

# Caspian Sea nations to sign landmark deal



The leaders of the five states bordering the Caspian Sea meet in Kazakhstan on Sunday to sign a landmark deal on the inland sea which boasts a wealth of oil and gas reserves and sturgeon.

Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan are expected to agree a long-awaited convention on the legal status of the sea, which has been disputed since the collapse of the Soviet Union rendered obsolete agreements between Tehran and Moscow.

Talks in the port city of Aktau should help ease tensions in a militarised region where the legal limbo has scuppered lucrative projects and strained relations among nations along the Caspian's 7,000-kilometre (4,350-mile) shoreline.

The Kremlin said the convention keeps most of the sea in shared use but divides up the seabed and underground resources.

It does not allow military bases from any other countries to be sited on the Caspian.

### **'Once a frontier oil province'**

Sunday's summit is the fifth of its kind since 2002 but there have been more than 50 lower-level meetings since the Soviet breakup spawned four new countries on the shores of the Caspian.

The deal will settle a long-lasting dispute on whether the Caspian is a sea or a lake—which means it falls under different international laws.

The draft agreement, briefly made public on a Russian government portal in June, refers to the Caspian as a sea but the provisions give it “a special legal status”, Russian deputy foreign minister Grigory Karasin told Kommersant daily.

It is the Caspian's vast hydrocarbon reserves—estimated at around 50 billion barrels of oil and just under 300 trillion cubic feet (8.4 trillion cubic metres) of natural gas in proved and probable reserves—that have made a deal both vital and complex to achieve.

“Disputes arose when the Caspian was a frontier oil province,” said John Roberts, a non-resident senior fellow at Atlantic Council's Eurasia Center, while it is “now well established, with major fields approaching peak... production.”

### **'Expand cooperation'**

Any deal will “expand the field for multilateral cooperation” between the five states, said Ilham Shaban, who heads the Caspian Barrel thinktank.

But some are likely to view it as more of a breakthrough than others.

Energy-rich but isolated Turkmenistan is particularly excited

and President Gurganguly Berdymukahmedov has called for annual Caspian Sea Day celebrations from Sunday onwards.

Turkmenistan could benefit from a concession allowing the construction of underwater pipelines, which were previously blocked by the other states.

Nevertheless, analysts caution that Turkmenistan's long-held plan to send gas through a trans-Caspian pipeline to markets in Europe via Azerbaijan is not necessarily closer to becoming reality.

The plan was previously opposed by Russia and Iran, which could still attempt to block the pipeline—valued at up to \$5 billion—on environmental grounds.

“A deal in Aktau is not a legal prerequisite for the construction of the Trans-Caspian Pipeline,” said Kate Mallinson, Associate Fellow for the Russia and Eurasia Programme at Chatham House.

“Neither will a major transport corridor to export Turkmen gas to Europe emerge overnight.”

### **Kudos and caviar**

As previous exclusive arbiters of Caspian agreements, Russia and Iran could be seen as the new deal's biggest losers.

But while Moscow has ceded ground on underwater pipelines “it gains political kudos for breaking a log-jam,” enhancing its image as diplomatic dealmaker, said Roberts of the Eurasia Center.

Russia will welcome the clause barring third countries from having military bases on the Caspian, underscoring its military dominance there, said Shaban of Caspian Barrel.

Iran gets the smallest share of the Caspian spoils under the new deal, but could take advantage of new legal clarity to

engage in joint hydrocarbons ventures with Azerbaijan.

In the past Tehran has resorted to hostile naval manoeuvres to defend its claims to contested territory.

Beyond military and economic questions, the agreement also offers hope for the Caspian's ecological diversity.

Reportedly depleted stocks of the beluga sturgeon, whose eggs are prized globally as caviar, may now grow thanks to "a clear common regime for the waters of the Central Caspian," Roberts said.

The deal could result "not only in stricter quotas for sturgeon fishing, but in stricter enforcement of these quotas," he added.

