

# Chevron receives offer for its Rosebank field stake in North Sea



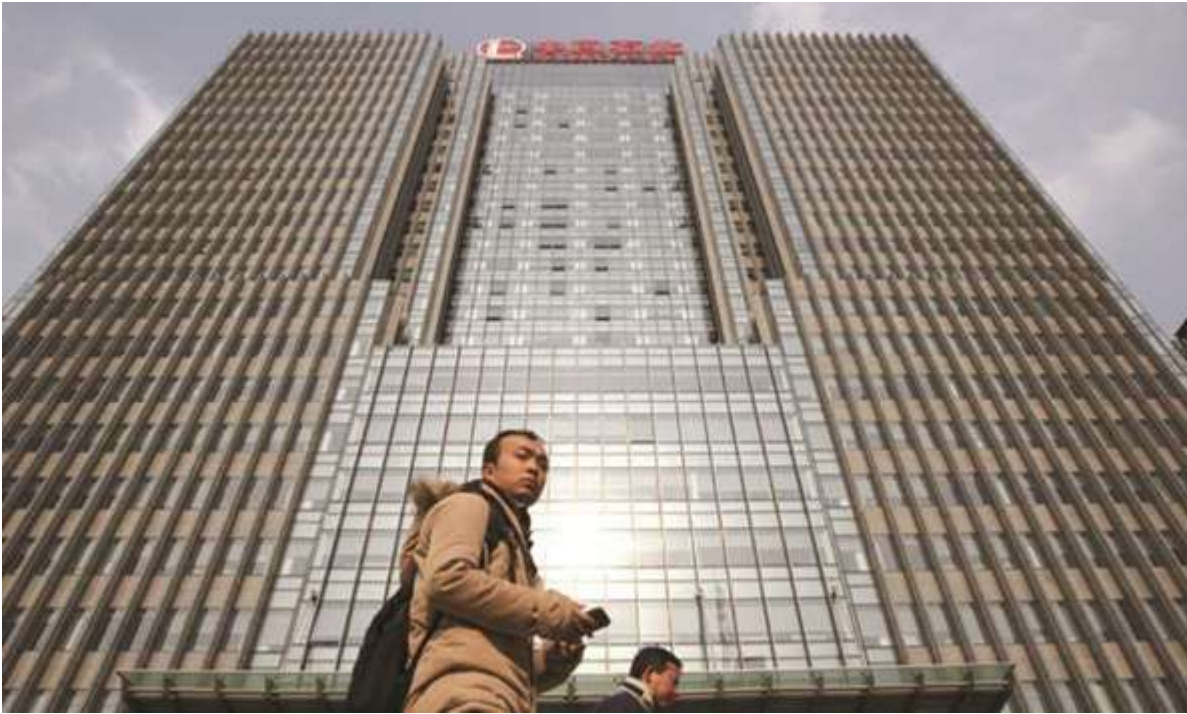
Chevron Corp has received an offer for its stake in the Rosebank project in the North Sea, months after the company said it plans to exit some fields in the UK. The oil major has a 40% stake and is the operator of the Rosebank field, located west of Shetlands in one of the harshest and most expensive areas of the North Sea. Chevron has struggled to reach a final investment decision for the project since at least 2013, right before an oil-price collapse caused companies to slash spending. Chevron and other big oil companies including ConocoPhillips are reducing their interests in the ageing North Sea as they focus on growth regions like US shale. The UK is likely to have the fewest new wells this year since 1973, according to a trade group. The government, keen to keep production going in the region, has encouraged private equity companies to fill the gap left by the oil majors. "Chevron has been weighing up development options for a number of years," Ross Cassidy, a senior research manager at

consultant Wood Mackenzie Ltd, said in a statement.

“The asset may be struggling to compete for capital within Chevron’s low-breakeven tight-oil portfolio, focused on the US Permian basin.” News of the talks for Rosebank was first reported by industry trade publications, which didn’t name the potential buyer. A spokeswoman for Chevron confirmed the offer, without giving more details. The San Ramon, California-based company is still working on engineering and design for the project, she said. Chevron said in July it intends to dispose its assets in the central North Sea after an internal strategic review. That didn’t include Rosebank. The field is the largest undeveloped asset in the North Sea, according to Wood Mackenzie. Suncor Energy Inc holds 40% in the project and Siccac Point Energy 20%. Rosebank will probably need about \$6bn to develop, according to Cassidy. If it gets the green light in 2019, oil production could start in 2024, with output rising to about 100,000 barrels of oil equivalent a day at a peak rate, he said. Development would probably include a new-build, harsh environment floating production, storage and offloading vessel and up to 20 production wells, Cassidy said.

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**Energy firms surge on Asia bourses as oil prices rise**



AFP Hong Kong

Most Asian markets rose yesterday, with energy firms surging along with oil prices, as traders await the conclusion of a key Federal Reserve policy meeting.

