

Turkey-Iran national currency trade possible for Energy

Anadolu Agency, 05.10.2017



Turkey and Iran's decision to trade in national currency is technically feasible particularly for bilateral energy trade, according to Secretary General of the Gas Exporting Countries Forum (GECF) Dr. Seyed Mohammed Hossein Adeli, on Thursday.

Adeli, in an exclusive interview with Anadolu Agency in Moscow, welcomed Turkey and Iran's agreement on using national currency following the trend to use this over international currencies like the dollar.

"If sanctions, restrictions and political considerations are somehow limiting the countries' free trade, they will start having more willingness to do it [trade in national currencies]," Adeli said. He asserted that this practice will have a knock-on effect on other countries that will follow suit when they see that it is not just possible but profitable.

In response to the question of the gas price dispute between Turkey and Iran, Adeli expressed his hope that a resolution can be found through the meeting held on Wednesday between Turkish President Recep Tayyip Erdogan and with his Iranian counterpart Hassan Rouhani in the capital Tehran. "If Erdogan has gone to Iran, it is a great and historic opportunity to come to some settlement. Why not? As an Iranian, I hope there will be much closer relations between Iran and Turkey. Two great countries of the region have to be friends, and they have great potential," he stressed.

During Rouhani's press conference late on Wednesday, he said, "One of the most important decisions made is the use of national currency in commerce for developing banking relations between the two countries." He added that the decision would be finalized next week.

In 2012, Turkey sued Iran in the International Court of Arbitration for overpricing on gas purchases during the four-year period from 2011 to 2015. The court ruled in favor of Turkey in February 2016 and ordered that both parties agree on a reduction of between 10 percent and 15 percent in the price of Iranian gas exports to Turkey. Adeli, in response to recent news of Iran ranking as Turkey biggest crude oil exporter, reacted philosophically and said that any kind of cooperation between Iran and Turkey is natural.

"Because these two countries have lots of things in common. This is why I'm not surprised the two countries agree to have much closer cooperation. This will just demonstrate the wisdom of the leadership of the two countries," he explained. He said that more stability in Iran and Turkey's geographical region would lead to greater trade.

Adeli played down the potential role that U.S. shale gas can play in the global market. He said the U.S. exported 3.5 million tonnes of shale gas last year while this year exports so far amounted to 8 million tonnes. He explained that this only amounts to 3 percent of the global LNG market, adding, “a player who is playing with 3 percent cannot potentially be a game changer.”

The cost of U.S. LNG is also a very important factor in reaching other parts of the world, especially Europe and East Asia, which is very expensive, he said. “I don’t think it [LNG trade] would be justifiable for both the exporter and the buyer. Those who are buying it buy at a higher price - higher than they can buy from Qatar and Australia for example,” he said.

“They may buy one, two or three LNG shipments and then they will stop it. From the exporter point of view, if they lose as they are doing right now, this is not going to be sustainable and they will not be a game changer at all,” he added. GECF is an international governmental organization that provides the framework for exchanging experience and information among member countries, with the objective of increasing the level of coordination and strengthening collaboration.

The forum allows the world’s leading gas producers to meet, and member countries are, Algeria, Bolivia, Egypt, Equatorial Guinea, Iran, Libya, Nigeria, Qatar, Russia, Trinidad and Tobago, United Arab Emirates and Venezuela. Azerbaijan, Iraq, Kazakhstan, the Netherlands, Norway, Oman and Peru have observer member status.

Turkey rejects US claims of holding consulate employee

CNBC, 05.10.2017



The Turkish Foreign Ministry on Thursday denied the claim made by the U.S. Embassy in Ankara that a detained Turkish citizen was an employee of its consulate general in Istanbul.

A Turkish national, identified only by his initials M. T., was remanded in custody over terror charges by an Istanbul court on Wednesday . The U.S. Mission to Turkey issued a statement on Thursday saying the person was a “local employee” of its Istanbul consulate office. “He is neither a staff of the U.S. Consulate nor does he have any diplomatic or consular immunity,” said.

Muftuoglu said the “person was detained on Sept. 25” and then remanded in custody “based on terror related charges”. M.T. was allegedly linked to the Fetullah Terrorist Organization (FETO) suspects, including police commissioners and a fugitive, former public prosecutor Zekeriya Oz, who had been accused of “forming an organization to commit crime” and “attempting to overthrow the government by use of force” in a plot allegedly masterminded by U.S.-based Fetullah Gulen, a judicial source said on Wednesday.

Ankara accuses FETO and Gulen of having orchestrating the defeated coup attempt of July 15, 2016, which left 250 people martyred and nearly 2,200 injured, and of being behind a long-running campaign to overthrow the state through the infiltration of Turkish institutions, particularly the military, police and judiciary.

Saudi king's visit to Russia heralds shift in global power structures

The Guardian, 05.10.2017



Saudi Arabia's King Salman opened his historic four-day visit to Moscow by signalling a new era of cooperation with Russia, but demanding that Iran, an ally of the Kremlin, end its "interference" in Middle East politics.