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## **Brexit : HSBC transfère sept succursales de Londres à Paris**



Par Anne Bodescot

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La banque investit également lourdement en Asie pour accélérer sa croissance.

Dans la finance, les préparatifs en prévision du Brexit s'accélèrent. La Grande-Bretagne redoute désormais une sortie de l'Union européenne (UE) sans accord avec Bruxelles. Ce qui compliquerait encore davantage le travail de ses banques sur le Vieux Continent. Prenant les devants, HSBC a annoncé lundi que plusieurs de ses succursales européennes, jusqu'alors contrôlées depuis Londres, seront l'an prochain rattachées à sa filiale française.

Ses activités en République tchèque, Irlande, Italie, Luxembourg, Pays-Bas et Espagne seront pilotées depuis Paris par HSBC France, en principe à partir du premier trimestre 2019. Soit juste avant la sortie effective du Royaume-Uni de

l'UE, prévue fin mars. «Ce que nous avons prévu depuis le début, depuis plus de deux ans, a été fondé sur le pire des scénarios», explique John Flint, le nouveau directeur général.

### » LIRE AUSSI – Brexit: Bruxelles n'exclut pas une sortie sans accord

L'annonce a été faite quelques heures après la publication de résultats mitigés pour le groupe bancaire britannique. Après avoir mené un vaste plan de restructuration ces dernières années et fait des économies à tous crins, la banque a enregistré une hausse de 7 % de ses coûts sur les six premiers mois de l'année, en raison de ses investissements en Asie, où elle veut pousser plus encore son avantage. Elle y réalise déjà près de la moitié de son activité. «Nous sommes en train d'investir pour gagner de nouveaux clients, pour accroître notre part de marché et poser les fondations d'une croissance régulière des bénéfices», souligne John Flint. Aux manettes depuis février, il est d'ailleurs prêt à aller beaucoup plus loin, puisqu'il a dévoilé en juin un plan d'investissement sur trois ans de 15 à 17 milliards de dollars.

Les dépenses déjà engagées ces derniers mois par la banque ont permis d'embaucher afin de conquérir davantage de clients et de se renforcer dans les activités numériques, en particulier en Chine. Mais cette hausse des dépenses a été plus forte que celle du chiffre d'affaires, qui augmente de 4 % (2 % ajustés des éléments exceptionnels). Voilà qui explique l'accueil plutôt froid réservé aux résultats semestriels de la banque à la Bourse de Londres, où le titre a terminé lundi en léger repli (- 1,06 %).

Pourtant, le bénéfice semestriel dévoilé lundi est légèrement supérieur aux prévisions, avec une progression de 2,5 %, à 7,173 milliards de dollars. En Asie, le bénéfice avant impôt du premier semestre a même bondi de 23 %, à 9,4 milliards de dollars, ce qui représente 88 % du bénéfice total du groupe.

# Baisse des profits en Europe

Mais ces bonnes performances ont été contrebalancées par une baisse des profits sur d'autres marchés, en particulier en Europe, où l'activité est pénalisée notamment par la faiblesse des taux d'intérêt. Toutefois, le patron de HSBC espère toujours stimuler les revenus de son groupe dans les prochains mois, pour que, sur l'année, la progression des recettes soit plus forte que celle des coûts.

Mais la guerre commerciale entre les États-Unis et la Chine, qui préoccupe toujours les marchés financiers, lézarde la confiance dans la capacité de la banque à tenir cette promesse. Pour l'instant, HSBC affirme que cette guerre douanière n'a eu aucun effet sur son activité et ses clients. Le président du groupe, Mark Tucker, a même tenu à rappeler que le marché asiatique restait solide. Mais John Flint reconnaît que la croissance chinoise pourrait en être légèrement affectée.

Touchée par de nombreux scandales financiers ces dernières années, HSBC a aussi annoncé avoir trouvé un accord en juillet avec le département américain de la Justice. La banque paiera une pénalité financière de 765 millions de dollars pour mettre fin aux poursuites sur son activité dans les prêts immobiliers avant la crise financière de 2008.

