

ECB sticks to stimulus exit, downplaying uncertainties



Reuters/Frankfurt

The European Central Bank stuck to plans yesterday to claw back unprecedented stimulus, even as the growth outlook continues to darken and political turmoil in Italy looms large over the currency bloc.

Having exhausted much of its firepower with years of support, the ECB reaffirmed that its €2.6tn (\$3tn) asset purchase scheme will end this year and interest rates could rise after next summer, sticking to guidance first unveiled in June and repeated at every meeting since.

While he acknowledged a loss of growth momentum and a “bunch of uncertainties” from trade protectionism and market volatility, ECB President Mario Draghi played down concerns, arguing that the eurozone was merely returning to a normal or natural pace of expansion after an exceptional 2017.

“We’re talking about weaker momentum, not a downturn,” Draghi told a news conference after policymakers decided to maintain a long-standing assessment that growth risks were “broadly balanced”.

“Is this enough of a change to make us change the baseline scenario? The answer is ‘No’,” he said, adding that the ECB did not even contemplate extending its bond purchase programme, which has depressed borrowing costs and revived growth.

The comments appeared to confirm already solid expectations that the ECB will not go back on its pledge to end bond purchases by the close of the year, even if the growth outlook continues to weaken.

“The ECB remains highly determined to bring net asset purchases to an end,” ING economist Carsten Brzeski said.”

It would require a severe downturn of the economy, not only weaker momentum, in the coming six weeks for the ECB to alter its course.”

Focusing on inflation, the bank’s primary mandate, Draghi struck a positive tone, arguing that wage growth was a “very comforting” sign and that policymakers remained confident that price growth will rise.

But despite the hawkish message – which included an upbeat assessment of firmer wage pressures – the euro slipped on his comment that Europe’s monetary union remained “fragile” as long as measures to shore up existing structures were not complete.

“And when I say completed, I mean the banking union, I mean the capital market union,” he added of measures initiated as a result of the sovereign debt crisis of almost a decade ago but which have foundered on a lack of consensus among member states.

The single currency slipped 0.1% on the day to \$1.138 after having earlier reached a session-high of \$1.143.

With the EU having taken the unprecedented step of rejecting Italy’s budget this week, Draghi was quizzed at length about the escalating political fight between Rome and Brussels.

He made it abundantly clear that the ECB would not come to Italy’s aid.

Himself an Italian, Draghi said he was confident compromise would be reached between Brussels and Rome and noted how much the stand-off was already costing Italy because of the rising yield on its government debt.

“Our mandate... is a mandate towards price stability, not towards financing governments’ deficits,” Draghi said.

He said rising bond yields were already eating into Italy’s fiscal capacity, suggesting that attempts to raise spending would be counterproductive as investors will punish Rome for spending too much.

With a debt to GDP ratio of 130%, Italy is the eurozone’s second most indebted country after Greece, and under its rejected budget proposal, this debt level is unlikely to fall.

"I'm still confident an agreement will be found," Draghi added.

Asked about the risk that a fall in the value of Italian government bonds could erode the capital positions of some banks that hold them, he said: "I don't have a crystal ball... These bonds are in the banks' portfolios.

They are denting into the capital position of the banks.

Economists said the message to Rome was clear: that the ECB will not come to its aid and it should prepare for life after years of central bank support.

"The ECB is not about to run to Italy's rescue, even if market conditions deteriorated further," Nordea economist Jan von Gerich said.

Global natural gas rally seen wavering as buyers expand horizons



The upside to global natural gas prices is seen limited as competition with other energy intensifies. Benchmarks in Asia and Europe have soared since mid2016, leaving buyers in those regions paying triple the rate in the US, where prices kept in a much narrower range. While that's been good for the profits of big producers, it left users hesitant to boost use of the cleanest fossil fuel. "In the power sector, there are many competitors for natural gas, renewables being one of them and coal on the other side," Fatih Birol, executive director of Paris-based energy policy adviser the International Energy Agency, said in an interview earlier this month. "If the price of natural gas goes up, there may be a question for demand