While worries about the China-US trade row continue to erode confidence, the strong US economy and healthy corporate outlook are providing some buoyancy for now.

The weekend decision by major producers from inside and outside Opec to maintain crude output – despite Donald Trump’s call for lower prices – has sent both main contracts sharply higher this week. Trump hit out at Opec in his United Nations General Assembly speech on Tuesday, accusing it of “ripping off the rest of the world”.

Brent is sitting around four-year highs and WTI is heading close to that mark, with a stronger dollar and an expected output cut from Iran caused by US sanctions adding some lift.

“Oil prices remain in the bulls’ domain amid concern that US sanctions on Iranian crude oil exports will result in much tighter physical market conditions once they take effect in November,” said Stephen Innes, head of Asia-Pacific trading at OANDA.

The two contracts edged up yesterday after losses the previous

day that come on the back of a surprise gain in US stockpiles. Energy firms shot sharply higher in Asia. CNOOC added 4.4% and PetroChina piled on almost 5% in Hong Kong, while Sinopec jumped 2.4%. Inpex of Japan put on 2% and Australia's Woodside Petroleum added 1.5%.

The gains boosted broader markets. Hong Kong jumped 1.2% and Shanghai ended 0.9% higher. Mainland Chinese traders were also cheered by news that global equities index compiler MSCI is considering quadrupling the weighting of Chinese large-cap shares in its benchmark Emerging Markets Index over the next two years.

Tokyo closed 0.4% stronger, Sydney rose 0.1% and Singapore put on 0.7%, with Bangkok and Jakarta also up.

But Taipei and Wellington were flat while Manila and Mumbai fell.

With the Fed widely expected to raise interest rates, governor Jerome Powell's post-meeting statement will be closely watched for clues about its next move, with an eye on the increasingly bitter China-US trade dispute. "The US domestic economy is trotting along nicely; the rest of the world is not in the same place and there's no doubt that global investor caution is continuing to increase as the trade war between the US and China appears to be heating up," Nick Twidale, chief operating officer at Rakuten Securities Australia, said in a note. "Analysts will be watching closely to see if the Fed acknowledges this and its potential impact on the US." In Tokyo, Nikkei 225 closed up 0.4% to 24,033.79 points; Hong Kong – Hang Seng ended up 1.2% to 27,816.87 points and Shanghai – Composite closed up 0.9% to 2,806.81 points yesterday.

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# Pakistan and Russia to sign \$10bn offshore pipeline deal



Internews Islamabad

In a major breakthrough, Pakistan and Russia are set to sign a \$10bn offshore gas pipeline deal today in Moscow, a project planned by the latter to capture the energy market of Pakistan.

Sources said that the cabinet, during the tenure of previous Pakistan Muslim League-Nawaz (PML-N) government, had approved the signing of the gas pipeline deal with Moscow.

Inter State Gas Systems (ISGS) a state-owned Pakistani company established to handle gas import projects and is already working on schemes like Turkmenistan-Afghanistan-Pakistan-India (Tapi) gas pipeline has been designated by Pakistan for executing the pipeline project along with Russia's energy giant Gazprom.

A Pakistani delegation left for Moscow yesterday to sign the multibillion-dollar deal.

ISGS managing director Mobin Saulat acknowledged that the agreement would be inked in Moscow today.

He revealed that Gazprom would conduct the feasibility study on its own expenses to assess economic viability and cost of the project.

“China-Pakistan Economic Corridor (CPEC) has now entered the industrialisation phase and needs gas for duty and tax-free Special Economic Zones (SEZs),” he said. “The offshore gas pipeline will meet energy needs of industries being set up in the economic zones along CPEC route.”

According to officials, the pipeline will connect Pakistan and Russia and act as an energy corridor between the two countries. “Strategically, it is a very important project as the two countries will come closer to each other,” an official said.

“At the same time, Pakistan will gain access to the Russian market in order to boost its overall exports which remained stagnant during five-year tenure of the PML-N government.”

Russia has nominated Public Joint Stock Company Gazprom for implementation of the project.

Pakistan’s cabinet has permitted the company to conduct the feasibility study at its own cost and risk. Separately, ISGS is working on the \$10bn Tapi gas pipeline which will connect South and Central Asia.

Construction work on the scheme in Pakistan is planned to start in March 2019.

These projects are termed game changer for Pakistan as they will not only lead to regional connectivity, but will also meet growing energy needs of the country. Owing to 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 increasing energy demand in South Asia.

Russia has been a huge gas exporter to European Union (EU) countries and Turkey since long and despite US anger, Moscow has continued to provide gas to them. Moscow receives gas from Turkmenistan and then exports it to EU states. Pakistan has been experiencing gas crisis, particularly in winter, for the past many years as domestic production has declined with new

additions being offset by depleting old deposits.