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## **Trump orders doubling of Turkey metals tariffs**



Bloomberg/Washington

President Donald Trump ordered the doubling of steel and aluminium tariffs against Turkey, roiling global markets as relations between the Nato allies hit a new low.

Trump announced the decision in a tweet yesterday morning following a defiantly nationalist speech yesterday by Turkish President Recep Tayyip Erdogan in which he vowed that his country wouldn't bow to "economic warfare." Tensions have intensified in recent weeks over Turkey's detention of an American evangelical pastor.

"I have just authorised a doubling of Tariffs on Steel and Aluminum with respect to Turkey as their currency, the Turkish Lira, slides rapidly downward against our very strong Dollar! Aluminum will now be 20% and Steel 50%. Our relations with Turkey are not good at this time!" Trump said on Twitter.

Heightening the tension of the day, Erdogan conferred by phone yesterday with US adversary Russian President Vladimir Putin on economic ties, Turkish and Russian media reported.

A US deadline for Turkey to release Pastor Andrew Brunson lapsed less than two days ago, according to an administration official with knowledge of the ultimatum.

The deadline – which had been set for 6 p.m. on August 8 –



came just hours after Turkish officials met with counterparts at the State Department and Treasury Department in Washington to try to resolve the dispute.

The clash reverberated across global markets as Turkey's economic crisis threatened to spread. The S&P 500 Index erased a weekly advance, European and emerging-market equities slid more than 1% and the 10-year Treasury yield slid to 2.90%. The euro sank as much as 1% to the weakest in more than a year, extending a drop triggered earlier by a Financial Times report that the European Central Bank raised concerns about banks' exposure to Turkey.

Turkey is seeking to stanch an economic meltdown amid fallout from US sanctions imposed last week over the continued detention of Brunson, who was jailed on espionage and terrorism allegations more than two years ago and recently released to house arrest.

The US was Turkey's fourth largest trading partner last year with \$21bn in commerce, behind Germany, China and Russia.

Shares of Turkish steelmakers Kardemir Karabuk Demir Celik Sanayi ve Ticaret AS and Eregli Demir ve Celik Fabrikalari TAS plunged as much as 8% and 9.9%, respectively, after Trump's tweet. Shares of the bank Turkiye Is Bankasi AS fell 8.7%, more than any full-day drop since 2013.

Steel was Turkey's fourth-largest export last year, valued at \$11.5bn and accounting for about 7% of total exports, according to the country's Steel Exporters' Association. Turkey ranks as the world's sixth-biggest steel producer.

While the US was the top destination for Turkish steel exports last year, it tumbled to third place in the first half of this year as earlier tariffs diminished the trade.

The move against Erdogan's government also highlights the disconnect between Turkey and the US as they fail to negotiate their way out of an array of conflicts.

Relations used to be based on strategic interests, but more recently they've been dominated by discord over alliances in Syria's civil war, Ankara's strengthening ties with Moscow, and its uneasy position within Nato. Turkey has been a key

ally in the fight against Islamist terrorism in Iraq and Syria, and the US base in Incirlik is an important staging area.

Trump is working “diligently” to bring home Brunson, the president’s lawyer Jay Sekulow said earlier on Fox News. Vice-President Mike Pence and Secretary of State Mike Pompeo are also involved in that effort, he said.

When Turkey moved Brunson from prison to house arrest last month, Pompeo said it was a welcome decision but not enough.

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## **Greek banks face higher costs post-bailout as ECB ends waiver**



Bloomberg/Athens

Greek lenders face higher financing costs after the European Central Bank said it will stop accepting the country’s

government debt as collateral from August 21, the day after the nation's bailout programme ends.

The ECB will remove a waiver exempting Greek bonds from a rule that all collateral must be investment grade. The exemption was conditional on Greece being compliant with an aid programme.