growth." An expected liquefied natural gas boom, with record supply growth next year and as much as \$200bn earmarked for new projects in the next three years, may help pare prices outside North America. With the world transiting away from dirtier coal, strong demand seems pretty certain, but high prices aren't, said Tatiana Mitrova, director of the energy sector at the Moscow School of Management. Customers are too clever, she said, citing Germany's promotion of LNG import projects in a bid to win lower prices from Gazprom, the world's biggest gas producer. The Russian company may also face lower prices in Asia, said Mitrova, who sits on the board of oil-services company Schlumberger Ltd. Gazprom knows the drill. It already suffered thin margins for some hub-market sales in Europe in 2015 and 2016, she said. "Gazprom was supplying gas at break-even prices," Mitrova said in an interview at the Oil & Money conference in London. "I'm afraid supplies to China might see the same development." With Russia, the Middle East, the US, Canada, Australia and Africa all competing to supply, prices will probably come under pressure, said Nick Campbell, director of energy intensive clients at Inspired Energy. Then there are other key areas of demand – gas users beyond power generators. The manufacturing sector is a "main driver" for demand growth during the coming years, and renewables probably aren't a viable alternative for many factories, the IEA's Birol said. So gas sellers will probably continue to enjoy premium prices until the new infrastructure forces them down, said John Baguley, chief operating officer of LNG Ltd, which plans to export North American gas to Europe and Asia. "If Gazprom is serious about putting the cheapest gas into Europe, Gazprom can do that cheaper than we can liquefy it out of the US," he said in an interview

The global economy's three games



By Jean Pisani-Ferry/Paris

Chess masters are able to play simultaneously on several boards with several partners. And the more time passes, the more US President Donald Trump's international economic strategy looks like such a match.

There are three major players: the United States, China, and a loose coalition formed by the other members of the G7. And there are three games, each of which involves all three players. Unlike chess, however, these games are interdependent. And no one – perhaps not even Trump – knows which game will take precedence.

On Trump's first board is the break the rules of trade game. Many in his administration regard the World Trade Organisation's principles and procedures as an obstacle to bilateral negotiations. They would prefer to clinch deals with partners one by one, without being bound by the obligation to apply liberalisation measures across the board and without being forced to abide by the rulings of the WTO's dispute settlement mechanism. Their aim is to restructure the trade relationships along a hub-and-spoke model, with the US at the centre.

The underlying reasoning is fairly simple: multilateral rules always protect the weakest players. Why should the US refrain from using its overwhelming bargaining power? The recent United States-Mexico-Canada agreement (USMCA) shows the way, by imposing US-determined national content obligations on the other two countries and restraining their own trade policy options. More such deals should follow.

Europe, Japan, and China have all criticised the US stance and portray themselves as champions of multilateralism. This is

only half true: Europe has built its own web of trade agreements, and China, itself a fairly transactional power, regards global rules as an embodiment of yesterday's Western dominance. But on this issue (as on climate change), there is currently more commonality among non-US partners than there is between them and the US.

On the second board is the discipline China game. For a decade or so, many in the US have claimed that China's categorisation as a developing country, and the resulting favourable treatment it enjoys at the WTO, do not reflect the true strength of an economy whose goods exports amount to \$2tn, or 11% of world trade. As Susan Schwab, President George W Bush's Trade Representative, put it back in 2011, in trade discussions elephants were hiding behind mice. The Trump administration now wants to trap the Chinese elephant.

The internal heterogeneity of China's economy is indeed exceptionally high for a developing country. Parts of China are poor, and parts wealthy. Some industries are unsophisticated, while others are at the cutting edge of innovation. The latter shouldn't hide behind the former.

America's grievances regarding China's behaviour, from its treatment of intellectual property to its implicit and explicit subsidies and policy-motivated takeovers of foreign industrial jewels, are essentially shared by its G7 partners. Many Chinese experts also agree that ending the wholesale subsidisation of industrial behemoths and letting market signals play a stronger role in investment choices is in their country's best interest.

More generally, China's partners argue that trade rules conceived for market economies are not adequate when dealing with a centrally-directed economy. This claim is more contentious, because leaders in Beijing regard state ownership of enterprises as a matter of sovereign choice, and do not want to renounce big industrial policy endeavours. But there is room for discussion. All in all, the discipline China game is one in which the US, Europe, Japan, and Canada are largely aligned. All look forward to a robust negotiation with the

Chinese.

