found that oil at \$100 would mean less for global growth in 2018 than it did after the 2011 spike. That's partly because economies are less reliant on energy and because the shale revolution cushioning the US.

Ultimately, much depends on why prices are pushing higher. A shock amid constrained supply is a negative, but one due to robust demand just reflects solid growth. Both forces are now in play, driving Brent crude up about 22% this year.

## **1. What does it mean for global growth?**

Higher oil prices would hurt household incomes and consumer spending, but the impact would vary. Europe is vulnerable given that many of the region's countries are oil importers. China is the world's biggest importer of oil and could expect an uptick in inflation.

There are also seasonal effects to consider, with winter looming in the Northern hemisphere. Consumers can switch energy sources to keep costs down, such as biofuels or natural gas, although not quickly. Indonesia already has instituted measures to push more use of biofuels and limit the economy's reliance on imported fuel.

For a sustained hit to global growth, economists say oil would need to hold above \$100. The dollar's gain of this year doesn't help though given crude is priced in greenbacks.

## **2. How can the world economy absorb oil at \$100?**

Bloomberg Economics found that \$100 oil will do more harm than



good to global growth. Yet there are important differences in the condition of the world economy today compared with 2011. "The shale revolution, lower energy intensity, and higher general price levels mean the impact will be smaller than it once was," economists led by Jamie Murray wrote in a recent report. "The price of a barrel will have to go much higher before global growth slips on an oil slick."

### **3. How will Iran and Trump impact the market?**

Geopolitics remains a wild card. Renewed US sanctions on Iran are already crimping the Middle East nation's oil exports. While President Donald Trump is pressuring the Organisation of Petroleum Exporting Countries to pump more, there is limited spare production capacity. In addition, supply from nations including Venezuela, Libya and Nigeria is being buffeted by economic collapse or civil unrest. Still, Goldman Sachs analysts predict \$100 will not be passed.

### **4. Who wins from higher oil prices?**

Most of the biggest oil-producing nations are emerging economies. Saudi Arabia leads the way with a net oil production that's almost 21% of gross domestic product as of 2016 – more than twice that of Russia, which is the next among 15 major emerging markets ranked by Bloomberg Economics. Other winners could include Nigeria and Colombia. The increase in revenues will help to repair budgets and current account deficits, allowing governments to increase spending that will spur investment.

### **4. Who loses?**

India, China, Taiwan, Chile, Turkey, Egypt and Ukraine are among the nations who would take a hit. Paying more for oil will pressure current accounts and make economies more vulnerable to rising US interest rates. Bloomberg Economics has ranked major emerging markets based on vulnerability to shifts in oil prices, US rates and protectionism. One of the biggest winners might also find itself on the losing end:

Oystein Olsen, Norway's central bank governor, warned that western Europe's biggest petroleum producer risks problems if the industry takes its eyes off controlling costs.

### **5. What does it mean for the world's biggest economy?**

A run-up in oil prices poses a lot less of a risk to the US than it used to, thanks to the boom in shale oil production. The old rule of thumb among economists was that a sustained \$10 per barrel increase would shave about 0.3% off of US output the following year. But tallies now, including that of Moody's Analytics chief economist Mark Zandi, pencil in a hit of around 0.1%.

While the diminishing American reliance on imported oil has positive economic consequences at the industry level, poorer households would feel the weight of higher prices at the pump. They spend about 8% of their pre-tax income on gasoline, compared to about one% for the top fifth of earners.

### **6. Will it lead to higher inflation around the world?**

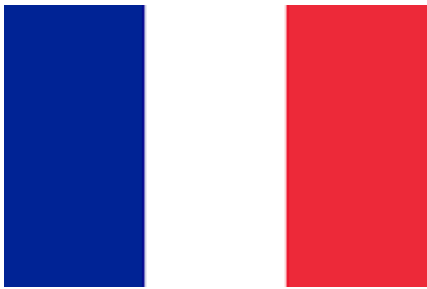
Energy prices often carry a heavy weight in consumer price gauges, prompting policy makers including those at the Federal Reserve to focus simultaneously on core indexes that remove volatile energy costs. But a substantial run-up in oil prices could provide a more durable uptick for overall inflation if the costs filter through to transportation and utilities.

### **7. What does it mean for central banks?**

If stronger oil prices boost inflation, central bankers on balance will have one less reason to keep monetary policy loose. Among the most-exposed economies, central bankers in India already are warning about the impact as the nation's biggest import item gets more expensive. Greater overall price pressures also could prompt faster monetary policy tightening in economies such as Thailand, Indonesia, the Philippines and South Africa.

