

# Can the GCC keep afloat without oil?



The GCC as we know it today would not be the same were it not for the discovery of oil in the region in the early years of the last century.

Now, new data has surfaced that predicts the GCC will break its dependence on fossil fuels by 2050, emerging in the new decade with an economy whose fate is no longer tied to the fickle fluctuations of oil prices.

The question remains, however: How effective will the GCC's attempts to wean off hydrocarbons be, and which non-oil sectors will be able to keep it afloat?

## **Making a diversified economy a reality**

Speaking to Arab News, New York-based firm Fitch Solutions shared information from their latest report covering global trends through to 2050. Their data shows that countries in the GCC like Kuwait, UAE, Saudi Arabia and Bahrain will achieve their goal of a diversified economy by 2050 following their

acts of reform.

Initiatives like Dubai's Vision 2021, Saudi's Vision 2030, the implementation of VAT, and the lifting of the ban on women driving are all heralds of this long-awaited change. As it currently stands, the UAE is ahead of its neighbors, having announced their reformatory Vision 2021 for Dubai back in 2010. According to Trading Economics, 40% of current UAE exports come from oil and natural gas, the lowest in the region.

Other countries, however, such as Kuwait and Oman still have a lot of ground to cover, with the Kuwaiti oil sector accounting for 40% of the country's GDP, 90% of total exports and 80% of state revenues, according to Trading Economics.

These Gulf nations cannot afford to rely solely on oil anymore, as the recurring drop in oil price has shown. The 2014 oil price crash gave these rich countries a pang of reality. During that year, the price of a barrel dropped from around \$115 in June 2014 to under \$27 in February 2016, according to CNBC.

### **Are other sectors enough to support the entire region?**

The possibility of oil running out has always existed.

Sooner or later, these countries will need to take action. The question remains, however: could non-oil sectors truly support a region that has been so reliant on fossil fuel revenues?

### **Tourism and hospitality staples of the region's economy**

In recent years, the UAE has continued to nurture and grow its tourism industry. Dubai International Airport (DXB) was not named the world's busiest airport for no reason. Passenger numbers at the airport topped 43.7 million in the first half of 2018, according to a traffic report issued last month by operator Dubai Airports, up 1.6% from the same period last

year.

Dubai, for example, has been seeing a hotel construction boom in anticipation of Expo 2020.

### **Foreign investment is key**

These countries are also looking outside their borders for investment opportunities. Saudi's Public Investment Fund (PIF) currently has stakes in several major companies abroad, such as \$72 billion ride-hailing company Uber and future-oriented Tesla.

The PIF's investment in Uber is reported to be worth \$3.5 billion, according to the New York Times. The fund's latest investment has been in Tesla, reported at a 5% stake. The fund has also staked a \$400 million sum in American augmented reality startup Magic Leap.

The country has been intent on investing in technology companies they believe will have a key role in the future of economy as well as mankind.

Inward FDIs are also key, with the UAE and Saudi currently at the forefront of the GCC.

### **The future is green**

Saudi is also looking at green energy ventures. Earlier this year during March, Saudi Arabia and the SoftBank Group Corporation announced a \$200 billion solar energy project, set to produce 200 GW by 2030. Saudi's vast open deserts permit a project of this scale, and this new project will produce an excessive amount of energy that will eclipse Saudi's needs. This means that the kingdom could become one of the world's greatest exporters of solar energy, distributed using mass batteries.

It seems that 200 hundred years later after it was first invented, we are still relying on age-old technology such as

the battery.

The UAE has some solar plans of its own. Its Mohammed bin Rashid Al Maktoum Solar Park in the desert south of Dubai spans 16.2 km<sup>2</sup>. By 2030, it will have a capacity of 5,000 MW, offsetting 6.5 million tons of CO2 emissions and generating enough energy to power 800,000 homes, Smithsonian Magazine reports.

Bahrain's prospects are not as ambitious just yet. The country has set a target of 10% of total energy consumption to be met through renewables by 2035, doubling the 5% goal by 2025, Electricity and Water Affairs Minister Dr. Abdulhussain Mirza has said.

### **The GCC prepares for a future with blockchain**

The rise of cryptocurrencies and blockchain has already sent ripples through the region's banking sector. For the GCC to survive without oil, it will be instrumental that these countries adapt and embrace these upcoming changes.