In a bid to tackle the crisis, the PML-N government started liquefied natural gas (LNG) imports from Qatar under a 15-year agreement and brought supplies from other sources as well.

According to a government official, after signing of the memorandum of understanding (MoU) for the offshore pipeline, work on the feasibility study will begin. Russian gas exports touched an all-time high in 2017. According to Gazprom, gas flow to Europe and Turkey, excluding ex-Soviet states, hit a new daily record of 621.8mn cubic metres.

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## **Educating Lebanon's Oil and Gas Generation**





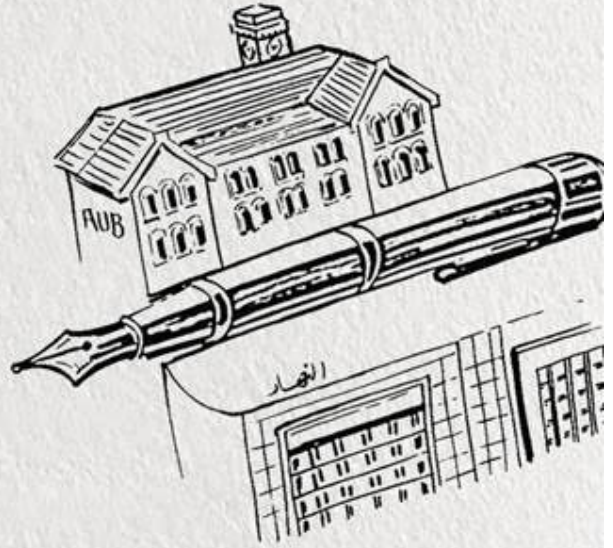
النهار

لمناسبة إطلاق عدد خاص من جريدة النهار  
ضمن استمرار لبنان والاستثمار في شبابه

يرأس تحريره الدكتور فضلو خوري  
رئيس الجامعة الأميركية في بيروت  
بالإشتراك مع أكثر من ١٠٠ شخصية

تدعوكم  
الجامعة الأميركية في بيروت وجريدة النهار  
إلى إحتفال يقام عند الحادية عشرة قبل ظهر  
الخميس ٢٧ أيلول ٢٠١٨  
في قاعة الأسمبلي هول في حرم الجامعة

إن مشاركتكم تعزّز هذا المشروع الوطني والتغييرى نحو الأفضل



النهار - جامعة

النهار



It is now a very safe bet that the seabed off Lebanon's coast contains enormous amounts of natural gas, and sound management of this resource could power a new era of unprecedented socioeconomic development.

It's not just scientific studies of our own Exclusive Economic Zone that tell us this: it's also the facts that neighbors like Egypt and Israel are already producing; that areas off Cyprus, Gaza, and Syria show similar promise; and that much of the region shares the same geology.

Once Lebanon starts producing and exporting gas, the potential benefits will be game-changing: lower electricity costs, higher employment, more foreign investment, less public debt, far greater resources available for historic improvements in schools, hospitals, water and sewage networks, transport



infrastructure, etc. Such achievements would make the country's entire economy more competitive, providing more opportunities for all of its citizens for generations to come.

In order to derive maximum benefit, Lebanon needs to ensure that the nascent industry has everything it needs to prosper. Some of this work is quite advanced, with the Ministry of Energy and Water and the Lebanese Petroleum Administration (LPA), for example, having already prepared legal and regulatory frameworks that encourage rapid and sensible development.

To get the most out of this process, though, we as a country need to ensure that we as a people are both the driving force behind its progress and the primary beneficiaries of its consequences. The only way to do this is to ensure that all Lebanese have access to the skills and training required to take on jobs at every level of the process.

Lebanon can count on its highly acclaimed higher education sector to churn out the necessary architecture, chemistry, finance, management, and various engineering professionals. There also will be extensive requirements for qualified tradesmen and other technicians to build, operate and maintain both on- and offshore facilities. This means qualified pipefitters, electricians, welders, and other skilled workers – and only suitably equipped and oriented vocational institutions can provide the necessary training.

These kinds of jobs entail not just the provisions of excellent pay and benefits, but also the acquisition of valuable skills and experience that are easily transferable to other regions and other industries. In short, they are the building blocks for long and productive careers for today's youth, whose spending will in turn contribute to sustainable long-term economic growth.

Already the LPA is working with oil and gas companies to chart

clearly defined pathways from education to employment, and policymakers are similarly engaged in addressing capacity issues and how to help universities and vocational schools to gain global accreditation. These should remain top priorities, and we should also examine the experiences of others. Cyprus, for instance, has made significant strides in making sure that it will have enough qualified nationals to fill key jobs across its own budding gas sector; partnering with Cypriot institutions – and/or others in Europe or elsewhere – could radically increase the effectiveness of Lebanon’s strategy.