King Salman called for any peace settlement in Syria to ensure that the country remained integrated, but he did not repeat the longstanding, and now shelved, Saudi call for the Syrian president, Bashar al-Assad, to stand aside. The visit to the Russian president, Vladimir Putin, on Thursday is the first by a ruling Saudi monarch to Moscow and is widely seen as a potential turning point in Middle East politics.

More than 15 cooperation agreements worth billions of pounds were signed, ranging from oil, military and space exploration, leading the Russian foreign minister, Sergei Lavrov, to claim the visit marked the moment when Saudi-Russian relations "reached a new qualitative level". In one of the most remarkable deals, the Saudis said they would purchase the Russian S-400 defence system.

Many of the agreements covering Saudi investment in the Russia energy markets are hardly likely to strengthen the impact of EU and American sanctions over Russia's interference in Ukraine. But Saudi Arabia is keen that the visit also secures a more permanent Russian cooperation over oil prices after a January agreement between the world's two largest oil producers managed to stabilise oil prices.

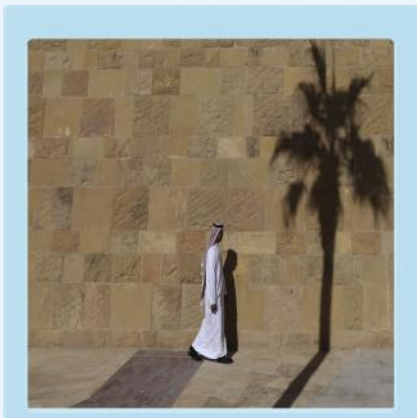
Saudi Arabia wants to prolong the oil agreement, which curbed production and raised prices. Speaking in Moscow, the Saudi energy minister, Khalid Al-Falih, said the January agreement "had breathed life back into Opec" and made his country more optimistic about the future of oil. "The success of this collaboration is clear," he said. Russia is not a member of Opec, but badly needs oil prices to rise to rescue its ailing economy. The Saudis have traditionally seen the US as its chief – if not exclusive – foreign policy partner, but changes inside the Saudi regime, as well as Saudi fears about US reliability, have left the kingdom looking to diversify into wider set of alliances.

The visit has been in the works for months, if not years, but the Trump administration's failure to give the Saudis unambivalent support in its dispute with Qatar earlier this year disappointed the Saudis. Russia and Saudi were at loggerheads through most of the cold war and the Saudis have been stymied by the Russian decision to prop up Assad at a time when it was supporting the Syrian opposition with cash and arms. Faced with Assad's Russian-backed military advance in the south and west of Syria, the Saudis have been forced to scale back their political demands that Assad leave. They remain virulently opposed to an Iranian presence in Syria and will be seeking assurances from Putin that the Iranian militias fighting alongside the regime will be forced to leave Syria as part of any peace settlement. The Saudis also want the Iranians to stop backing the Houthi opposition in Yemen.

In his opening remarks at the Kremlin, King Salman stressed his opposition to Iran, saying: "We emphasise that the security and stability of the Gulf region and the Middle East is an urgent necessity for achieving stability and security in Yemen. This would demand that Iran give up interference with the internal affairs of the region, to give up actions destabilising the situation in this region." Russia has pulled out all the diplomatic stops to welcome the Saudi king, although there was glitch when the golden escalator due to take the ageing king down the steps at Moscow airport failed to function.

Saudi Reforms to Yield \$90 Billion Boost by 2020, IMF Says

Bloomberg, 05.10.2017



Saudi Arabia may get a budget boost of more than \$90 billion by 2020 from new taxes and the planned reform of fuel subsidies and prices, International Monetary Fund projections show.

Additional non-oil revenue, including from a value-added tax and excises on tobacco and energy drinks, is forecast to reach 4.8 percent of gross domestic product -- estimated by the IMF to be \$722 billion in 2020. Net gains from energy price reforms may total 210 billion riyals (\$56 billion), including the cost of support programs to help households and industry adapt.

The IMF sees Saudi Arabia's long-term plan for an economy less reliant on oil as a catalyst to improve the kingdom's fiscal balance, after a plunge in crude prices triggered a budget deficit of more than 16 percent of GDP last year. But the Washington-based lender has also advised the government to roll out spending cuts and austerity measures more gradually, even if it means pushing back a self-imposed target of balancing the budget by 2019.



A slower implementation “would give households and businesses more time to adjust and the authorities more time to ensure compensation mechanisms are fully operational and effective,” the IMF said in the report released Thursday. “The authorities were not convinced, believing that a relatively fast pace of price increases would minimize implementation risks, while the household allowances and industry support would minimize the impact on the economy.”

The biggest Arab economy has contracted for two consecutive quarters as the kingdom continues to suffer from low oil prices and businesses struggle to cope with the reforms. In the past two years, authorities have cut spending, curtailed energy subsidies and imposed the taxes on tobacco and soda, as well as a levy on expatriates’ families. The value-added tax is set to be introduced from January 2018. The IMF expects Saudi Arabia’s economy to expand 0.1 percent this year and 1.1 percent in 2018, while the non-oil sector -- the main engine of job creation -- is forecast to grow 1.7 percent and 1.3 percent respectively.