This makes the discipline China game very different from the third contest, the roll back China game. This game is not about the enforcement of trade rules, or their design, but about the sheer geopolitical rivalry between the incumbent superpower and a rising challenger. As Kevin Rudd, the former Australian prime minister, noted in a remarkable speech a few weeks ago, the US security establishment has become convinced that strategic engagement with China has not paid off and should give way to strategic competition – a stance that would encompass all dimensions of the bilateral relationship. In early October, a particularly harsh speech by US Vice President Mike Pence illustrated Rudd's point.

Europe, Japan, and Canada are not part of this rivalry – they simply do not matter in the same way that the US and China do. But they are inevitably part of its diplomatic, economic, and, for Japan at least, security components. If the tension between the two powers dominates global politics in the decades to come, they won't be able to avoid taking a stance. And, for all their reluctance, they may well end up aligned with the US, for two reasons: a hardening of the rivalry with the US would drive the Chinese leadership further from Western values, and they ultimately depend on the US for their own security.

The problem, however, is that it is still not clear in which game President Trump intends to score a victory. Does he intend to play a long game? And, if so, what are his aims? Nobody really knows.

For the non-US G7 countries, this uncertainty creates a dilemma. Should they engage with China on WTO reform and the strengthening of the associated disciplines? This is a topic on which they could help pave the way for an eventual global compromise. The risk, however, is that if China fears that the US really aims at winning the rollback game, and expects the rest of the West to fall in line eventually, it will refuse to make meaningful concessions.

Alternatively, the rest of the G7 could align with the US, at

the risk of antagonising China and eventually being strategically demoted if Trump ultimately settles on a bilateral deal with Chinese President Xi Jinping. If that game prevails, the non-US G7 will end up being the losers.

Absent a no-risk strategy, Europe, Japan, and Canada might well choose to wait and see. This would be the surest way to be sidelined in all possible circumstances and provide a demonstration that only the US-Chinese “G2” matters. What these countries are facing is a test of leadership, which they may pass or fail. There is no third possibility. – Project Syndicate

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U.S. gas a no-go for Chinese buyers despite weaker tariff



TOKYO and SINGAPORE (Bloomberg) – Even with China’s smaller-than-threatened tariff on U.S. natural gas, American cargoes may still be kryptonite for Chinese traders trying to navigate the ongoing trade war.

Chinese buyers will seek to avoid purchasing U.S. liquefied natural gas as long as any tariffs are in place because of the risk that duties may rise further and possibly without warning, according to officials from four importers. While they said they would prioritize cargoes from other suppliers, they couldn’t entirely rule out buying U.S. shipments. The officials asked not to be identified discussing procurement

strategy.

China announced Tuesday a 10% tariff on American goods, including LNG, starting Sept. 24 in retaliation for a similar-sized levy imposed by the U.S. That China struck below the 25% duty it threatened last month was met with relief, with gas futures in New York jumping more than 4% while companies that develop U.S. export projects, such as Tellurian Inc. and Cheniere Energy, saw their share's rally.

But the ongoing trade tensions are seen turning off buyers in China, the world's biggest and fastest-growing natural gas market. That could go for both taking individual, or so-called spot, cargoes, as well as tying themselves to projects with long-term spending and supply commitments in the U.S., where more than a dozen projects are seeking about \$139 billion in investments.

"For a Chinese buyer, the overall risk profile for procuring U.S. LNG remains heightened," Saul Kavonic, Credit Suisse Group's director of Asia energy research, said by email. "Even with a smaller tariff, there has likely been some longstanding damage done to the perception of reliability of U.S. LNG supply in the eyes of Chinese buyers who will shape the next wave of global LNG projects."

U.S. LNG sales are linked to the nation's benchmark Henry Hub gas price, which is down about 1% this year, while supply from most other exporters is tied to oil, which has gained 18% over that period. That's made American fuel cheaper than other sources, an advantage that's being eroded by tariffs.

China may shift its buying from the U.S. to other exporters, including Australia, Qatar and Papua New Guinea, according to Bloomberg Intelligence analyst's Lu Wang and Kunal Agrawal.