We are very close to realizing historic gains for all Lebanese society, and we owe it to future generations to get this done right. Education will be the key to strong livelihoods for thousands of our people, and we already have a very robust foundation of educational excellence. Whatever other challenges Lebanon faces, this one allows us to be masters of our own destiny, and we would be foolish indeed to let this opportunity be diluted in any way.

Roudi Baroudi has worked in the oil and gas industry for more than three decades and currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha.

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**Qatar to raise LNG output capacity to 110mn tonnes per year**



**\*Production to be increased by adding a new train**

**\*LNG production capacity to go up by 43%**

**\*Delivery of LNG from new project expected either in end-2023 or early 2024**

Qatar Petroleum has announced further increase in the capacity of Qatar's LNG expansion project, by adding a fourth liquefaction train, to raise the country's liquefied natural gas capacity to 110mn tonnes per year.

The fourth liquefaction train, like the three trains announced earlier as part of a project to develop additional gas from the North Field, will be of nearly 8mn tonnes per year capacity.

When the project is completed, Qatar's LNG production capacity will scale up by almost 43% from the current 77mn tonnes per year (mtpy), enabling the country to consolidate its position as the world's largest LNG producer and exporter, said Qatar Petroleum President & CEO Saad Sherida al-Kaabi.

He said the expected delivery of the first LNG from the new project would be either in end-2023 or early 2024. The production from the four trains will be "staggered in a

sequence” to attain the first delivery in end-2023 or early 2024.

With the addition of the fourth train, the new project will produce about 32mtpy of LNG, 4,000 tons/day of ethane, 260,000 barrels/day of condensate, and 11,000 tons/day of LPG, in addition to approximately 20 tons per day of pure helium.

Addressing a press conference at the Qatar Petroleum headquarters on Wednesday, al-Kaabi said: “As we have announced last year, Qatar Petroleum has embarked on a project to develop additional gas from the North Field and build three new LNG mega trains. Based on the good results obtained through recent additional appraisal and testing, we have decided to add a fourth LNG mega train and include it in the ongoing front end engineering of the project.

“When the project is completed and all four new trains are online, Qatar’s LNG production capacity will reach 110mn tpy. This will increase Qatar’s total production capacity from 4.8mn to 6.2mn barrels of oil equivalent per day.”

“This new capacity increase will further strengthen our leading position as the world’s largest LNG producer and exporter, and will further boost Qatar Petroleum’s strategic growth plan. This production addition will have a great impact on Qatar’s economic growth and will help stimulate our local economy,” al-Kaabi noted.

“We believe that LNG has bright prospects, and that the new expansion project reflects Qatar Petroleum’s commitment to meeting its worldwide customers’ growing needs for this reliable and environmentally friendly fuel. I would like to take this opportunity to express our sincere gratitude to His Highness Sheikh Tamim bin Hamad al-Thani, the Amir of the State of Qatar, for his wise leadership and continuous support to Qatar’s energy sector.

“On this occasion, I would also like to thank all my

colleagues and partners in the energy sector in Qatar for their excellent dedication and support of our ambitious growth plans,” he added.

Al-Kaabi said the North Field Expansion Project is well underway with various activities currently ongoing, including the Front End Engineering and Design (FEED) of the onshore facilities, which is being executed by Chiyoda Corporation of Japan.

The engineering, procurement, construction and installation (EPCI) contract for the offshore wellhead jackets is expected to be awarded before the end of the year, and development drilling activities are expected to commence imminently.

Tenders to drill new wells will be issued next month, a Bloomberg dispatch showed.

Al-Kaabi said when the FEED contract was awarded earlier; it was stated that engineering would be done for three trains with an option to add a 4th LNG train in future.

Asked whether the LNG capacity boost was a result of the “political crisis surrounding Qatar”, al-Kaabi said: “Our decision to increase production is purely based on business and commercial terms. The blockade for more than a year now is unjustified and unfair. But as we have stated earlier, we will carry on with our business in the same way, and frankly we do not think about it (blockade) when we make decisions.

“Our gas still flows into the UAE,” al-Kaabi said when asked about the future of the Dolphin project.

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# The case against climate despair



By Carl Bildt /Stockholm

Heat waves and extreme-weather events across the Northern Hemisphere this summer have brought climate change back to the forefront of public debate.

Early analyses strongly suggest that natural disasters such as Hurricane Florence – which barreled into the US East Coast this month – have been exacerbated by rising global temperatures.

Though US President Donald Trump has reneged on the 2015 Paris climate agreement, the rest of the world is becoming increasingly convinced of the need to limit greenhouse-gas (GHG) emissions.

Last month, a group of climate scientists published a report in the US Proceedings of the National Academy of Sciences warning that the planet could be on a path to becoming a “hothouse” that may not be habitable for humans.

The Earth has already registered the highest temperatures since the last Ice Age.