There are “risks on the downside” to the fund’s non-oil forecast this year given the weak performance in the second quarter, Tim Callen, the IMF’s mission chief to Saudi Arabia, told reporters on Thursday, though he expects growth to pick up for the rest of the year. The non-oil sector expanded less than 1 percent in the period. In the medium term, growth will accelerate as structural reforms are implemented and the shortfall in the nation’s current-account will be financed by a combination of international reserves and borrowing, the fund said in the report.

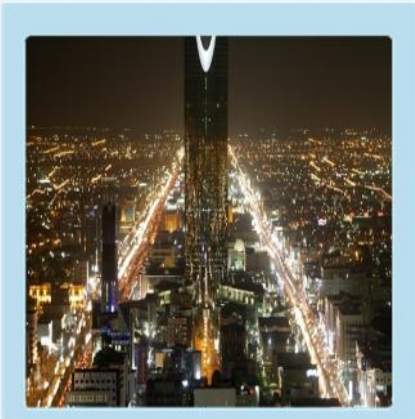
Saudi policy makers indicated that they were considering “the appropriate pace of fiscal adjustment given the weak growth,” the IMF said. The government will be in a good position to introduce VAT next year after making “substantial” progress since the IMF’s visit, Callen said. The IMF had warned in its report that a rushed introduction of the levy could lead to poor compliance and other problems that would be “difficult to correct.”

Saudi Arabia has partly compensated for the loss of oil revenue by using its foreign assets, which have fallen from a high of \$737 billion in August 2014. The IMF predicts they will continue to decline to \$335.1 billion in 2022 from a projected \$472.6 billion this year.

The fund also said in the report: Policy makers plan to introduce a support program to help selected industries adjust to higher energy and water prices. An overall cost of 26 billion riyals has been estimated for the 2017–20 period, though the exact package is still being decided. Saudi Arabia’s Bureau for Spending Rationalization identified potential savings of 21 billion riyals from three ministries’ expenditures over three years as part of a pilot project; another 86 billion riyals would be saved from a combined investment budget of 260 billion riyals that belong to five different ministries. Authorities are working with the World Bank on a review of public spending; the IMF said the public wage bill -- at more than 45 percent of total government spending -- is still high.

Saudis see economy shrink in spite of higher oil prices

Oil & Price, 02.10.2017



Saudi Arabia's economy contracted by 1.03 percent over the second quarter of the year, after a 0.5-percent contraction in the first quarter. The pace of recession accelerated because of the country's participation in the OPEC oil production cut and because of disappointing growth in the non-oil industries.

This is the first time the GDP of the Kingdom has contracted in two consecutive quarters since the latest financial crisis took hold, and it is happening despite government efforts led by Crown Prince Mohammed bin Salman to launch the Vision 2030 economic diversification program.

For now, Saudi Arabia remains hooked on the commodity: in the second quarter, oil GDP declined by 1.8 percent, Bloomberg reported citing official statistical data. At the same time, non-oil GDP rose by a meager 0.6 percent. The figure reflects cuts in public spending prompted by the lower-for-longer oil price environment and depressed consumer spending.

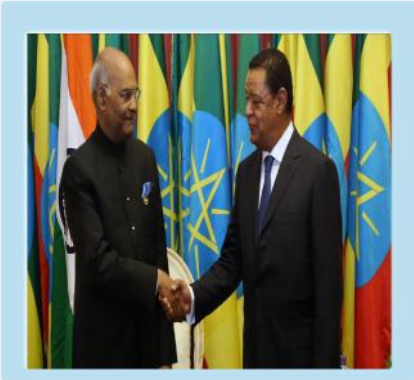
The second-quarter data also suggests the government's U-turn on austerity measures is so far failing to stimulate greater consumer spending. That's despite a 1-percent growth in the Saudi government sector during the three-month period under review.

Analysts who spoke to Bloomberg seem to be most interested in the moderate growth rate in the non-oil sectors of the Saudi economy. One of these, Ziad Daoud from Bloomberg Intelligence, noted that the growth rate in non-oil industries is too weak to compensate for the lower oil production. Also, he said, the country's non-oil economy is still too closely linked with oil—a link that needs to be severed if the Kingdom is to diversify successfully.

Another analyst, Abu Dhabi Commercial Bank's chief economist Monica Malik, said the Saudi non-oil economy is stagnating despite the government's reversal of the austerity measures, which happened in April. In this context, the IPO of Aramco becomes even more essential for Prince Mohammed's diversification plans. With the billions Riyadh expects it to fetch, it might be able to jumpstart the economy and shift its center away from oil.

Ethiopia, India sign trade, communication agreements

Anadolu Agency, 05.10.2017



India and Ethiopia on Thursday signed agreements for cooperation in trade and communication sectors.

The agreements were signed after a closed door meeting between the Indian President Shri Ram Nath Kovind and his Ethiopian counterpart Mulatu Teshome at the National Palace in the Ethiopian capital Addis Ababa. In a short press briefing, the Indian president said he wanted to strengthen bilateral ties with Ethiopia. “We will be working closely to develop trade, investment and people-to-people relations between the two countries,” Kovind said.

He added that India will provide a credit line to the tune of \$95 million to Ethiopia for an electric transmission line. He also announced \$2 million for purchase of food grain. Teshome said the discussion highlighted “...the great importance Ethiopia is attaching to the multifaceted relations between the two countries”.