With Greek debt rated below investment grade by all rating companies, banks will have to replace as much as €3.5bn (\$4bn) of their liquidity with more expensive facilities, according to a person familiar with the matter.

The expectation is that lenders will turn to the interbank market and to the Greek central bank's Emergency Liquidity Assistance, the person said, asking not to be named because the information is confidential. Greek ELA carries an interest rate 1.5 percentage points higher than the ECB's main refinancing rate, which is currently at zero.

"The Governing Council has decided that from 21 August 2018, the Eurosystem's standard criteria and credit quality thresholds should apply in respect of marketable debt instruments issued or fully guaranteed by the Hellenic Republic," an ECB statement said.

Greece is trying to stand on its own feet again after a decade of financial crises, more than €300bn in aid commitments from the euro area and International Monetary Fund. It remains Europe's most indebted country though, and the economy is still struggling to recover from losing more than a quarter of its output.

Yields on Greek bonds are rising again, with the 10-year note at about 4.2%, the highest since June 21 when euro-area finance ministers agreed on further debt-relief measures.

The ECB's waiver had been in place since June 2016. An earlier exemption was suspended in February 2015 when the newly elected government said it wouldn't meet the terms of the bailout program it inherited. The political wrangling that year almost saw Greece forced out of the currency bloc.

Bank of Greece governor Yannis Stournaras had repeatedly called for the government to apply for a precautionary credit

line after the bailout. That could have allowed the waiver to be extended, and may have helped Greece gain access to the ECB's quantitative-easing programme.

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## **Russia loses bulk of WTO challenge to EU gas pipeline rules**



GENEVA (Reuters) – Russia largely failed in its bid to overturn the European Union's gas market rules in a World Trade Organization ruling published on Friday.

A World Trade Organization (WTO) logo is pictured on their headquarters in Geneva, Switzerland, June 3, 2016. REUTERS/Denis Balibouse

Russia launched the dispute in 2014, claiming that the EU's "Third Energy Package" and the EU's energy policy overall unfairly restricted and discriminated against Russia's gas export monopoly Gazprom (GAZP.MM).

Russia argued that the EU broke WTO rules by requiring the "unbundling" of gas transmission assets and production and supply assets, which effectively stopped Gazprom – long the major supplier of gas to Europe – from owning the pipelines through which it sent gas to the European market.

Russia said the EU had unfairly discriminated in favor of liquefied natural gas and upstream pipeline operators by exempting them from those unbundling requirements.

The panel of three WTO adjudicators ruled against Russia on those points.

However, they upheld Russia's complaint about an unbundling exemption for Germany's OPAL pipeline, granted on condition that Gazprom supplied no more than 50 percent of the gas in the pipeline.

The 50 percent cap could only be exceeded if 3 billion cubic meters of gas was released annually at a fixed price to competing suppliers on the Czech market.

The WTO panel also agreed that Croatia, Hungary and Lithuania had discriminated against Russia by requiring a security of energy supply assessment for foreign, but not domestic, pipeline operators.

The European Commission called the ruling an important positive outcome that secured the core elements of the Third Energy Package, a 2009 reform that sought to integrate the EU's energy market while increasing competition.

"The Commission will now analyze the ruling in detail, in particular as regards a limited number of issues on which the

WTO-compatibility of EU energy policy has still not been recognized," it said in a statement.

Russia's Economy Ministry said the parts of the ruling that went in its favor would help to improve access for Russian gas on the European market, and to level the playing field for pipeline service providers.

"This is a positive precedent that makes it possible to change the norms that created obstacles for Russian suppliers in the EU market, both in EU legislation and in the legislation of its individual member countries," it said in a statement.

Gazprom said it had always said that European energy policy should take gas suppliers' interests into account, and therefore it was satisfied with the points where Russia had won.

Either side can appeal within 60 days.