But, as the report notes, what we are experiencing today will be nothing compared to what is in store if average global temperatures surpass 2° Celsius above pre-industrial levels.

At that point, the authors write, “(global) warming could activate important tipping elements, raising the temperature further to activate other tipping elements in a domino-like cascade that could take the Earth System to even higher temperatures.” The scientific debate about climactic tipping points and nightmare scenarios is ongoing.

But no one can say for certain that the risks outlined in the “Hothouse Earth” report are not real.

But there is another risk: that warnings such as these will lead to despair.

Numerous reports have already concluded that it will be exceedingly difficult to meet the targets outlined in the Paris agreement.

But to conclude that the situation is hopeless is not just dangerous; it is also factually incorrect.

After all, political and technological developments that are underway offer grounds for genuine hope.

At the Global Climate Action Summit in San Francisco, California, this month, there was plenty of talk about the numerous alarming reports that have come out in recent months and years.

But the real focus was on the Exponential Climate Action Roadmap, a major new study showing that progress in the use of non-fossil-fuel technologies is advancing not just linearly, but exponentially.

You may not realise it, but solar- and wind-power usage is doubling every four years. If that continues, at least half of global electricity production could come just from these two forms of renewable energy by 2030.

And there is no good reason to think that progress couldn't accelerate further.

Just in the past few years, there have been rapid advances in solar-energy technologies and energy storage.

The Global Commission on the Economy and Climate estimates

that \$90tn will be invested in new infrastructure around the world over the course of the next 15 years.

Owing to the new technologies that are now emerging – not just in energy but in the digital domain as well – humanity could have an historic opportunity to leapfrog into far more sustainable, carbon-neutral patterns of habitation.

Moreover, in addition to the far-reaching advances in technology, there is also growing private- and public-sector awareness of the importance of factoring sustainability into all decisions.

New approaches to energy, industry, architecture, city planning, transportation, agriculture, and forestry have the potential to halve GHG emissions by 2030.

But that will happen only if a broad coalition of decision-makers decides to deploy them.

Fortunately, governments and major corporations have begun to show leadership on these issues.

As a result, GHG emissions have already peaked in 49 countries that account for 40% of global emissions; and ten countries have even committed to being carbon-neutral by 2050.

California and Sweden say that they will produce zero net emissions by 2045.

The Exponential Climate Action Roadmap shows that we do still have a say over our climate future.

The dangers that await us cannot be denied.

If GHG emissions and rising temperatures continue on their current trajectories, we could well reach the point at which future generations will have to endure “Hothouse Earth,” assuming that they can survive at all.

But just as recent scientific work has underscored the dangers of climate change, so, too, has it shown the way forward.

There is hope in the rapid diffusion of new technologies, and in the growing awareness of the problem within industry, government, and civil society.

If we can ensure exponential technological progress and marshal the necessary political will, we can tackle the climate crisis.

A “Stable Earth” is still within our reach. – Project Syndicate

*Carl Bildt is a former prime minister and foreign minister of Sweden.*

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# Trump’s Trade War Escalation Puts U.S. Energy in Crosshairs



U.S. gas is under threat as a trade war with China escalates.

China may target American liquefied natural gas in retaliation for a fresh round of duties announced Monday by the U.S. While the Asian nation last month said it was considering a 25

percent tariff on the fuel, it hadn't yet provided any details when it vowed Tuesday to take new action.

The move would be a setback for a burgeoning energy relationship that was on track to be a boon for both economies. The move would also add new pressure on the U.S. LNG industry, which is competing with Russia, Australia and Qatar for market share in China, the world's biggest gas buyer. Just last year, U.S. officials were courting Chinese companies to invest in new export projects.

The tariffs would signal how much pain Presidents Xi Jinping and Donald Trump are willing to endure not to back down from a trade fight. Trump risks stifling the U.S. gas export industry, which is seeking an estimated \$139 billion to fund more than a dozen projects, while Xi threatens to raise the cost of his drive to eliminate smog by burning less coal.

## **China's LNG Purchases**

U.S. LNG has accounted for nearly 6% of China's imports over the last year: Bernstein "Chinese companies will have an aversion to investing in U.S. LNG projects in the short term" if tariffs are imposed, said Saul Kavonic, Credit Suisse Group AG's director of Asia energy research. "Australia and Qatar's LNG sectors will benefit from being seen as a lower risk source of supply by customers in the world's fastest growing LNG market, at least over the near term."

## **Booming Demand**

China's push to use more natural gas is driving global demand growth, with LNG imports jumping 47 percent in the first seven months of the year. Though it's the third-largest buyer of U.S. cargoes, American supply made up a little less than 6 percent of purchases over that period, according to Sanford C. Bernstein & Co. If U.S. companies can seize 20 percent of the

market by 2030, it could lower the trade deficit with China by \$50 billion, Bernstein estimates.