PetroChina Co. signed a deal earlier this month with Qatargas Operating to purchase 3.4 MM tons of LNG annually, the Chinese company's biggest supply deal, while inking a mid-term

contract with the PNG LNG project earlier this year. PetroChina's parent, China National Petroleum, signed a deal to buy U.S. LNG from Cheniere in February. CNPC didn't respond to requests for comment.

The global economy in 2018



By Michael Spence/Hong Kong

Economists like me are asked a set of recurring questions that might inform the choices of firms, individuals, and institutions in areas like investment, education, and jobs, as well as their policy expectations. In most cases, there is no definitive answer. But, with sufficient information, one can discern trends, in terms of economies, markets, and technology, and make reasonable guesses.

In the developed world, 2017 will likely be recalled as a period of stark contrast, with many economies experiencing growth acceleration, alongside political fragmentation, polarisation, and tension, both domestically and internationally. In the long run, it is unlikely that economic performance will be immune to centrifugal political and social forces. Yet, so far, markets and economies have shrugged off political disorder, and the risk of a substantial short-term setback seems relatively small.

The one exception is the United Kingdom, which now faces a messy and divisive Brexit process. Elsewhere in Europe, Germany's severely weakened chancellor, Angela Merkel, is struggling to forge a coalition government. None of this is good for the UK or the rest of Europe, which desperately needs France and Germany to work together to reform the European Union.

One potential shock that has received much attention relates to monetary tightening. In view of improving economic performance in the developed world, a gradual reversal of aggressively accommodative monetary policy does not appear likely to be a major drag or shock to asset values. Perhaps the long-awaited upward convergence of economic fundamentals to validate market valuations is within reach.

In Asia, Chinese President Xi Jinping is in a stronger position than ever, suggesting that effective management of imbalances and more consumption- and innovation-driven growth can be expected. India also appears set to sustain its growth and reform momentum. As these economies grow, so will others throughout the region and beyond.

When it comes to technology, especially digital technology, China and the United States seem set to dominate for years to come, as they continue to fund basic research, reaping major benefits when innovations are commercialised. These two countries are also home to the major platforms for economic and social interaction, which benefit from network effects, closure of informational gaps, and, perhaps most important, artificial-intelligence capabilities and applications that use and generate massive sets of valuable data.

Such platforms are not just lucrative on their own; they also produce a host of related opportunities for new business models operating in and around them, in, say, advertising, logistics, and finance. Given this, economies that lack such platforms, such as the EU, are at a disadvantage. Even Latin America has a major innovative domestic e-commerce player (Mercado Libre) and a digital payments system (Mercado Pago).

In mobile online payments systems, China is in the lead. With much of the country's population having shifted directly from cash to mobile online payments – skipping checks and credit cards – China's payments systems are robust.

Earlier last month on Singles' Day, an annual festival of youth-oriented consumption that has become the single largest shopping event in the world, China's leading online payment

platform, Alipay, processed up to 256,000 payments per second, using a robust cloud computing architecture. There is also impressive scope for expanding financial services – from credit assessments to asset management and insurance – on the Alipay platform, and its expansion into other Asian countries via partnerships is well underway.

In the coming years, developed and developing economies will also have to work hard to shift toward more inclusive growth patterns. Here, I anticipate that national governments may take a back seat to businesses, subnational governments, labour unions, and educational and non-profit institutions in driving progress, especially in places hit by political fragmentation and a backlash against the political establishment.

Such fragmentation is likely to intensify. Automation is set to sustain, and even accelerate, change on the demand side of labour markets, in areas ranging from manufacturing and logistics to medicine and law, while supply-side responses will be much slower. As a result, even if workers gain stronger support during structural transitions (in the form of income support and retraining options), labour-market mismatches are likely to grow, sharpening inequality and contributing to further political and social polarisation.

Nonetheless, there are reasons to be cautiously optimistic. For starters, there remains a broad consensus across the developed and emerging economies on the desirability of maintaining a relatively open global economy.

