

Europe Looks to Thwart Trump's Iran Sanctions



BERLIN (Dispatches) - Germany and its European partners are considering setting up a payment system with Iran that allows the continuation of business transactions with the Islamic Republic once U.S. sanctions kick in, an economy ministry spokeswoman said on Friday.

"As you know, it is a central goal of the EU and the German government to ensure that the processing of transactions is secured," the spokeswoman said during a regular government news conference. "All options are being considered."

The U.S. wants to force Europe to break business links with Iran. Along with other European

partners, but the German government and other European states are determined to push back against American pressure.

Donald Trump's administration isn't even close to being done with Iran. In November, the second phase of American sanctions kicks in, directly targeting the country's oil and gas industry.

So Berlin and other European capitals are scrambling for ways to mitigate the worst effects of Washington's crackdown on Tehran.

The plan under review in Berlin and Brussels would involve establishing a kind of clearing house for all European trade with Iran. A form of commercial entity

known as a "special purpose vehicle" would be established, with European governments as shareholders.

The new company would act as an intermediary for cross-border payments to and from Iran, with no involvement from European commercial or central banks, which are frightened of becoming the target of American counter-measures.

The clearinghouse is likely to be based in Luxembourg, but its capitalization remains unclear. The European Investment Bank and national development banks, like Germany's KfW, may be involved, although here too there is genuine fear of American retribution.

A determined effort to get around U.S. sanctions would also encourage European businesses to stay the course in Iran. Although many international companies have pulled out of Iran, smaller German firms have significant investments in the country.

India, China and Turkey have pledged to maintain economic relations with Iran. European imports of oil from Iran have already fallen, not least because European-based oil tankers are no longer transporting Iranian oil.

Russia, Iran Take Center Stage at Damascus Fair



Visitors walk past cars displayed at the Iranian pavilion during the Damascus International Fair event in the Syrian capital on September 9, 2018.

DAMASCUS (Dispatches) - Companies from dozens of countries have been showing their wares at the Damascus International Fair, but those from two in particular are getting special treatment - Russia and Iran.

Firms from the top two wartime allies of Syria's government are set up in an entirely separate building, hinting at the preferred status they hope to enjoy as the country tries to transition into reconstruction.

Packed pavilions feature Iranian

cars and carpets, Russian wires and cables - and translators ready to help Syrian businessmen connect with potential foreign partners.

A flat-screen television in the Russian wing plays a sleek advertisement for Libena Agro Build, a metalworking company that produces farming equipment and grain silos.

"Foreign companies are scrambling and competing to invest in Syria, but Russia's got preference," its regional

representative, Lebanese-Russian national Leba Shehadeh, said. "We were the ones defending Syria politically and militarily, so we expect the lion's share of the economy and of the reconstruction phase."

He flips through a pamphlet of irrigation products, metal recycling services, molds and more.

"Syria needs all this equipment," Shehadeh told AFP, saying Libena Agro was aiming for large-scale deals with Damascus. "We're here so that, together, we can draw the plan for rebuilding this country."

Assad has pledged to make reconstruction his top priority, saying Syria's "allies" would be the only ones allowed to take part.

Even during war, Russian companies have invested in Syria's oil, gas and mining sectors and won contracts to build flour mills and water-pumping stations.

Syrian state companies have also issued tenders open exclusively to Iranian companies, according to the economic magazine Syria Report.

Turkey Banks Tap \$4.5 Billion Gold Reserves to Shore Up Finances

ANKARA (Bloomberg) - Commercial lenders in Turkey have pulled as much as \$4.5 billion worth of gold reserves since mid-June in an effort to avert a liquidity crisis as the lira plunged.

Weekly holdings reported by the Central Bank of Turkey fell by almost a fifth since

June 15 to 15.5 million ounces with the lion's share -- \$3.3 billion -- of the exodus sparked by the monetary authority's Aug. 13 move to lower reserve requirements.

"The commercial banks were probably switching to more liquid assets, given what has happened to the lira," Jason

Tuvey, a senior emerging markets economist at Capital Economics in London said by phone on Friday. "There's been concern at the commercial banks over their external debt burden, which has been reflected in the rising bank bond yields."