Higher oil prices and a surge in LNG demand have reignited interest in export ventures, with about 15 U.S. projects targeting final investment decision this year and next, the most of any nation, according to Bloomberg NEF. Projects have been seeking investments or off-take agreements from China, which earlier this year topped Japan as the world's biggest gas importer.

"It is hard to see any of these hopeful projects getting another Chinese buyer signed up for long-term volumes" if China slaps tariffs on U.S. gas, Trevor Sikorski, an analyst at Energy Aspects Ltd., said by email. "Given China is a huge part of global LNG demand growth, that is a big headwind for these new projects."

Liquefied Natural Gas Ltd., which is yet to make a final investment decision of the \$4.35 billion Magnolia LNG project in Louisiana, expects Chinese buyers will wait for uncertainty on tariffs to be removed before signing contracts, Chief Executive Officer Greg Vesey said Monday at an industry conference in Barcelona.

Exporting nations such as Australia and Qatar could benefit from the trade tensions, according to Xizhou Zhou, an analyst at IHS Markit.

"You have two important parties in the LNG market – one is a very important large buyer, one is an important large supplier – less likely to negotiate with each other," he said by phone. "So Qataris, Australians will have less competition when it comes to the Chinese market for long-term contracts. "

The GasLog Greece, which left Cheniere Energy Inc.'s liquefied natural gas export terminal in Louisiana on Aug. 15 en route to China, changed its destination mid-journey to South Korea. It was one of at least two U.S. LNG shipments heading for

China during the past month. The other ship, Rioja Knutsen, arrived Sept. 3 at Tianjin.

More than a month ago, state-owned PetroChina Co. contemplated temporarily halting purchases of U.S. gas and increasing buying from other nations, while ENN Group, a private gas distributor and burgeoning LNG importer, decided not to buy any supplies from the U.S. this winter, Bloomberg reported last month.

Most LNG cargoes are sold at a price linked oil, whereas U.S. supplies are often priced off domestic gas prices, which have declined about 4 percent this year. China's decision comes as U.S. gas has become cheaper than oil-linked cargoes and amid the prospect of crude continuing to rise over the next few years. LNG spot prices in Northeast Asia this year have averaged the highest since 2014, at around \$9.70 per million British thermal units. Prices last year surged on the back of China's soaring consumption.

That's why the tariffs are an especially cruel blow for companies backing prospective U.S. liquefied natural gas export terminals, including Tellurian Inc., Liquefied Natural Gas Ltd. and Pembina Pipeline Corp. A 25 percent levy would lift U.S. LNG back above oil-linked costs.





On the other hand, that's good news for energy giants that have LNG prospects outside the U.S. That includes Irving, Texas-based Exxon Mobil Corp., which has ties to projects in Qatar, Papua New Guinea and Mozambique, and Royal Dutch Shell Plc, which is aiming to build a plant in western Canada, operates a project in Australia and has one of the world's biggest LNG trading portfolios.

Exxon also signed a preliminary deal earlier this month to participate in a potential LNG import terminal in southern China, as well as supply it with gas. Separately, PetroChina inked a deal with Qatar to purchase 3.4 million tons of LNG annually, the Chinese company's biggest supply deal yet. The agreement, which will start this month, could help China forgo some U.S. supplies during peak winter demand.

Merchant trading houses like Vitol SA, Trafigura Group Pte. Ltd. and Gunvor Group Ltd., may also be able to benefit by, for example, routing U.S. LNG to buyers including Japan and South Korea while selling Malaysian or Australian fuel meant for those markets to China instead, all with a little added mark-up for themselves.

– With assistance by Dan Murtaugh, and Anna Shiryaevskaya

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# Can Trump win if he escalates his trade war with China?



Bryce Baschuk Washington/Geneva

US President Donald Trump is threatening to intensify an ongoing trade war by rolling out tariffs on \$267bn worth of Chinese exports to the US, on top of the \$200bn worth that he could soon hit with duties. He previously had imposed tariff

s, which act like a tax on imports, on \$50bn worth of Chinese products, and could soon run out of ways to levy more duties: The total of imposed and threatened tariffs is now \$517bn, yet the US only bought \$505bn of goods from China last year. China has hit back with tariffs on US goods. The US also has levied duties on steel and aluminium imports from most countries, including allies Canada, Mexico and the European Union.

They also reacted with tariffs of their own. It adds up to an all-out trade war, one that risks gumming up global supply chains, raising consumer prices, stalling economic growth and tying the World Trade Organisation in knots. What's less clear is whether it will end the way Trump wants.

1. What is a trade war? The dictionary says it's "an economic conflict in which countries impose import restrictions on each other in order to harm each other's trade." Trump's tariffs and the retaliation by other countries, both threatened and enacted, meet this definition. But so do centuries of protectionist skirmishes by numerous countries in countless sectors. What makes this a full-blown trade war are Trump's singling out of China for retaliation, the tit-for-tat actions by the US and its closest allies over metals tariffs, and Trump's invocation of national security to justify some of his moves – which could open a Pandora's Box of similar claims by other nations.