The National Bank of Abu Dhabi has become the first bank in the MENA region to introduce real-time, cross-border payments on blockchain, Medium reports. The bank has formed a partnership with Ripple.

Saudi's central bank has also signed a deal with Ripple for an upcoming project.

### **Freight transportation industry in GCC needs an update if it will survive**

Freight transportation and logistics (T&L) is a critical industry in the GCC, yet revenues have been on the decline in recent years. Pricewaterhouse Coopers (PwC) analysts blame this on the GCC lagging behind the technological advancements of T&L industries abroad.

If the GCC's T&L industry is to catch up and survive post-oil, they will need to adopt digitization practices to update their services to a more demanding international clientele.

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## **Troubled UK outsourcer Interserve blames the blockade against Qatar for its woes, with debt mounting to £614.3m**



- Shares in Interserve slumped as it revealed debts of £614.3million
- Half-year sales fell from £1.64billion to £1.5billion while it made a £6million loss

- **Bosses said revenue from Qatar was down £31.2million over last year**
- **Interserve's work in Qatar includes some work on World Cup projects**

Troubled outsourcer Interserve has blamed the blockade against Qatar for some of its woes as it swung to a loss and debts spiralled.

Shares slumped as it revealed debts of £614.3million – more than six times its market value – a near-60per cent increase on last year.

Half-year sales fell from £1.64billion to £1.5billion while it made a £6million loss compared to a £24.9million profit during the same period last year.

Bosses said revenue from Qatar was down £31.2million over last year as a trade blockade against the country by its neighbours delayed contract awards and made getting supplies harder.

Interserve's work in Qatar includes some work on World Cup projects, other construction projects and support services. It is not building stadiums for the 2022 tournament.

Interserve employs 80,000 around the world and about 25,000 in the UK, with sales of around £3.7billion. Its work includes security, probation, healthcare and construction services, as well as cleaning the London Underground and managing army barracks.

It has been struggling financially since last year partly due to losses on a waste project in Glasgow, and issued two profit warnings late last year.

In January it emerged Interserve was being monitored by the Government amid fears of a repeat of the collapse of builder and outsourcer Carillion.

Its shares have fallen nearly 70per cent since last year,

slumping further yesterday, valuing the company at around £96million. Operating profits for the first half rose by £11.5million to £40.1million.

Chief executive Debbie White, 56, has spent £32.1million on financial advisers including PwC before reaching a rescue deal with creditors in March.

She said trading during the first half had been in line with expectations and the business was on a better footing to move forward. She added: 'Whilst there remains a significant amount of work to do, we have energy and momentum.'

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## **Saudi-Canada Fight Shows Need for Pipelines, Oil Group Says**



The escalating trade battle between Canada and Saudi Arabia highlights the need for more pipelines to move oil and natural gas around the northern nation to improve its energy security, according to the Canadian oil industry's largest trade group.

Canada's energy producers could supply a greater portion of their domestic market and satisfy more of world demand if they could move supply from producing regions to both coasts, said Ben Brunnen, vice president of oil sands operations and fiscal policy for the Canadian Association of Petroleum Producers. Canada imported about C\$1.17 billion (\$902.4 million) worth of oil and fuels from Saudi Arabia in the second quarter, according to Statistics Canada.

"Geopolitical tensions, whether they be with our largest trading partner, the U.S., or with other countries, illustrate the opportunity we have to improve energy security within our own borders and to expand our exports to global markets to ensure we are getting the best price for our products," Brunnen said in an emailed statement.

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## **Mohammed bin Salman Is Weak, Weak, Weak**





When I pulled my Hyundai out of the driveway two weeks ago and headed 450 miles north, it was only for a short vacation, but I was still excited to be leaving the Beltway after a confusing year for foreign-policy wonks. Freed from the obligation to make sense of the growing dysfunction of the United States and its rippling effects on the world, I took long runs on country roads, ate too much ice cream, lazed on the beach with my wife and young daughters, read a novel, and celebrated a birthday.