The notable exception is the US, though it is unclear at this point whether President Donald Trump's administration actually intends to retreat from international co-operation, or is merely positioning itself to renegotiate terms that are more favourable to the US. What does seem clear, at least for now, is that the US cannot be counted on to serve as a principal sponsor and architect of the evolving rules-based global system for fairly managing interdependence.

The situation is similar with regard to mitigating climate change. The US is now the only country that is not committed

to the Paris climate agreement, which has held despite the Trump administration's withdrawal. Even within the US, cities, states, and businesses, as well as a host of civil-society organisations, have signalled a credible commitment to fulfilling America's climate obligations, with or without the federal government.

Still, the world has a long way to go, as its dependence on coal remains high. The Financial Times reports that peak demand for coal in India will come in about ten years, with modest growth between now and then. While there is upside potential in this scenario, depending on more rapid cost reductions in green energy, the world is still years away from negative growth in carbon dioxide emissions.

All of this suggests that the global economy will confront serious challenges in the months and years ahead. And looming in the background is a mountain of debt that makes markets nervous and increases the system's vulnerability to destabilising shocks. Yet the baseline scenario in the short run seems to be one of continuity. Economic power and influence will continue to shift from west to east, without any sudden change in the pattern of job, income, political, and social polarisation, primarily in the developed countries, and with no obvious convulsions on the horizon. – Project Syndicate

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Erdogan holds all the cards

in the Jamal Khashoggi mystery



(CNN)It was trailed as Turkish President Recep Tayyip Erdogan's great reveal. Finally, after weeks of murky leaks to journalists, Turkey clearly wanted to give the impression that it was going to provide evidence that tied Saudi's Crown Prince, Mohammed Bin Salman, to the murder of Jamal Khashoggi.

But his address to Turkey's parliament on Tuesday will have pleased US President Trump as much as it will have the Saudis: it contained no smoking gun directly implicating his Middle East ally.

Erdogan, however, did kick enough dirt and, along with copious leaks over recent weeks from his officials, leaves a Damoclean sword dangling over both Trump and bin Salman.

Erdogan says Khashoggi was victim of 'ferocious' pre-planned murder

There is no doubt that US CIA chief Gina Haspel, who recently arrived in Turkey, will be hoovering up any more scraps she can get out of Erdogan's tight grip – specifically on the much talked-about recording of Khashoggi's "ferocious murder," of which Erdogan made no mention.

He did, however, drop some new claims that hadn't yet been drip-fed to journalists: that a private jet flew in the day before Khashoggi's killing with three Saudis aboard; that Saudis at the consulate removed security cameras before Khashoggi arrived; and that a team of consular staff did reconnaissance on a forest on the outskirts of Istanbul and at Yalova, a city about a 55-mile (90-kilometer) drive south of Istanbul.

He also specifically pushed back on Saudi claims of an accidental killing of Khashoggi, saying: "We have significant signs that this was not something spontaneous, that it was planned," adding that "In light of the known facts, there are certain questions that people are asking."

His speech amounted to many more questions, for which Erdogan demanded answers:

"Why did these 15 people, all of whom had qualifications related to the incident, gather in Istanbul on the day of the murder? We want an answer to that question. On whose orders did these people come there? We want an answer. Why was it only possible to access the consulate building days later, and not immediately? We want an answer."

He appealed to King Salman of Saudi Arabia – whose grip on power and whose own faculties have been an open question in western capitals of late – to help answer a number of questions – top among them, the whereabouts of Khashoggi's body.

He also demanded that Saudi Arabia explain why it had 15 top officials fly in and out of Turkey on chartered jets, all congregating at the consulate in the hours before Khashoggi's arrival, and dispersing back to Saudi soon after.

Saudi Aramco CEO on Khashoggi's death 01:27

His conclusion? That Khashoggi's "ferocious murder" could not have happened without planning and approval from the highest levels, which Saudi still denies.

"Trying to blame a few members of the security and intelligence staff for such an incident will satisfy neither us, nor the international community. The collective conscience of humanity will deem it satisfactory only when everyone who is responsible, from the person who gave the order to those who executed it, is called to answer."

So, not quite the "nothing will remain hidden" speech that was promised by his party officials, but also not entirely a damp squib.

However, for the 20 minutes it took him to set out his narrative in contradiction to the Saudi explanation, Erdogan had the world's attention.