2. What happened in previous trade wars? One of the most notorious examples is the Smoot-Hawley Act passed by Congress in 1930 that is often blamed for deepening the Great Depression. The law, which effectively hiked US tariffs by an average of 59%, initially was meant to protect American farmers. But many other industries lobbied for protection, and Congress agreed. The tariffs caused other countries to retaliate against the US and each other, which resulted in higher prices on many manufactured and consumer goods. As demand collapsed, countries scrambled to maintain their gold

reserves by devaluing their currencies or imposing even more trade barriers. Global trade fell off a cliff .

3. Who wins in trade wars? Trump has said the US has a stronger economy and can outlast China in a trade war. The US economy is booming and China's is showing signs of stress. But the longer the dispute goes on, the more both sides will see casualties. For Trump, those could include key constituencies, such as consumers who are accustomed to buying lower-priced goods made in China. Already, many companies are warning of lower profits because of higher prices for raw materials, supply-chain disruptions and sales declines. The US also has begun a \$12bn programme to bail out farmers hurt by China's and other countries' retaliatory tariffs on US exports of soybeans, corn and other crops. Tit-for-tat tariffs "so far have only produced increased costs for American businesses, farmers, importers, exporters and consumers," a coalition of about 150 business and trade organisations told the Trump administration.

4. Why is Trump inviting this fight? In a March 2 Twitter post, he declared trade wars "good, and easy to win." Trump later said duties on Chinese imports are justified after decades in which China tilted the playing field, including by devaluing its currency and forcing American companies to share their technology. He has repeatedly pledged to reduce the US trade deficit – the difference between what the US imports and what it exports. But by the end of 2017, the deficit had risen to \$568bn from \$505bn in 2016, and it has kept on rising. Stepping back from trade deals like the North American Free Trade Agreement and the Trans-Pacific Partnership also appeals to Trump's base of voters in America's Rust Belt. But talk of a trade war is alarming to many US business leaders, who largely support existing trade deals, and the securities markets, which fear lower profits and slower economic growth.

5. Could tariffs backfire on the US? They could. Take steel, for instance. Many more people are employed in industries,

such as auto manufacturing, that buy steel to make products than in steel-making itself. President George W Bush's higher steel tariffs, imposed from 2002 to 2005 to protect against a surge in imports, created a \$30mn drag on US gross domestic product, according to the US International Trade Commission. Workers' wages fell economy-wide, investors saw lower returns on capital and about 200,000 jobs were lost. Trade tensions could boost inflation more than desired by Federal Reserve policymakers, who might feel the need to raise rates more aggressively than planned.

6. Could the WTO help resolve the situation? The WTO is supposed to be the arbiter of international trade disputes. It was created in 1995 out of a set of agreements struck by countries trying to reduce trade barriers. If a government's complaint about another nation's trade barriers is seen as grounded, the WTO recommends acceptable retaliation. But the US and China both propose justifying tariffs under domestic law, rather than following established WTO procedures, limiting the WTO's ability to mediate. In the case of aluminium and steel, Trump is invoking a seldom-used clause of a 1962 law that gives him the authority to curb imports if they undermine national security. His administration is studying whether to use the same law to justify restricted automobile imports. Other nations could copy the US move.

7. Are tariffs the only weapon in trade wars? No, there are many others, including clamping down on Chinese investments in the US, as Trump has also done. Intentionally weakening one's currency, which he accuses China of doing, is another. One worry for the US is that China, the US's biggest creditor, will scale back purchases of Treasuries, an option that China's ambassador to the US doesn't rule out. China could also retaliate against the US in non-trade matters. Trump has accused China, for example, of undermining North Korea denuclearisation talks in retaliation for hitting China's exports with tariffs. Countries through the years have used

other means to keep foreign goods out and protect home-grown companies, a practice known as mercantilism. Some practices are blatant, such as quotas and subsidies for domestic industries (which Trump also accuses China of doing); others are less obvious, such as unusual product specifications, lengthy inspections of goods at entry ports and intricate licensing requirements.

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## **Trump presses OPEC to reduce prices as crude trades near \$80**



New York: US President Donald Trump resumed his criticism of Opec, saying on Twitter that the body “must get prices down now!”



Trump's fresh intervention in the oil market comes before a meeting of ministers from the Organisation of Petroleum Exporting Countries and its allies in Algeria on Sunday. His complaint follows signals from Saudi Arabia that it was content to see prices climb above \$80 (Dh294) a barrel. That's been a red line for the White House in the past, provoking the president to direct his first social-media barb against the body since July 4.