I returned to the office a few days ago and almost wish I hadn't. The weirdness of 2018 continues. Upon reconnecting, I discovered that the odious former president of Iran, Mahmoud Ahmadinejad, tweeted in support of LeBron James (he also likes Michael Jordan), Toto covered Weezer, and the government of Saudi Arabia freaked out at Canada. Not Iran or Qatar, but Canada... the Great White North. The place that has bestowed such gifts to the world as John Candy, poutine, Wayne Gretzky, the Montreal bagel, and the 55-yard line.

Like most countries, Canada does have darker aspects. The way Canadians treated what they now refer to as the First Nations was horrific, for example—although they recently apologized and accepted responsibility for the near-destruction of those

cultures. And even when Canadians are angry at you, they tend to be unfailingly polite about it.

So, what is the Saudi beef? Why have they thrown the Canadian ambassador out of the country, halted Saudi flights to Toronto (a lovely airport), and told anywhere between 7,000 and 16,000 Saudis enrolled in Canadian universities that they can't go back to school in a few weeks? A tweet. More specifically, last Friday the Canadian foreign ministry tweeted: "Canada is gravely concerned about additional arrests of civil society and women's rights activists in #SaudiArabia, including Samar Badawi. We urge the Saudi authorities to immediately release them and all other peaceful #humanrights activists."

That's it. The Canadian government did not impose sanctions, offend Islam, or make common cause with the Houthis in Yemen. As anyone with a passing interest in international affairs knows, Ottawa has publicly positioned itself—often in contrast to the United States—as a strong voice in defense of human rights. This is particularly the case under Liberal Party-led governments such as the one under Prime Minister Justin Trudeau, and Canadian Foreign Minister Chrystia Freeland has been (politely) forceful in her defense of a rules-based and liberal international order.

According to their Saudi counterparts, by expressing concern for the plight of peaceful activists in the kingdom, Canada's diplomats were in egregious violation of Saudi Arabia's sovereignty. This is the kind of response that one might expect from say, Egypt—though even the Egyptian leadership, which loathes civil society, activists, and their international supporters with great passion, would not throw an ambassador out of the country and cancel the scholarships of thousands of university students.

There are various theories to explain the Saudi reaction to Canada's tweet. Some analysts have suggested that the episode is another example of Saudi Arabia's reckless foreign policy

under Crown Prince Mohammed bin Salman. Others see it as another warning to Saudis that the only reforms in the kingdom are those that the crown prince has articulated, and they are at their peril should Saudis demand more. Both explanations are plausible—and either way, Mohammed bin Salman comes out looking every bit the impetuous, petty, immature, tyrant that his critics say he is.

Arab leaders have some good reasons for responding poorly to activists and nongovernmental organizations that international supporters of these individuals and groups tend to overlook. But rounding up people who peacefully express a different vision of society from the Saudi leadership is weak. Not just weak in a vague moral sense, but as a basic description of the government's political standing. General rule: If a leader is arresting people who disagree with them, it is a sign that this leader is well aware of a significant gap between the stories the government is telling its citizens about how good life is under its benevolent leaders and how people are actually experiencing it. The Saudi women in jail right now had to be arrested, because if they weren't silenced, there would be an ever-increasing risk that they would expose the emptiness of the government's sunny narrative about the future. Coercion of this sort is a demonstration of brute force *and* political weakness.

For all the Saudi government's declarations about the "new Saudi Arabia" and how the country is moving forward thanks to the crown prince's reform program, it rings hollow against the background of jailed peaceful dissenters. The Saudis will argue that all the Western reporting and analysis is wrong—the people arrested were in communication with foreign countries and thus trying to undermine the Saudi state. It is a claim that is both tiresome—because it comes from the script every foreign ministry reads anytime their governments want to repress activists—and revealing. There is no foreign conspiracy, of course. It is the dodge of a nervous Saudi

leadership, fearful that its people will discover its inability to deliver on its promises.

The Saudis and their supporters often complain that they get a bad rap in Washington. I am sympathetic to this claim. Sure, Crown Prince Mohammed bin Salman got some terrific personal press on his barnstorm through New York, Washington, Los Angeles, and Silicon Valley last spring—but news coverage of Saudi Arabia at around the same time was demonstrably negative. With good reason, of course. In November 2017, the Saudis orchestrated the brief resignation of the Lebanese prime minister—surely one of the stranger diplomatic episodes in the Middle East ever—and then there was the terrible (and ongoing) humanitarian toll of Saudi Arabia's military intervention in Yemen. The Saudi-led blockade of Qatar, meanwhile, seems to have been a pointless exercise in showing Doha who is the big dog in the Gulf.