This is the first time in 40 years that an Indian presidential delegation has visited Ethiopia. Kovind arrived in Addis Ababa on Wednesday after a visit to the tiny horn of Africa country, Djibouti. The two countries currently engage in nearly \$1 billion in bilateral trade, while foreign direct investment from India reached \$5 billion, according to official documents.

US defers China aluminum foil dumping decision

Reuters, 06.10.2017



The U.S. Commerce Department said on Thursday it would defer issuing its preliminary determination in an anti-dumping duty probe into imports of aluminum foil from China.

The department said in a statement the delay would allow it “to fully analyze information pertaining to China’s status as a non-market economy (NME) country.” U.S. aluminum foil producers have filed petitions with the U.S. government accusing Chinese manufacturers of dumping the product in the United States. In 2016, imports of aluminum foil from China were valued at an estimated \$389 million.

In August, Commerce imposed preliminary anti-subsidy duties of about 17 percent to 81 percent on aluminum foil imported from China. When it opened the probe in late March, the Commerce Department said it was also launching a review of whether China should be treated as a market economy country, a designation that would effectively limit the calculation of anti-dumping duties on Chinese-made goods.

The terms of China's accession to the World Trade Organization in 2001 allowed other WTO members to use a third country's prices to assess whether Chinese goods were being sold below cost or fair market value. That clause expired last December and China has called on the United States and the European Union to drop their use of such surrogate pricing, which has led to higher U.S. anti-dumping duties on imported Chinese goods.

"In all cases, the Department conducts a full and fair assessment of the facts," Commerce Secretary Wilbur Ross said in a statement. "This extension will ensure that the highest standards are followed in this case as we seek to guarantee fair treatment for U.S. workers and businesses." Commerce said it would issue its preliminary determination in the aluminum foil case - along with a decision on China's non-market economy status - by Nov. 30. A final duty determination is expected 75 days later.

Bangladesh to build one of world's largest refugee camps for 800,000 Rohingya

The Guardian, 05.10.2017



Bangladesh on Thursday announced it would build one of the world's biggest refugee camps to house all the 800,000-plus Rohingya Muslims who have sought asylum from violence in Myanmar.

The arrival of more than half a million Rohingya Muslims from Buddhist-dominated Myanmar since 25 August has put an immense strain on camps in Bangladesh where there are growing fears of a disease epidemic. A Bangladesh minister gave details of the mega camp as Myanmar's army blamed Rohingya militants for setting fire to houses in troubled Rakhine state in recent days.

Bangladesh authorities plan to expand a refugee camp at Kutupalong near the border town of Cox's Bazar to accommodate the Rohingya. Seven-hundred-and-ninety hectares of land (2,000 acres) next to the existing Kutupalong camp were set aside last month for the new Rohingya arrivals. But as the number of newcomers has exceeded 500,000 – adding to 300,000 already in Bangladesh – another 400 hectares (1,000 acres) has been set aside for the new camp.

Mofazzal Hossain Chowdhury Maya, minister for disaster management and relief, said all the Rohingya would eventually be moved from 23 camps along the border and other makeshift camps around Cox's Bazar to the new zone. "All of those who are living in scattered places ... would be brought into one place. That's why more land is needed. Slowly all of them will come," the minister said, adding families were already moving to the new site known as the Kutupalong extension.

The minister said two of the existing settlements have already been shut down. This week Bangladesh reported 4,000-5,000 Rohingya were crossing the border eachday after a brief lull in arrivals, with 10,000 more waiting at the frontier.

The United Nations has praised Bangladesh's "extraordinary spirit of generosity" in opening up its borders. But UNICEF chief Anthony Lake and UN emergency relief coordinator Mark Lowcock said in an appeal for \$430 million to provide aid that "the needs [of the Rohingya] are growing at a faster pace than our ability to meet them". "The human tragedy unfolding in southern Bangladesh is staggering in its scale, complexity and rapidity," he said in a statement calling the Rohingya crisis "the world's fastest developing refugee emergency". Rohingya who have made it to Bangladesh allege the spurt in arrivals follows a new campaign of intimidation by Myanmar's army in parts of Rakhine which were still home to Muslim communities.

But the office of Myanmar army chief Min Aung Hlaing said blazes at seven houses in a Rohingya village in Buthidaung township early on Wednesday were started by "Einu", an alleged militant from the Arakan Rohingya Salvation Army (ARSA). The refugee crisis erupted after ARSA raids on Myanmar police posts on 25 August prompted a brutal military backlash. The UN has said the Myanmar army campaign could be "ethnic cleansing" while military leaders have blamed the unrest on Rohingya.

TransCanada cans Energy East Project

Upstreamonline, 05.10.2017



TransCanada finally abandoned construction of its controversial Energy East pipeline on Thursday, taking a C\$1 billion (\$800 million) blow and handing environmental groups a major victory in efforts to hamper Canadian oil development.

The decision, nearly a month after the company halted regulatory applications for the project in the face of tough official scrutiny, is a blow to the ailing economy of the New Brunswick province and heads off a broader political row over the project.