And he used it to maximum effect, demanding Turkish jurisdiction over the investigation – openly challenging the Saudi justice minister, who over the weekend claimed the case as theirs to investigate.

Erdogan said: "I am calling on the King of Saudi Arabia, and the highest level of the Saudi administration. The incident has occurred in Istanbul. Therefore, I propose that this team of 15+3 people, 18 people in total, who have been arrested, should be tried in Istanbul. The decision will be theirs. But this is my proposition."

Khashoggi's death taking place on his doorstep has handed Erdogan the single largest piece of leverage he is ever likely to have over his regional nemesis, the Saudi Crown Prince.

Whereabouts of Khashoggi's body still unknown 02:20

Many in Turkey believe that the Crown Prince's bill is finally coming due. Erdogan seems to be gambling that western leaders agree.

Bin Salman's hard-line approach to leadership has graduated from kidnapping a Prime Minister to locking up members of his own family to attempting to blow up his relationship with Canada.

Now, if Erdogan's assertions are correct, bin Salman's coup de grâce could be complicity in the murder of a journalist.

If no one in Riyadh will tell the emperor he has no clothes, Erdogan appears to be trying to build an international consensus so the young Crown Prince gets the message.

In retrospect, it seems unconscionable he could have been allowed to get this far. Stranger that it could take a figure like Erdogan to take him down over the issue of human rights and freedom of speech.

Erdogan's jails hold many journalists critical of him and he has amassed the powers of his once semi-democratic state in his own authoritarian hand. He is hardly a paragon of virtue. But bin Salman represents an enduring if not existential threat to his state.

At 33, bin Salman is set to become King and a regional power broker for decades. Erdogan's political Islam is one of the biggest threats to his royal rule.

In the end, Erdogan's speech was more a reveal of his own strategy than lurid details and evidence of the murder and responsibility itself.

Right now, Erdogan simply didn't need to reveal his full hand, because the three most important people listening today will have heard the message loud and clear.

King Salman, Trump and the Crown Prince will know exactly what Erdogan intends to do next: drip incriminating information until he gets what he wants – the trial of 18 senior Saudis on his turf, bin Salman brought to heel and who knows what else from President Trump.

Khashoggi case has put Saudi prince right where Erdoğan wants him



At about noon on Tuesday two regional leaders are due to make landmark addresses. In Riyadh, the de facto ruler of Saudi Arabia, Mohammed bin Salman, will open an investment showpiece declaring the kingdom open for business. In Ankara, the Turkish president, Recep Tayyip Erdoğan, is expected to make a speech that may well shut down the beleaguered kingdom.

Such are the stakes when Erdoğan takes to a podium to discuss the death of the Saudi dissident Jamal Khashoggi that the region may not be the same when he's finished.

Three weeks to the day since Khashoggi vanished after entering the Saudi consulate in Istanbul, Erdoğan has pledged to table the "naked truth" about what happened to the columnist and critic, whose fate continues to grip both countries and polarise the Middle East.

If he stays true to his pledge, much of the evidence that Turkey has gathered, incriminating Saudi Arabia in a plot to kill Khashoggi, will be revealed: in pictures, video and even bloodcurdling audio said to document his torture and death.

Setting the scene on Monday, a spokesman for the ruling party for the first time described Khashoggi's death as a "complicated murder" that was "monstrously planned".

That Erdoğan, not his bureaucrats, is now prepared to put his name to the material takes this extraordinary event to a new

level. The Turkish strongman is expected to accuse the inner sanctum of power in Riyadh of organising a hit on Khashoggi, directly contradicting its claims that state officers had acted beyond their authority in an attempt to please their masters.

Such an allegation carries with it a weight not yet seen in Riyadh, where blanket early denials had first given way to begrudging disclosures, then partial admissions, cover-ups and fall guys. Dread is the order of the day, as the already-troubled investment conference looms. And in some quarters of the royal court, a palpable sense of panic has taken hold.



Erdoğan has the Saudis – in particular, the crown prince, Mohammed bin Salman (AKA MbS) – right where he wants him. Out of crisis has come opportunity for the veteran Turkish leader, who has never warmed to the brash 33-year-old, and thinks even less of his regional allies.