Yet the negative coverage ignored the middle ground; complications and shades of gray are typically saved for stories other than Saudi Arabia. The war in Yemen has been a foolish blunder, but hardly anyone mentions the brutality of the Houthis. The Qataris may be victims of Saudi, Emirati, Egyptian, and Bahraini scheming, but they are not innocent victims. The crown prince is hardly the reformer that he has proclaimed himself to be, but he does seem to enjoy genuine support at home.

Still, whatever beating the Saudis are taking over the war of words with Canada, it is entirely of Riyadh's own making and well deserved. One is hard-pressed to truly understand what officials at the Royal Court are thinking, beyond taking a cue from the Trump administration and declaring, "We are Saudi Arabia, bitches." The Saudis really can't have it every which way: posturing as "reformers," tossing activists in jail, and then taking umbrage when people dare criticize them for not actually reforming.

The crown prince decided to pick a fight with the wrong country. Not because Canada is powerful and the Saudis are dependent upon them, but rather because Ottawa has taken a stand on the straightforward principle that peaceful dissent is not a crime. In their overreaction, the Saudis have decided to flaunt their own foolishness and feebleness. Instead of railing against Ottawa, Riyadh should apologize for its rash behavior. That's what the Canadians would do.

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## **Turkey admits to 3 more years of missing inflation target**



Bloomberg/Ankara

Turkey's central bank yesterday acknowledged it won't meet its 5% inflation target for three more years, disappointing investors seeking signs that monetary policy would tighten. Although governor Murat Cetinkaya pledged to raise borrowing costs when needed, his prediction of 6.7% inflation by the end

of 2020 was seen as a dovish signal by investors who gathered in Ankara for the bank's quarterly inflation report. He expects prices to rise 13.4% through this year and 9.3% through 2019.

This was the first time the governor provided an above-target forecast for three years into the future since taking office in 2016, and it comes with the inflation rate at its highest in 15 years. For investors surprised that the bank didn't raise borrowing costs at its last rate meeting on July 24, it's another indication monetary policy makers will put a premium on stimulating economic activity, according to Erkin Isik, a strategist at Turk Ekonomi Bankasi AS in Istanbul. That's an agenda demanded by President Recep Tayyip Erdogan.

"The upward revision to medium-term forecasts suggests that the bank will prioritize growth over inflation and let inflation remain high for much longer," Isik said by e-mail as Cetinkaya spoke.

The lira fell during the governor's speech and was trading 0.4% lower at 4.90 per dollar at 12:31pm in Istanbul.

Unlike in his previous inflation reports, Cetinkaya went out of his way to explain last week's rate decision. This year's 500-basis-point increase in lending costs will take time to have an impact on demand conditions, which are set to soften with a re-balancing in the economy, he said.

His base-case scenario of a "moderate" slowdown in growth after last year's 7.4% expansion is partly based on expectations the government will lower spending. Continued expansionary fiscal policies would result in higher inflation, according to the inflation report.

Taking into account the high inflation rate and current account deficit "at a time of tightening global financial conditions, such a situation would result in a higher country risk premium and increase the pressure on foreign-exchange levels, necessitating a tighter monetary policy stance to rein in price gains," the report read.

Erdogan has repeatedly stressed he wants interest rates to come down, taking the anomalous approach that cheaper money

would help to tame inflation by stimulating growth.

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## Higher Oil Price Boosts BP's Recovery; Profit Up Fourfold



Higher oil prices and increased output helped BP Plc (NYSE: BP) quadruple its second-quarter profit from a year earlier as the oil major finally shakes off the after-effects of 2010's Deepwater Horizon spill and the last oil market slump.

Second-quarter results have been a mixed bag for the world's top oil companies. Total SA (NYSE: TOT) beat forecasts and boosted production targets while Royal Dutch Shell Plc (NYSE: RDS.A) launched a \$25 billion share buyback program despite profits falling short of expectations.

U.S. majors Exxon Mobil Corp. (NYSE: XOM) and Chevron Corp.

(NYSE: CVX) disappointed Wall Street.