Canada's National Energy Board (NEB) granted TransCanada a 30-day suspension on 8 September, after the company said it needed to review the impact of new assessment criteria that would consider the C\$15.7 billion (\$12.58 billion) project's indirect greenhouse gas contributions. Energy East, which would take 1.1 million barrels of crude from Canada's oil heartland of Alberta, would have fetched higher prices for Canadian producers, whose landlocked product trades at a discount to the West Texas Intermediate benchmark.

But its importance has somewhat diminished for TransCanada since the US this year approved the company's Keystone XL pipeline, which would run from Alberta to US refineries. Energy East was up for its second NEB review, after the first stalled last year amid protests by environmentalists and after revelations that regulatory panel members met privately with a TransCanada consultant.

"After careful review of changed circumstances, we will be informing the National Energy Board that we will no longer be proceeding with our Energy East and Eastern Mainline applications," TransCanada said on Thursday. The company said it was taking a non-cash charge of C\$1 billion in the current quarter because of the cancellation.

The decision had been substantially priced in to the company's shares and TransCanada's stock dipped just 0.25% to C\$60.76 after opening in Toronto. They had fallen nearly 4% since 23 August - when the NEB expanded the scope of its assessment. A judicial review into another project, Kinder Morgan Canada's C\$7.4 billion Trans Mountain pipeline expansion, was launched on Monday, with lawyers and project opponents saying Canada failed in its duty to consult First Nations and other groups. Shares in Kinder Morgan Canada were flat at C\$17.07 in early trading compared to a 0.3 percent rise for Toronto's S&P/TSX composite index.

Obama stresses diplomacy to solving N.Korean crisis

Anadolu Agency, 06.10.2017



The world's problems cannot be solved with battle tanks and warplanes, former U.S. President Barack Obama said Thursday, referring to the rhetoric between his successor and the leader of North Korea. Obama's remarks were made at a global citizenship forum in Sao Paulo, Brazil.

"North Korea is a threat that must be confronted by a strong alliance," he said as he emphasized the importance of diplomacy above military force to deal with the government in Pyongyang.

Current U.S. President Donald Trump and North Korean leader Kim Jung-un have traded threats following Pyongyang's repeated missile tests and subsequent sanctions by the international community. During his time in the White House, Obama said, the main threat to global peace was Iran, a country with which he signed a nuclear arms agreement to ensure Tehran would not become a threat as North Korea is currently.

"We negotiated with a country very different to the US. Albeit that I believed it was necessary to guarantee that they would not develop nuclear weapons", said the former president. Iran, the U.S. and other world powers signed the deal in July 2015 that allowed sanctions to be eased on the Islamic Republic in exchange for severe restrictions on that country's nuclear program.

Obama switched gears to populist movements taking root in some places and called it a dangerous situation while highlighting democracy as a better form of government. He criticized nationalism, closing borders to immigrants, climate change deniers and the lack of press freedom. "It's dangerous for governments to start censoring or restricting media and the Internet," he added in what could be construed as an attack on the Trump administration.

Obama stressed the importance of minorities and policies that strive for equality for a nation's economic success. "Saying that changes threaten employment is fostering panic and taking up positions based on a nationalist ideology, on racial solidarity or xenophobia. Our aim is guaranteeing that all people can be successful in the new economy," according to Obama.

He said he failed as president to close the political gaps in the U.S. "I tried to be a calm person, but when I left the office I saw how my initial hope to see all people united above their differences had vanished," he said. The former U.S. president will visit the Argentinian city of Cordoba on Friday to attend the Green Economy Summit.

US won't be able to pay down debt until growth hits 4% again, says GOP policy chair

CNBC, 05.10.2017



Republican Policy Committee Chairman Luke Messer said Thursday the GOP budget plan is a step toward helping the economy reach 4 percent growth, a level that's necessary to cut the nation's debt.

The GOP is looking to push through a \$4.1 trillion budget plan through the House on Thursday as the party looks to set the stage for tax reform. President Donald Trump has predicted his policies, including tax reform, would spur growth of 3 percent. "We don't want to have a tax cut that doesn't really get the economy growing again.

That's because I can tell you this: If we want to pay down the debt and deficit ... the only time we've done that in modern history is when we've had 4 percent growth," the Indiana congressman said. "Our number one target in these tax cuts should be what's the path to 4 percent growth," Messer said on CNBC's "Squawk Box."

Messer, a member of the House Financial Services Committee, said passing a budget plan this week is important because "it's the gateway to tax reform." "We'll get a budget passed in the Senate as well and we'll get it reconciled," Messer said. "What happened in health care is not OK. From my perspective, the United States Senate is broken. It's not OK to make promises on health care for seven years and then shrug and walk away when it got a little hard."

Also on "Squawk Box," Rep. John Yarmuth, D-Ky., said the budget process has been like "Alice in Wonderland." "We have Republicans who are opposed that will vote for it today," said Yarmuth, the ranking Democrat on the House Budget Committee. "We're fighting about the budget because we really believe the Republican budget represents a drastically wrong set of priorities for the American public and government."

The proposal calls for more than \$5 trillion in spending cuts over the coming decade, including a plan to turn Medicare into a voucher-like program for future retirees. It would slash Medicaid by about \$1 trillion over the next decade and repeal Obamacare. Regarding tax cuts, Yarmuth said he's concerned the GOP plan would favor wealthy Americans and corporations.