The two men have vastly different visions for the future of the region: Erdoğan has been a champion of political Islam both at home and abroad, particularly since the rise and fall of Mohamed Morsi, the ill-fated former president of Egypt who hailed from the Muslim Brotherhood. The Turkish president has partnered with Qatar, Riyadh's regional foe, given shelter to those exiled after Morsi fell, and remained a bulwark for a movement that Riyadh and its ally the United Arab Emirates see

as existential threats.

But he has remained on the losing end of the struggle for regional power and influence.

The prince, meanwhile, has been attempting to remodel Saudi Arabia, eschewing its deep links to the Wahhabi, Salafi religious establishment and turning it into an Arab nationalist police state. Abu Dhabi and Cairo are models here. And with Riyadh, the triumvirate had been in the ascendant regionally, ever since Morsi fell.

For Erdoğan, the gruesome killing marks a historic moment: a chance to turn the tables gifted to him by a cruel and reckless act that has sparked lasting revulsion, even among the kingdom's allies.

"This has become a strategic struggle between Erdoğan and his vision for the Middle East and a vision shared by MbS and his allies, MbZ [Mohammed bin Zayed, the crown prince of Abu Dhabi] and [the Egyptian president Abdel Fatah] al-Sisi," said Soner Çağaptay, the director of the Turkish programme at the Washington Institute.

"Erdoğan sees an opportunity in the Khashoggi murder – in that he realises MbS has become the weakest link in the anti-Erdoğan, anti-Muslim Brotherhood corner of the region. This is really thin ice that MbS is dancing on and I think Erdoğan is attempting to make it even thinner.

"The roots really go back to 2013 [when Morsi was forced out of power]. He has refused to deal with the Sisi government, calling it illegitimate. Sisi is the secularist general who locked up political Islamists. And Erdoğan is the political Islamist who locked up secularist generals."

Senior Saudis who sought solace from Erdoğan in Ankara in the past fortnight left town believing he had an even bigger prize in sight – relaunching Turkey as a regional Islamic power

base, while diminishing Riyadh's claim to be the pre-eminent voice for Sunni Islam.

Khaled al-Faisal, the governor of Mecca, returned after seeing Erdoğan and was really worried, one senior member of the royal family has revealed. "He wasn't budging, he didn't want to listen to anything we said. Al-Faisal came back and told the King we have a crisis."

Çağaptay believes Erdoğan's goals are more limited – for now. "He wants not to go after the Saudi royal family, to whom he's deferential, including the King. What he's trying to get out of this is to sideline, or maybe even neutralise MbS at least when it comes to Turkey. He wants to take one of his opponents out of that triple entente that opposes him."

Opening – Deaths of journalists must be rigorously investigated



President Tajani called for an international inquiry into the death of journalist and writer Jamal Khashoggi, at the opening of the session in Strasbourg.

"This Parliament will always be at the forefront of defending the freedom of the press and journalists", said President Tajani, calling for a rigorous, international inquiry to clarify the circumstances of the death of journalist and writer Jamal Khashoggi. Parliament demands that the Saudi Arabian authorities find and punish the perpetrators of this heinous crime, he said.

A year after her death, Daphne Caruana Galizia, the Maltese journalist who was killed for her investigations, was also remembered.

President Tajani offered condolences to the families of the victims of floods in recent weeks in France, Spain and Italy.

He also expressed Parliament's condolences to the families of the victims of the attacks on polling stations in Afghanistan.

Changes to the agenda

Tuesday

- The title of the HR/VP statement on "The disappearance of the Saudi journalist Jamal Khashoggi" will be changed to "The killing of journalist Jamal Khashoggi in the Saudi consulate in Istanbul".
- The Council and Commission statements on "The Cum Ex Scandal: financial crime and the loopholes in the current legal framework " will be added, as the second item in the afternoon. The debate will be wound up with a resolution, to be voted in November or December.
- The Council and Commission statements on "Need for a comprehensive Democracy, Rule of Law and Fundamental Rights mechanism" will be added, as the fifth item in the afternoon. The debate will be wound up with a resolution, to be voted on in November.