BP confirmed it would increase its quarterly dividend for the first time in nearly four years, offering 10.25 cents a share, an increase of 2.5%. The company bought back shares to the tune of \$200 million in the first half.

In a further sign of recovery, BP last week agreed to buy U.S. shale oil and gas assets from global miner BHP Billiton for \$10.5 billion.

The deal, BP's first major acquisition in 20 years, marked a watershed for the company in the United States as it looks to leave behind the \$65 billion fallout from the deadly explosion of its Deepwater Horizon rig in the U.S. Gulf of Mexico.

Benchmark Brent crude futures, currently over \$74 per barrel, rose about 16% in the first half of 2018 and are up about 60% since June last year.

BP's output in the first six months of the year was 3.662 million barrels of oil equivalent per day (MMboe/d), including production at Russia's Rosneft, of which it owns just under a fifth, from 3.544 MMboe/d a year earlier. That helped underlying replacement cost profit, BP's definition of net income, rise to \$2.8 billion, exceeding forecasts of \$2.7 billion, according to a company-provided survey of analysts.

The company earned \$0.7 billion a year earlier and \$2.6 billion in the first quarter. BP's shares were up about 1.2%, hitting a two-week high in early trading.

BP has paid around \$2.4 billion of expected 2018 costs of just over \$3 billion related to Deepwater Horizon, and plans to split the outstanding payments equally between the third and fourth quarters, CFO Brian Gilvary said.

Meanwhile, the company has tightened its investment budget for this year to about \$15 billion from previously up to \$16



billion and increased its divestment guidance to over \$3 billion from \$2 billion to \$3 billion.

Gearing, the ratio between debt and BP's market value, declined to 27.8% at the end of the quarter from 28.1% at the end of March. Net debt was \$39.3 billion at the end of June compared with \$40 billion at the end of March.

"With gearing nudging down sequentially, dividends raised, and execution on track, 1Q and 2Q are the start of a new positive trend for BP," Bernstein analyst Oswald Clint said.

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## **Time for Europe to redefine its interests**





By Mark Leonard/Berlin

Donald Trump is the first US president to think that the US-led world order is undermining US interests.

Though the current order obviously benefits the United States, Trump is convinced that it benefits China even more.

Fearing China's ascendance as another pole of global power, Trump has launched a project of creative destruction to destroy the old order and establish a new one that is more favourable for the US.

Trump wants to pursue this objective by engaging with countries bilaterally, thereby always negotiating from a position of strength.

He has shown particular disdain for traditional US allies, whom he accuses of free riding, while also standing in the way of his demolition derby.

Likewise, Trump cannot stand multilateral organisations that strengthen smaller and weaker countries vis-à-vis the US.

Given his "America First" strategy, Trump has spent his presidency undermining institutions such as the World Trade Organisation, and abandoning multilateral agreements such as the Trans-Pacific Partnership (TPP), the Iran nuclear deal, and the Paris climate accord.

And because Trump has been able to pick new fights so fast, other countries have struggled to keep up, let alone form effective alliances against him.

In recent weeks, Trump has set his sights squarely on the European Union.

As Ivan Krastev of the Institute for Human Sciences recently observed, the EU now faces the possibility of becoming "the

guardian of a status quo that has ceased to exist." As a committed Atlanticist and multilateralist, it pains me to admit that he is right.

The time has come for Europe to redefine its interests, and to develop a new strategy for defending them.

First and foremost, Europeans will have to start thinking for themselves, rather than deferring to the US foreign-policy establishment.

The EU clearly has an interest in preserving the rules-based order that Trump hopes to tear down, and its interests with respect to the Middle East – particularly Turkey – and even Russia have increasingly diverged from those of the US.

Europeans should of course try to work with the US whenever possible; but not if it means subordinating their own interests.

Europeans must also start investing in military and economic autonomy – not to break away from the US, but to hedge against America's abandonment of its commitments.

Fortunately, there is already a healthy debate in European capitals about increasing national defence spending to 2% of GDP; and both the EU Permanent Structured Co-operation framework (PESCO) and French President Emmanuel Macron's new European Intervention Initiative (EI2) represent steps in the right direction.

The question now is whether France's Force de Frappe (military and nuclear strike force) can be extended to provide a credible deterrent for the rest of the EU.