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# Nations face tough choices on climate



By Marlowe Hood/ AFP Paris

The world's nations will gather at a UN conference in South Korea today to review and approve a 20-page bombshell – distilled from more than 6,000 scientific studies – laying out narrowing options for staving off climate catastrophe.

When the 195 countries who signed off on the Paris Agreement in 2015 requested a report from UN-led scientists on the feasibility of capping global warming at 1.5 degrees Celsius, the gesture seemed to many unnecessary.

The treaty, after all, enjoined the world to block the rise in Earth's surface temperature at “well below” 2C (3.6 degrees Fahrenheit) compared to preindustrial levels, adding a safety buffer to the two degree threshold long seen as the guardrail for a climate-safe world.

Since then, however, a crescendo of deadly heatwaves, floods, wildfires and superstorms engorged by rising seas – with less than 1C warming so far – has convinced scientists that the danger cursor needed to be reset.

“There is increasing and very robust evidence of truly severe and catastrophic risks even at the lower bounds of these temperature targets,” said Peter Frumhoff, director of science and policy at the Union of Concerned Scientists, a Washington-based research and advocacy group.

The promise of “pursuing efforts” to limit warming to 1.5C – added to the Paris treaty at the last minute, in part to assuage poor nations who felt short-changed on other fronts – caught scientists off-guard.

“There wasn’t very much literature on 1.5C warming three years ago,” said Jim Skea, a professor of at Imperial College London’s Centre for Environmental Policy, and a co-chair of the Intergovernmental Panel for Climate Change (IPCC), the UN science body charged with writing the “Special Report” on 1.5C.

Of hundreds of climate models in 2015 projecting a low-carbon future, only two or three aimed for a 1.5C global warming cap. The 20-page Summary Policy Makers – which will be collectively scrutinised, line-by-line, by hundreds of diplomats through Friday – contains several benchmark findings, according to a draft obtained by AFP.

At current levels of greenhouse gas emissions, for example, the Earth’s surface will heat up beyond the 1.5C threshold by 2040, the report concludes with “high confidence”.

To have a fighting chance of staying under the 1.5C cap, the global economy must, by 2050, become “carbon neutral”, meaning no additional CO2 can be allowed to leach into the atmosphere. In addition, the report suggests that carbon dioxide emissions from human activity will need to peak in 2020 and curve sharply downward from there.

So far, we are still moving in the wrong direction: after remaining stable for three years – raising hopes the peak had come – emissions rose in 2017 to historic levels.

For many scientists, these targets are technically feasible but politically or socially unrealistic, along with the broader 1.5C goal.

“The feasibility is probably going to remain an open question, even after the report comes out,” said Michael Oppenheimer, a professor of geosciences and international affairs at Princeton University.

A main focus of the underlying, 400-page report – written by a team of 86 authors, supported by another 150 scientists – is

the difference a half-degree Celsius can make in terms of impacts.

“When we’re talking about 1.5C it’s not just to protect a few dozen small island nations,” said Henri Waisman, a senior researcher at the Institute for Sustainable Development and International Relations, and a co-ordinating author of the report.

“It’s to avoid dramatic impacts that become exponentially more dramatic when we go from 1.5C to 2C.”

What used to be once-a-century heatwaves in southern and central Europe, for example, are projected to occur four out of 10 summers in a 1.5C world, and six out of ten in a 2C world.

Many tropical fisheries are likely to collapse somewhere between the 1.5C and 2C benchmark, as fish seek cooler waters; staple food crops will decline in yield and nutrition an extra 10 to 15%; coral reefs that may have a chance of surviving if air temperatures remain below 1.5C will very likely perish with an additional half-degree of warming.

Most worrying of all, perhaps, are temperature “tipping points” that could push methane-laden permafrost and the icesheets of Greenland and West Antarctica – which hold enough frozen water to lift global oceans by a dozen metres (nearly 40ft) – beyond the point of no return.

Some experts, however, worry that focusing on the contrast between a 1.5C and 2C world obscures the fact we are currently on a trajectory that will crash through both these thresholds.

“I don’t think 2C is safe, and I would never want to argue it,” said Frumhoff. “By many measures, 1.5C is not enough.”

“But while we might call 2C an upper bound, let’s not pretend that we’re on a 2C path – we are way above that,” he told AFP. Even taking into account voluntary national pledges to cut greenhouse gas emissions, submitted in annex to the Paris treaty, the Earth is on track to heat up by an unliveable 3.5C or more by century’s end.

“If we want to save ourselves from the disasters that are looming, we only have unrealistic options left,” said Kaisa

Kosonen, Greenpeace IPPC campaign lead.

“We have to try to make the impossible possible.”