Brent crude futures were 0.6 per cent lower in London, erasing an earlier gain of as much as 0.5 per cent to trade at \$78.92 a barrel at 1:07pm local time.

Trump's tweet makes sense "with oil prices close to the highs of the year," said Giovanni Staunovo, commodity analyst at UBS Group AG. "Considering the upcoming Opec meeting in Algiers, he wants to keep pressure on the group ahead of the midterm elections."

the president is returning to a playbook that's won him significant victories already this year. His first attack on Opec came on April 20, just hours after Saudi Arabia's Oil Minister Khalid Al Falih said that Opec would continue its production cuts so that oil prices could rise further. Within a month, the kingdom had performed a dramatic U-turn and by June the body and its allies were promising to add 1 million barrels a day to the oil market.

Prices dipped as low as \$70 in London in August, but have since risen as American sanctions began to significantly curb Iran's oil exports. While Saudi Arabia and Russia have recently boosted output to compensate, it's unclear whether they're willing or able to offset all the losses from Iran.

Saudi Arabia is now comfortable with Brent oil prices rising above \$80 a barrel, at least in the short term, as the global market adjusts to the loss of Iranian supply, people familiar with the kingdom's view said this week.

The change in the kingdom's view on prices coincided with some intense oil diplomacy. In the last two weeks, Al-Falih has met his counterparts from Russia and the US, Alexander Novak and Rick Perry, to discuss the oil market and the impact of US sanctions on Iran. It's unclear, however, whether the Saudis discussed prices with Russian and American officials.

Saudi Arabia has markedly increased oil exports to America, a sign OPEC's leading producer is responding to pressure from Trump. Earlier this month, Saudi shipments into the US reached a four-week average of 1 million barrels a day for the first time since late 2017, according to government data.

– Bloomberg

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**Turkey slashes growth forecasts to boost investor confidence**



Reuters Ankara

Turkey sharply cut its growth forecasts for this year and next yesterday, but disappointed investors who had hoped for a plan to help banks and a deeper reduction in the estimates to reflect the fragile state of the economy.

Turkey has seen its lira currency plunge by 40% this year on concerns about political influence over monetary policy and a bitter diplomatic rift with the US.

The turbulence has shaken global financial markets and raised the prospect of a potential banking crisis at home.

Markets had been hoping that Finance Minister Berat Albayrak's medium-term programme announced yesterday would signal a clear break from the emphasis on credit-fuelled growth that has characterised Turkey's rapid expansion over the last decade and a half.

Albayrak said growth would be 3.8% this year and 2.3% in 2019, both revised down from forecasts of 5.5%.

He also did not deliver the big plans for the banking industry that some analysts had been hoping for, particularly, the creation of a "bad bank" vehicle to take over non-performing loans.

Following the presentation, the chairman of Turkey's BDDK

banking watchdog said there would not be a transfer of problem loans to another institution.

“At the moment, the programme is a disappointment. First, when you look at the growth forecast, the current account deficit forecast, they are too ambitious,” said Guillaume Tresca, a senior EM strategist at Credit Agricole. “We don’t have anything new, regarding a bad bank, regarding the treatment of (non-performing loans), regarding the foreign-exchange funding of the banking system or the foreign-exchange funding of the corporates. It is lacking details and it is lacking news.”

The lira weakened to 6.3100 by 1219 GMT, from around 6.20 beforehand and a close of 6.2541 on Wednesday.

The currency has now erased almost all the gains made since the central bank’s mammoth interest rate hike of 6.25 percentage points last week, underscoring the difficulty policymakers face in putting a floor under the lira and restoring confidence.

Sources told Reuters on Wednesday there was a debate among top government officials about the extent of the growth revisions, highlighting the delicate balance between the long-standing drive for economic expansion and investors’ calls for greater austerity.

Albayrak, President Recep Tayyip Erdogan’s son-in-law, had previously promised “realistic macro targets” and “right action plans”.

“We will see a gradual growth increase from now on. Our main goal is to establish 5% growth from 2021 onwards,” Albayrak told yesterday’s presentation in Istanbul.

He did not take questions.

“We will realise the necessary policies and measures to ensure economic hardships are overcome,” he said. “We are aware of the economy’s strong and weak points.”

For financial markets, the biggest concerns remain inflation – which Albayrak forecast would hit 20.8% this year and 15.9% next year – and the banking sector.

Turkey’s banks face a potential deluge of bad debt as the lira sell-off has driven up the cost for companies to service their

foreign currency loans.

For years Turkish firms borrowed in dollars and euros, drawn by lower interest rates.

JPMorgan estimates that the private sector has around \$146bn in external debt maturing in the year to July 2019.

Ratings agencies Moody's and Fitch have both sounded the alarm about the outlook for banks.

Fitch has estimated that banks' foreign-currency lending stood at around 43% of all loans.

But the government has repeatedly said it does not expect problems in the banking sector.