On the economic front, Europe is facing a dilemma as it weighs its values against its business interests.

Former Belgian foreign minister Mark Eyskens once described Europe as "an economic giant, a political dwarf, and a military worm." But Europe is now in danger of becoming an economic dwarf, too.

The fact that the US can threaten secondary sanctions on European companies for doing business with Iran is deeply worrying.

Though the EU is standing up for international law, it remains

captive to the tyranny of the dollar system.

Looking ahead, the EU needs to gain more leverage for dealing with other great powers such as China and the US.

If Trump wants to make the transatlantic relationship more transactional, then the EU needs to be ready to trade across different policy areas to make deals.

Consider the US Department of Defence's recent request that the United Kingdom send more troops in Afghanistan.

If the EU were taking a muscular approach, it would deny any reinforcements until the US drops its threats of secondary sanctions on European companies.

Moreover, Europe needs to develop a strategy for political outreach to others.

The G7 is supposed to be the cockpit of the West, but at its recent summit in Quebec, it seemed to be short-circuiting.

So shocking was Trump's behaviour that some senior European officials now wonder if US allies should form an independent middle-power alliance, lest they be crushed between the rocks of a rising China and a declining America.

In an increasingly deal-based world, a new G6 might offer a defence of the rules-based system.

Still, one wonders if the EU is capable of putting up a united front.

With the bloc splintering into distinct political tribes, it is becoming easier for other powers to pursue a divide-and-conquer strategy.

This has long been Russia's strategy, and it is now being adopted by China and the US, too.

For example, in 2016, southern and eastern EU member-states that rely on Chinese investment managed to water down a joint EU statement on China's territorial encroachments in the South China Sea.

Similarly, Trump routinely reaches out to eastern and southern EU member-states in order to sow divisions within the bloc.

For example, US Department of State officials reportedly made it clear to Romania that the US would not press it on rule-of-law violations if it breaks ranks with the EU and moves its

embassy in Israel to Jerusalem.

With US-EU relations already fraught, the Trump administration will be all the more tempted to engage in such tactics.

It is unclear how the EU should respond.

It could impose heavier costs on countries that break ranks on foreign policy, or it could invest more in security so that even countries on the periphery feel as though they have something to lose by undermining EU cohesion.

Alternatively, the EU itself could strike a deal with member states, whereby it would go easy on internal political matters in exchange for foreign-policy co-operation.

Whatever is decided, the EU urgently needs to chart a new course.

Rather than being perpetually surprised and outraged by Trump's affronts, Europeans must develop their own foreign policy with which to confront his behaviour. – Project Syndicate

\* Mark Leonard is Director of the European Council on Foreign Relations.

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## **UK firm PwC criticised over bid for major Saudi Arabia contract**



One of Britain's biggest consulting and accountancy firms has been negotiating to land a major contract to help streamline and modernise Saudi Arabia's military, the Guardian can reveal.

PricewaterhouseCoopers (PwC) confirmed it had tendered for the project, which will be part of a wholesale transformation of the kingdom's defence ministry designed to better equip and support its frontline forces.

PwC declined to comment further about the talks. It said there was an "ongoing tender process with a number of participants pitching for work".

The negotiations, for a deal that could be worth millions to the company, have drawn criticism from campaign groups. Campaigners have condemned the country's involvement in the conflict in Yemen, claiming its airstrikes have killed civilians and amount to war crimes.

Peter Frankental, Amnesty International UK's economic affairs programme director, urged PwC to explain what due diligence it had undertaken before pitching for the work.

"Like any company, international accountancy firms should ensure that they avoid contributing to human rights violations in their operations, or being directly linked to them by their business relationships.

"We'd like to know what due diligence the company has done. The United

Nations guiding principles on business and human rights make it clear that a company may be viewed as complicit if they are seen to benefit from abuses committed by another party."

The Saudi ministry of defence is run by Prince Mohammed bin Salman bin Abdulaziz Al Saud. The 32-year-old, known as MbS, is said to be the world's youngest defence minister and is also the kingdom's deputy prime minister.

Described by critics as an inexperienced firebrand, he has been the architect of the kingdom's intervention in Yemen, in which it has backed the exiled government over Iranian-supported Houthi rebels.