US stocks end higher as budget bill spurs optimism

Anadolu Agency, 06.10.2017



U.S. stocks ended at fresh record highs Thursday as investors were upbeat that Congress's passing of a budget resolution would lead to an overhaul of the tax code.

The Dow jumped 113 points to end at 22,775, closing at an all-time high for the sixth consecutive trading day. The Nasdaq added 50 points to finish at 6,585 -- a record close for the eighth straight trading day. The S&P rose 14 points to 2,552, ending in positive territory for the eighth trading day in a row -- a first since 2013. The index also finished for the sixth consecutive day at an all-time high.

The House of Representatives passed a budget resolution Thursday which is seen as a first step in efforts by the administration of President Donald Trump and Republicans toward implementing a new tax reform framework that would overhaul the country's three-decade-old tax system. The much-anticipated tax reform plan was a cornerstone of Trump's presidential campaign.

The Senate Budget Committee was expected to approve its own budget resolution later Thursday. Investment banks Goldman Sachs and Citigroup saw their shares rise 2.4 percent and 2.2 percent, respectively. Twitter shares rose 2.8 percent. After announcing an increase in its subscription fees earlier, shares in streaming and entertainment company Netflix jumped 5.4 percent.

US Senate confirms Trump's pick for Fed board

Anadolu Agency, 06.10.2017



The U.S. Senate confirmed Thursday President Donald Trump's pick, Randal Quarles, to serve as a member of the Federal Reserve's Board of Governors.

Quarles, who served in the Treasury Department under both Presidents George H. W. Bush and George W. Bush, was approved by 65-32 voting in the Senate. He is expected to undertake a role as vice-chairman for supervision overseeing regulations in the Fed and the U.S. banking systems. The appointment marks the first Trump appointee to be installed at the U.S. central bank.

Since the 2008 financial crisis, various regulatory frameworks have been introduced in banks and other financial institutions in the U.S., that Trump promised during his campaign to loosen. Quarles' appointment looks to fulfill this aim with his support of softening some regulations seen during his hearing in the Senate on Thursday.

"... With any complex undertaking, after the first wave of reform ... some refinements will undoubtedly be in order," he said. Quarles was nominated by Trump in July to fill the role of Daniel Tarullo who resigned in April.

US House of Representatives passes \$4.1 trillion budget

Anadolu Agency, 06.10.2017



The U.S. House of Representatives passed the \$4.1 trillion budget proposal for the fiscal year 2018 in a narrow vote on Thursday. The proposal was approved by 219-206, with 18 Republicans voting against the measure, including all Democrats who were present in the House.

The budget plans to cut public spending by \$5 trillion over the next 10 years, and increase defense spending by more than \$70 billion for the fiscal year 2018. The approval of the budget was significant for Republicans who now will have an easier time passing the Trump administration's tax reform.

Thursday's victory paves the Republicans' way for a legislative process called "reconciliation" -- a method in which the tax reform proposal can be passed in the Senate with a simple majority of 51 Republican votes. Republicans used the same method to repeal and replace Obamacare this year but failed after a number of Republican lawmakers voted against the measure.

President Donald Trump wants to lower tax rates for American corporations and the middle-class, which he believes will boost the American economy. Democrats, on the other hand, argue that the tax reform will benefit wealthy individuals and big companies in the U.S. The budget now heads to the U.S. Senate when it will be voted on during the week beginning Monday, Oct. 16

IMF chief: Economic recovery takes hold in most of the world

CNBC, 06.10.2017



Christine Lagarde, the head of the International Monetary Fund said Thursday that "the long-awaited global recovery is taking root" and that three-quarters of the globe is enjoying an economic upswing in "the broadest-based acceleration since the start of the decade."

In remarks prepared for delivery at Harvard's Kennedy School of Government, IMF Managing Director Christine Lagarde suggested that the 189-country finance agency will likely upgrade its outlook for global growth when it releases its latest forecasts next week.

In July, the IMF predicted that global growth would hit 3.6 percent in 2018 — fastest since 2011 and a welcome sign the world economy had broken out of a period of stagnation following the Great Recession of 2007-2009. Helping considerably: Commodity prices have rebounded after plummeting in 2014 and 2015, pinching growth in many developing countries. Confidence also is returning to Europe, which has struggled with high government debts and weak banks.

But Lagarde said that the global recovery is leaving many behind and that the income gap between the rich and poor is growing. She urged countries to take advantage of improving conditions to enact reforms that could spread prosperity, such as fighting corruption and expanding child care to lure women into the workforce. “Reforms are more potent and easier to implement when economies are healthier,” she said.

Trump threatened to kill the South Korea trade deal, but now the US has changed its tone

Reuters, 05.10.2017



The President Donald Trump’s threats to terminate the U.S. trade agreement with South Korea ended up spurring support for the deal and now both parties are striking a conciliatory tone.

U.S. Trade Representative Robert Lighthizer said Wednesday that he looked forward to talks on resolving implementation issues and potential amendments, which was a far cry from the chances of canceling the entire agreement. That more conciliatory tone was a marked change from a late August report in the Wall Street Journal.