Thursday

In the afternoon slot, the Oral Question on the "Fair market for industry" will be replaced by a Commission statement, with the same title and in the same slot.

Requests by committees to start negotiations with Council and Commission

Decisions by several committees to enter into inter-institutional negotiations (Rule 69c) are published on the

plenary website.

If no request for a vote in Parliament on the decision to enter into negotiations is made by Tuesday 24.00, the committees may start negotiations.

Arabie saoudite: MBS, le tyran qui a dupé l'Occident



L'assassinat de Khashoggi dévoile la vraie nature du régime: derrière le modernisme affiché, une barbarie d'un autre temps.

Il prétend guider jusqu'aux rivages de la modernité une pétromonarchie ensablée dans ses archaïsmes, mais son ascension dépoussière trois figures mythologiques de l'Antiquité grecque ou romaine : Icare, Narcisse et Janus.

Ecoutez Vincent Hugeux parler de son enquête sur Mohammed Ben Salmane, le prince héritier saoudien qu'on soupçonne d'avoir fait assassiner le journaliste Jamal Khashoggi (sur SoundCloud).

World's fourth-biggest oil producer can't keep the lights on



Bloomberg/Dubai

Iraq is fast becoming a global oil powerhouse, gaining stature in Opec after it surpassed Canada this year as the world's fourth-biggest producer.

But the war-ravaged country has little to show for its feat. While crude markets are preoccupied with Saudi Arabia's ability to boost output as impending US sanctions curb Iranian exports, Iraq has quietly increased shipments to Asia, Europe and the Mediterranean region to offset Iran's missing barrels. Iraq is producing a record 4.78mn barrels of oil a day, the country's Oil Minister Jabbar al-Luaibi said on Saturday. Output will rise to 5mn barrels a day in 2019 and 7.5mn in 2024, he said.

Consultant Wood Mackenzie forecasts Iraq could pump 6mn barrels a day by 2025 and that its output is set to grow faster than for all countries but the US over the next six years.

For all its petro-wealth, Iraq lacks steady electricity supplies and has trouble keeping the lights on – and attracting the kinds of investment needed to create jobs and spur local businesses.

“An increase in production is good news, but Iraq still fails to provide basic services like clean water and power to its citizens, including in Basra where most of the oil is extracted,” said Ziad Daoud, Bloomberg's chief economist in the Middle East.

Most indicators in Iraq beyond oil show little promise. Political tensions continue to simmer due to Baghdad's stalemate with the country's semi-autonomous Kurds.

Oil prices have doubled since 2016, bolstering Iraq's finances, yet the country's stock index is down 30% over the same period. More than \$32bn of foreign direct investment has flowed out of the country over the past five years, according to UN data.

Fifteen years after the US led a military coalition to oust Saddam Hussein's regime, "people are frustrated that they don't have 24-hour electricity, that the infrastructure and healthcare are poor," said Ali al-Mawlawi, head of research at Baghdad-based think tank Al-Bayan Center. "Wealth isn't trickling down in a fair and equitable way."

Security improvements and efforts to form a new government are cause for some optimism, al-Mawlawi said in a phone interview. Yet persistent corruption and a cumbersome bureaucracy make "foreign companies apprehensive about investing," he said.

None of this seems to matter for the oil industry in Iraq, the second-biggest member of the Organisation of Petroleum Exporting Countries after Saudi Arabia.

Oil majors like Exxon Mobil Corp, Total SA, Lukoil PJSC and Gazprom PJSC sat out the latest auction for Iraq's oil and gas blocks in April, but smaller companies from the United Arab Emirates and China succeeded in securing contracts.

International oil companies are responsible for two-thirds of Iraq's current production, and their capital and technology are crucial to maintaining and raising output, said Ian Thom, Wood Mackenzie's principal analyst for Middle East upstream.

As long as the government keeps paying foreign oil companies in full and on time, producers can extract reasonable returns from Iraq's low-cost fields, even if crude drops to \$30 a barrel, Thom said. Brent crude, the global benchmark, has traded at an average of more than \$73 this year.

"Iraq will not struggle to find foreign investors to grow its oil sector," Daoud said. "The challenge is to attract capital and expertise to benefit the broader economy."