This year the UN said the conflict had led to more than 22 million Yemenis – up to 80% of the population – requiring humanitarian aid. Jamie McGoldrick, the UN's humanitarian coordinator in Yemen, has described it as "an absurd and futile war" and condemned the "mounting

civilian casualties caused by escalated and indiscriminate attacks throughout Yemen”.

PwC already has a presence in Saudi Arabia, but it is the company’s UK operation that is behind the defence project.

PwC has launched a “call for resources” – asking specialists and consultants in London whether they would be interested in moving to Riyadh to start the work – because, it has said, it is “currently finalising the deal”.

The company told staff that the Saudi ministry of defence was undergoing an “ambitious transformation to modernise its armed forces at a size and scale rarely seen before ... [this] is at its most critical phase and they need support to undertake this level of change.”

If it wins the contract, PwC is likely to be tasked with transforming several support areas within the defence ministry. The first phase of the work is likely to focus on how to reshape recruitment, resourcing, performance management and strategic workforce planning, and how to manage and communicate change.

The Guardian asked PwC what due diligence it had undertaken and how it would answer concerns about working with the Saudi military. The company declined to respond.

The Saudi embassy in London was asked about the scale and scope of the project but also declined to comment.



Frankental urged PwC to think again. "As any accountancy firm involved in work for the Saudi ministry of defence must know, the Royal Saudi air force has an appalling record in Yemen, with the Saudi-led military coalition having indiscriminately bombed Yemeni homes, hospitals, funeral halls, schools and factories. Thousands of Yemeni civilians have been killed and injured."

Anna Macdonald, director of the Control Arms Secretariat, a global coalition working for international arms control, said the UK "should be focusing on trying to stop this terrible conflict, not assisting the Saudi government."

She added: "British companies should be very cautious indeed in what they are supporting. Yemen is the world's worst humanitarian crisis and getting worse by the day."

"The UK government and UK companies are fuelling this in continuing to supply bombs and military equipment to Saudi Arabia and its coalition partners. Ordinary Yemenis need access to water, to humanitarian aid and, most pressingly of all, for the incessant bombing of their schools, hospitals, markets and funerals to stop."

Saudi Arabia has defended its military operations in Yemen. This year the foreign minister, Adel al-Jubeir, said the critics were wrong. "They criticise us for a war in Yemen that we did not want, that was imposed on

us," he told the BBC. "They criticise us for a war in Yemen that is a just war, that is supported by international law."

Judeir blamed the Houthi rebels for blocking aid and contributing to the humanitarian crisis.

A spokesman for the Department for Business, Energy and Industrial Strategy said firms had to operate by UK and international law, and there was no restriction on accountancy services in Saudi Arabia.

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**LNG becomes more volatile on heat wave, Trump's trade war: Russell**



LAUNCESTON, Australia, July 30 (Reuters) – Prices for spot cargoes of liquefied natural gas (LNG) in top-consuming region Asia have become more volatile amid a northern hemisphere heat wave, China's switch to cleaner fuels and a side-helping of Donald Trump-inspired trade disruptions.

The spot LNG price LNG-AS for September delivery in North Asia rose to \$9.75 per million British thermal units (mmBtu) in the week to July 27, the first increase in six weeks.

Soaring temperatures in Japan and South Korea were behind the move higher, as utilities ramped up electricity output to meet demand for air-conditioning. Japan even resorted to restarting old and dirty oil-fired power plants, in addition to boosting natural gas generation.

The boost to prices last week was the latest turn in a spot LNG market that has become more volatile and sensitive to even relatively modest moves in supply and demand.

The spot price reached \$11.60 per mmBtu in mid-June, an unusual occurrence as it meant the peak summer price exceeded that for the previous winter for the first time since 2012.

LNG has a seasonal pattern, with the peak price usually occurring in the northern winter, followed by a lower high in summer and troughs in autumn and spring.

The mid-June price peak was built on strong demand from China, the world's No. 2 importer, whose rapid growth took it past South Korea last year, although it still has some way to go to dislodge Japan from the top spot.

Some supply outages at the same time in major producer Australia, as well as Malaysia and the United States, also drove prices higher in June.

While the spot price has shifted up a gear, the extra demand has yet to show up in trade flows.