Reporting by Tom Miles, additional reporting by Polina Ivanova, Ekaterina Golubkova and Foo Yun Chee; Editing by Matthew Mpoke Bigg

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– ECB. To see the full decision, [click here](#)

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Greece's Bailouts Are Over But Its Debt Pile Remains:  
QuickTake

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– With assistance by Piotr Skolimowski

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## **‘Toshiba in talks to sell Freeport LNG business’**

# **TOSHIBA**

Toshiba Corp is offering to sell its right to liquefy gas at the Freeport LNG Development project in the US and has received interest from companies including PetroChina Co, Jera Co and Tellurian Inc among others, the Nikkei reported. Toshiba has invited tenders for the project’s sale, the Nikkei reported, citing people it didn’t identify. The business has the right to process US shale gas into LNG and sell 2.2mn tonnes annually over two decades starting next year, according to the article. Toshiba is considering various options to mitigate risks but nothing has been decided as yet, spokeswoman Midori Hara said. Jera isn’t aware of the tender and isn’t in talks with Toshiba for the US LNG contract, Tsuyoshi Shiraishi, a spokesman for Jera said by phone. The Japanese conglomerate believes now is the time to sell the LNG business because of a recovery in LNG prices, the Nikkei reported.

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# Cheniere signs 25-year LNG sales deal with Taiwan's CPC



Aug 11 (Reuters) – Cheniere Energy Inc said on Friday it had signed a 25-year deal to supply liquefied natural gas to Taiwan's CPC Corp, which CPC valued at roughly \$25 billion.

Cheniere said it will sell 2 million tonnes of LNG per annum on a delivered basis to the state-owned oil and gas company, starting in 2021. It said the purchase price will be pegged to the Henry Hub monthly average, plus a fee.

A CPC spokesman valued the deal at \$25 billion, based on current prices.

Cheniere operates the Sabine Pass LNG terminal in Louisiana and is building the Corpus Christi LNG plant in Texas. The deal, which is through Cheniere Marketing, is not tied to a particular liquefaction train. (Reporting By Jess Macy Yu in Taipei and Julie Gordon in Vancouver; Additional reporting by Henning Gloystein; Editing by Neil Fullick)

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# PetroChina planning temporary halt of US LNG buying



PetroChina Co may temporarily halt purchases of spot US liquefied natural gas spot cargoes through the winter to avoid potential tariffs amid a trade conflict between the US and China, according to sources with knowledge of the strategy. Under the plan, PetroChina would boost buying of spot cargoes from other countries or swap US shipments with other nations in East Asia to avoid paying additional tariffs, said the people, who asked not to be identified because the information isn't public. PetroChina, a unit of the state-owned China National Petroleum Corp, couldn't immediately comment when contacted by Bloomberg. China said last week that it was considering a 25% tariff on US LNG, which had been missing from previously targeted goods, in a direct hit to American gas exporters. The move comes ahead of the winter heating season when demand and prices typically peak and shows that Chinese President Xi Jinping may be willing to suf-

fer some pain to avoid backing down from US President Donald Trump's trade dispute. PetroChina in February signed a 25-year deal to buy US LNG from Cheniere Energy Inc, with a portion of that supply expected to start this year. While China is currently the third-largest buyer of US LNG, American cargoes only made up about 5.7% of its imports over the last year, according to Sanford C Bernstein & Co. China's proposed tariff may temporarily benefit other suppliers, US Department of Energy Deputy Secretary Dan Brouillette said in an interview in Tokyo on Wednesday, noting that he doesn't expect any detrimental impact to the US energy industry.

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## **Globalisation with Chinese characteristics**



By Barry Eichengreen/Berkeley

US President Donald Trump's erratic unilateralism represents nothing less than abdication of global economic and political

leadership.

Trump's withdrawal from the Paris climate agreement, his rejection of the Iran nuclear deal, his tariff war, and his frequent attacks on allies and embrace of adversaries have rapidly turned the United States into an unreliable partner in upholding the international order.

But the administration's "America First" policies have done more than disqualify the US from global leadership.