Trump had long voiced opposition to the pact. In an April interview with The Washington Post, he also threatened to terminate the deal, calling the U.S.-Korea Free Trade Agreement, known as Korus, a “horrible deal” that has “destroyed” his country.

The Trump administration’s backtracking this week was all the more remarkable because of the timeline, one analyst noted. “When the Korus came up, right at a holiday weekend, the business community did a remarkable job, in my view, of mobilizing very quickly and effectively to say, ‘This is not in our interests, it’s not in U.S. interests,’” said Deborah Elms, executive director of the Asian Trade Centre.



Indeed, on September 5, the day after the U.S. Labor Day holiday, the U.S. Chamber of Commerce made its opposition to the Trump administration's position clear. "It's difficult to imagine a move that would bring more self-harm to our economy and national security, with no benefit in return, than withdrawing from Korus. We urge the administration not to make this rash and irresponsible move," the organization's president and CEO Thomas Donohue said in the statement.

That same day, Joni Ernst, a Republican senator from agriculture-dependent Iowa who had been considered as a potential running mate for Trump's campaign, sent a letter to the White House expressing support for Korus and noting that South Korea was the fifth-largest market for U.S. agricultural exports in 2016. Others pointed to another reason scrapping the deal met with resistance: the recent escalation in geopolitical tensions with North Korea, which has stepped up its nuclear and missile tests this year.

"Even if you don't like this trade agreement, this is not the right time to rock the foundations of our partnership with Korea. Korea is facing an existential threat from North Korea," said Miriam Sapiro, who was deputy USTR during the Obama administration, after serving in the Reagan, Bush and Clinton administrations. "We should instead be trying to shore up our relationship in a geostrategic as well as an economic sense," Sapiro, who is currently the head of public relations firm Finsbury's Washington, D.C., office, told CNBC's "Squawk Box" on Thursday.

Sapiro also pointed to another reason U.S. business rallied around the deal: the need for certainty. "Having a trade agreement in place gives them certainty. They know what the tariff rates are going to be. If they are a service provider, they know what kinds of services they can offer without restrictions," she noted. "It's the uncertainty of the threat of withdrawal that has people quite concerned." Asian Trade Centre's Elms noted similar concerns. If it weren't for the Trump administration's aggressive stance on Korus, more companies might have come forward with complaints about the pact, she said. "The fear is that it would topple the deal, so companies were more muted in their complaints," she said.

But even as talks between South Korea and the U.S. appear set to proceed on a more even keel, the initial tone may overshadow their progress. "When you start discussions with a threat, then the tone of that dialogue is going to be different than if you had started that discussion with all the goodwill in the world of two longstanding partners sitting down together," Elms said. "Once you have made the threat to cancel agreement it's a bit hard to take that back."

Hurricanes Harvey, Irma & Maria cost US over \$260 bln.

CNBC, 04.09.2017



Hurricanes Harvey, Irma and Maria cost the U.S. more than \$260 billion in destruction and lost economic output, according to data compiled by Anadolu Agency on Wednesday.

Hurricane Harvey, which hit the state of Texas in August, cost \$87 billion in property damage, and \$10 billion in economic output losses, data from economic research firm Moody's Analytics showed. Hurricane Irma, in addition, which affected the state of Florida at the beginning of September, caused \$56.5 billion in destruction, and \$14 billion in lost output, according to the data.

And Hurricane Maria, which hit the U.S. territory of Puerto Rico, cost \$55 billion in property damage, and \$40 billion in economic output losses, according to the firm. This brought the total cost of all three hurricanes to \$262.5 billion -- around 1.4 percent of the U.S.' gross domestic product last year totaling \$18.5 trillion.

Weather services company AccuWeather, on the other hand, said on Sept. 11 that it forecast that Hurricanes Harvey and Irma would cost the U.S. \$290 billion. While Hurricane Katrina in Aug. 2005 had a total cost of \$174.5 billion, Super Storm Sandy in Oct. 2012 cost the U.S. economy \$73 billion, Moody's Analytics data showed. All three recent hurricanes had a negative impact on local state economies. While Florida and Puerto Rico saw their tourism and service sectors hampered, Texas had its oil industry nearly shut down.

During Hurricane Harvey in Texas, oil production decreased while most of the wells and refineries halted their operations, which also negatively affected the U.S. oil sector. Oil production decreased 749,000 barrels per day (bpd) to 8.78 million bpd for the week ending Sept. 1, according to the U.S.' Energy Information Administration (EIA). In the following two weeks, production recovered and climbed up to 9.54 million bpd for the week ending Sept. 15, the EIA data showed.

During Hurricane Harvey, however, approximately 20 to 25 percent of the U.S.' refining capacity was disrupted. The three hurricanes also had a negative impact on the growth forecast of the American economy. Global investment banking firm Goldman Sachs said on Sept. 9 that it lowered the third quarter growth forecast of the U.S. economy to 2 percent from 2.8 percent.

"We expect a meaningful drag on key growth indicators over the next two months..," the banking firm said in its statement. The Federal Reserve, however, said it does not expect the hurricanes to have much effect on U.S. economic growth in the medium term. "Hurricanes Harvey, Irma, and Maria have devastated many communities, inflicting severe hardship," the Federal Open Market Committee (FOMC) said at the conclusion of its two-day meeting on Sept. 20.