Northeast Asia, which includes the three top LNG buyers of Japan, China and South Korea, is on track to import around 14.2 million tonnes of LNG in July, according to vessel-tracking and port data compiled by Thomson Reuters.

This would be largely steady to June's 14.8 million tonnes and 14.5 million tonnes in July last year.

## **JAPAN DRIVING DEMAND**

Looking at the breakdown by country shows Japan on track to import about 6.4 million tonnes in July, up from June's 6.03 million, but below last July's 7.1 million.

China will import around 3.85 million tonnes in July, down a tad from June's 3.95 million, but up from 2.91 million in July of 2017.

South Korea's July imports are headed for 2.5 million tonnes, a 26 percent slump from June's 3.4 million and also well below the 3 million from July a year ago.

While China is still posting large year-on-year gains, it seems current demand for LNG is largely being driven by Japan.

The dynamics of LNG flows are also shifting, partly as a result of U.S. President Donald Trump's escalating trade dispute with China.

While trade in LNG isn't restricted in any way as yet, it seems China is quietly discouraging its major oil and gas companies from buying from the United States.

Only two cargoes arrived China in July from the United States, carrying just 0.13 million tonnes of the super-chilled fuel.

This was an unchanged number of cargoes from June, but down on five vessels that arrived in May, and well below seven that unloaded in January this year.

The winner in China is Australia, with imports totalling to 12.4 million tonnes in the first seven months of the year, up from 9.1 million tonnes in the same period last year.

Australia has also upped its shipments to Japan, with 15.9 million tonnes arriving in the first seven months, up from 14.6 million in the same period in 2017.

U.S. LNG suppliers have had some success in shipping to Asian countries other than China, with Japan taking three cargoes in July, down from four in June and level with May.

South Korea brought in four U.S. cargoes in July, the same number as June and down from five in May.

But with Chinese demand for U.S. LNG under a cloud, it's likely that U.S. producers will have to offer more competitive prices to other buyers in Asia, or perhaps in Europe.

This may prompt changes in the way LNG producers such as Qatar and Australia market spot cargoes, increasing volatility in a market that has shifted from being fairly predictable to one characterised by quicker and larger price swings.

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# Turkish steel makers eye exports to West Africa amid U.S. tariff setbacks



By Ceyda Caglayan

ISTANBUL, July 30 (Reuters) – Turkish steel makers are looking to expand in West Africa and other emerging markets in response to tariffs and planned quotas which threaten their sales to the United States and the European Union, a senior sector official said.

Namik Ekinici, board chairman for the Turkish Steel Foreign Trade Association, told Reuters that Turkey was looking to boost its trade with West Africa and sub-Saharan countries, where there is demand for the less capital-intensive steel products that Turkey mainly exports.

“Looking at the product types these countries consume, it’s products that we have the capability to produce like rebar and pipes. Therefore, these countries are markets where we have a

chance,” Ekinçi said.

“This is why the market we are working with in the first stage is West Africa,” he said, adding that the Caribbean, South America and Southeast Asia were the next targets.

According to data from the Turkish Steel Exporters Association, more capital-intensive products, used in the automotive and white goods sectors, account for a quarter of Turkey’s steel production, while products like rebar and pipes account for 53 percent.

The world’s eighth biggest steel producer, Turkey ranks second in global exports of rebar, figures from the World Steel Association show.

In a move that ignited fears of a global trade war, U.S. President Donald Trump in March imposed a 25 percent tariff on steel imports and a 10 percent tariff on aluminium imports, leading to a 56 percent slump in Turkey’s exports to the United States between January and May.

In early July European Union countries also voted in favour of a combination of quota and tariffs to prevent a surge of steel imports into the bloc that could follow the U.S. levies.

In order to tackle the U.S. tariffs and protectionist measures, Ekinçi said Turkey wanted to increase its effectiveness in other emerging markets “as the United States and the European Union adopt measures to make trade harder.”

He said a union of Turkish exporters would jointly start a new firm to penetrate the target markets through time charter shipments, aiming to increase Turkey’s market share in West Africa from below 5 percent to 15 percent by cutting shipping costs.

The project is expected to cut transport costs of steel exported to West Africa to around \$30 per tonne, from nearly \$100, making it significantly more competitive, Ekinçi said.