They have also created space for other countries to re-shape the international system to their liking.

The influence of China, in particular, is likely to be enhanced.

Consider, for example, that if the European Union perceives the US as an unreliable trade partner, it will have a correspondingly stronger incentive to negotiate a trade deal with China on terms acceptable to President Xi Jinping's government.

More generally, if the US turns its back on the global order, China will be well positioned to take the lead on reforming the rules of international trade and investment.

So the key question facing the world is this: what does China want? What kind of international economic order do its leaders have in mind?

To start, China is likely to remain a proponent of export-led growth.

As Xi put it at Davos in 2017, China is committed "to growing an open global economy." Xi and his circle obviously will not want to dismantle the global trading system.

But in other respects, globalisation with Chinese characteristics will differ from globalisation as we know it.

Compared to standard post-World War II practice, China relies more on bilateral and regional trade agreements and less on multilateral negotiating rounds.

In 2002, China signed the Framework Agreement on Comprehensive Economic Co-operation with the Association of Southeast Asian Nations.

It has subsequently negotiated bilateral free-trade agreements

with 12 additional countries.

Insofar as China continues to emphasise bilateral agreements over multilateral negotiations, its approach implies a diminished role for the World Trade Organisation (WTO). The Chinese State Council has called for a trade strategy that is “based in China’s periphery, radiates along the Belt and Road, and faces the world.” This suggests that Chinese leaders have in mind a hub-and-spoke system, with China the hub and countries on its periphery the spokes.

Others foresee the emergence of hub-and-spoke trading systems centred on China and also possibly on Europe and the United States – a scenario that becomes more likely as China begins to re-shape the global trading system.

The government may then elaborate other China-centred institutional arrangements to complement its trade strategy. That process has already begun.

The authorities have established the Asian Infrastructure Investment Bank, headed by Jin Liqun, as a regional alternative to the World Bank.

The People’s Bank of China has made \$500bn of swap lines available to more than 30 central banks, challenging the role of the International Monetary Fund.

Illustrating China’s leverage, in 2016 the state-run China Development Bank and Industrial and Commercial Bank of China provided \$900mn of emergency assistance to Pakistan, helping its government avoid, or at least delay, recourse to the IMF.

A China-shaped international system will also attach less weight to intellectual property rights.

While one can imagine the Chinese government’s attitude changing as the country becomes a developer of new technology, the sanctity of private property has always been limited in China’s state socialist system.

Hence intellectual property protections are likely to be weaker than in a US-led international regime.

China’s government seeks to shape its economy through subsidies and directives to state-owned enterprises and others.

Its Made in China 2025 plan to promote the country's high-tech capabilities is only the latest incarnation of this approach. The WTO has rules intended to limit subsidies.

A China-shaped trading system would, at a minimum, loosen such constraints.

A China-led international regime would also be less open to inflows of foreign direct investment.

In 2017, China ranked behind only the Philippines, Saudi Arabia, and Indonesia among the 60-plus countries rated by the OECD according to the restrictiveness of their inward FDI regimes.

These restrictions are yet another device designed to give Chinese companies space to develop their technological capabilities.

The government would presumably favour a system that authorises other countries to use such policies.

In this world, US multinationals seeking to operate abroad would face new hurdles.

Finally, China continues to exercise tight control over its financial system, as well as maintaining restrictions on capital inflows and outflows.

While the IMF has recently evinced more sympathy for such controls, a China-led international regime would be even more accommodating of their use.

The result would be additional barriers to US financial institutions seeking to do business internationally.

In sum, while a China-led global economy will remain open to trade, it will be less respectful of US intellectual property, less receptive to US foreign investment, and less accommodating of US exporters and multinationals seeking a level playing field.

This is the opposite of what the Trump administration says it wants.

But it is the system that the administration's own policies are likely to beget. – Project Syndicate

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University of California, Berkeley, and a former senior policy adviser at the International Monetary Fund. His latest book is *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.