“Storm-related disruptions and rebuilding will affect economic activity in the near term, but past experience suggests that the storms are unlikely to materially alter the course of the national economy over the medium term,” the FOMC statement said. New York Fed President William Dudley said on Sept. 8 that hurricanes would boost the American economy. “Those effects [of hurricanes] tend to be pretty transitory ...The long-run effect of these disasters, unfortunately, is it actually lifts economic activity because you have to rebuild all the things that have been damaged by the storms,” Dudley said in an interview with CNBC.

Fed’s rate hikes causing low inflation, Kashkari says

Bloomberg, 02.10.2017



The Federal Reserve’s own actions, not transitory factors, are responsible for weak inflation, a Fed policymaker argued on Monday, and the U.S. central bank should wait to raise rates again until inflation hits its two percent goal.

“The Fed’s policy to remove monetary accommodation over the past few years is likely an important factor driving inflation expectations lower,” Minneapolis Fed President Neel Kashkari wrote in an essay on the bank’s website, referring to the central bank’s Federal Open Market Committee, which sets U.S. interest rates.

“My preference would be not to raise rates again until we actually hit two percent core PCE inflation on a 12-month basis, unless we have seen a large drop in the headline unemployment rate signaling that we have used up remaining labor market slack, or a surprise increase in inflation expectations.”

Kashkari’s comments stake out a dovish view of policy at odds with that of the Fed’s core, who expect inflation to strengthen as the labor market tightens. Most Fed policymakers, including Fed Chair Janet Yellen, expect they will need to raise rates in December, and three more times next year, to keep the economy from overheating. Kashkari, who dissented twice this year against Fed rate hikes, argued Monday that the Fed’s decision to end bond-buying in 2014, its hawkish guidance on rate hikes since then, and the four rate hikes it has actually completed have pushed inflation expectations down and kept job and wage growth slower than they would have been otherwise.

Allowing inflation expectations to slip gives the Fed less leeway to fight future downturns with rate cuts, he said. "There is no reason to raise rates until we start to see wages and inflation climb back to target," Kashkari wrote. "The only explanation that would potentially call for further policy tightening is the transitory factor explanation. But the longer low inflation persists (here and around the world), the more tenuous that story becomes." The Fed should therefore "proceed with caution" on raising rates further, he said.

Future belongs to green energy, says Sberbank's CEO

Anadolu Agency, 06.10.2017



With the explosion in renewable investments over the past few years, private oil and gas companies are expanding their portfolios and transforming into 'energy' companies, the CEO of Russia's Sberbank said.

"No one could imagine five years ago that the price of renewable energy would fall at such a rate in the Russian capital Moscow, CEO Herman Gref said. He explained with the competitive pricing of solar energy, private oil and gas companies have started to turn to renewables. "The future belongs to green energy.

Solar energy looked very expensive a while ago but now it is in competition with conventional energy in terms of pricing," Gref stressed. The CEO predicted that in the next five years a reduction in the cost of solar energy by 27 percent would be realized while hydrocarbons continue to lose investments worldwide.

"All key international investors plan to reduce investments in conventional sources or they have already done that. There are serious changes in the energy sector," he said, adding that, "Everybody is reducing investments in conventional energy. So far not all investors have realized the full potential of the renewables market, but they will." Russian electricity company Rosseti's general director, Pavel Livinsky, also spoke on the same panel at the Russian Energy Week forum, and claimed that by 2030 a third of consumers will choose renewable energy sources.

The Russian Energy Week forum, in which Anadolu Agency is a media partner, runs from Oct. 3 to 7 in Moscow and serves as a platform for discussion of the main challenges faced by the energy sector.



Announcements & Reports

An innovation deficit behind Europe's overall productivity slowdown?

Source : Bruegel
Weblink : <http://bruegel.org/2017/10/an-innovation-deficit-behind-europes-overall-productivity-slowdown/>

Trends in Extremist Violence and Terrorism in Europe through End-2016

Source : CSIS
Weblink : <https://www.csis.org/analysis/trends-extremist-violence-and-terrorism-europe-through-end-2016>

Actualising East: India in a Multipolar Asia

Source : Brookings
Weblink : <https://www.brookings.edu/research/actualising-east-india-in-a-multipolar-asia/>

Upcoming Events

13th Asia Europe Economic Forum (AEEF)

Date : 26 October 2017
Place : Beijing - China
Website : <http://bruegel.org/events/13th-asia-europe-economic-forum/>

Emerging Markets and Europe: Time for Different Relationships?

Date : 27 October 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/524-emerging-markets-and-europe-time-for-different-relationships/>

What future for Europe's Social Models?

Date : 27 October 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/526-what-future-for-europes-social-models/>

Challenges for Growth in Europe

Date : 12 December 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/521-challenges-for-growth-in-europe/>



Global Governance of Public Goods: Asian and European Perspectives

Date : 15 December 2017
Place : Paris - France
Website : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

The Future of the Welfare State

Date : 16 December 2017
Place : Berlin - Germany
Website : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>

Vision Europe Summit 2016

Date : 18 December 2017
Place : Lisbon - Portugal
Website : <http://bruegel.org/events/vision-europe-summit-2016/>