Turkish lenders are allowed to meet reserve requirements with

'Oil Market Too Tight for U.S. Zero Exports Target'

LONDON (Reuters) - The U.S. will find it difficult to cut Iran's oil exports completely as the oil market is already tight and rival producers cannot make up the shortfall, Iran's OPEC governor Hossein Kazempour Ardebili said on Friday.

Washington is seeking to cut Iranian oil exports to zero by November as it reimposes sanctions, and is encouraging other producers such as Saudi Arabia, other OPEC members and Russia to pump more to meet the shortfall.

Even so, the expected loss of Iranian oil, declining supply from another OPEC member Venezuela and other outages are boosting crude prices, which this week hit \$80 a barrel, the highest since May. Kazempour Ardebili, said in

comments to Reuters that a "supply shortage" meant that the United States would not be able to meet its zero export target.

"There is no spare capacity anywhere," he said.

A long-time adviser at Saudi Arabia's Energy Ministry also said last month that current U.S. sanctions on Iran were unlikely to stop Iranian oil exports completely.

Under pressure from U.S. President Donald Trump to lower oil prices, the Organization of the Petroleum Exporting Countries and allies agreed in June to boost production, having participated in a supply-cutting deal in place since 2017.

While OPEC production has increased since then, Saudi Arabia has added less crude than

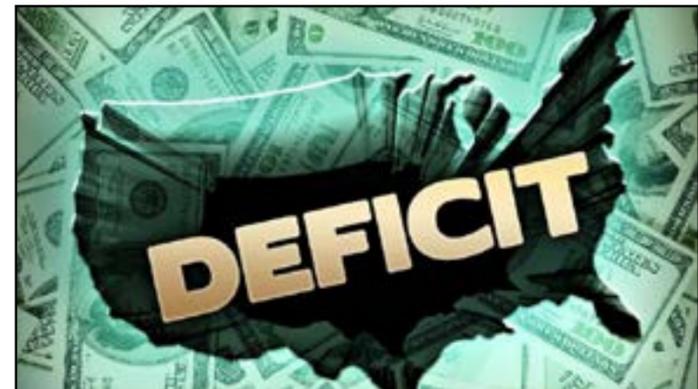


Iran's OPEC governor Hossein Kazempour Ardebili

it initially indicated. Kazempour has voiced scepticism that other producers can add much more oil.

The OPEC governor is typically the second most senior post in a country's OPEC delegation after the oil minister. Kazempour has represented Iran in that position for many years.

U.S. Budget Deficit Swells to \$898bn, Topping Forecast



WASHINGTON (Bloomberg) - The U.S. budget deficit widened to \$898 billion in the 11 months through August, exceeding the Congressional Budget Office's forecast for the first full fiscal year under the Trump presidency.

The budget deficit rose by a third in the October to August period from \$674 billion in the same timeframe a year earlier, the Treasury Department said in a statement on Thursday. Spending rose by 7 percent to \$3.88 trillion, outpacing revenue gains of 1 percent to \$2.99 trillion. Revenue from corporations fell to \$163 billion, down by \$71 billion from a year ago.

The U.S. fiscal gap has continued to balloon under President Donald Trump, raising concerns the country's debt load, now at \$21.5 trillion, is growing out of control. A combination of Republican

tax cuts enacted this year -- that will add up to about \$1.5 trillion over a decade -- and increased government spending are adding to budget strains.

The White House says the tax cuts will pay for themselves by creating more revenue through faster economic growth. The International Monetary Fund has warned the tax reductions risk putting the nation's debt on an unsustainable path and could cause the economy to overheat.

The 2017 fiscal gap was \$666 billion, up from \$586 billion a year earlier, according to the Treasury department. The CBO, a non-partisan congressional research body, estimated in April that the budget deficit for the entire fiscal year would increase to \$804 billion, before widening to \$981 billion in fiscal 2019 and topping \$1 trillion in 2020.

Pakistan to Construct Quetta-Taftan Railway Section

ISLAMABAD (Dispatchers) - Pakistan Minister for Railways Sheikh Rashid Ahmed has said that the government is planning

to construct Quetta-Taftan and Quetta-Gwadar section on modern lines, state media reported.

He said this during a meeting with Director General Frontier Works Organization Inam Haider Malik in Islamabad.

Quetta-Taftan Railway Line is one of four main railway lines in Pakistan, operated and maintained by Pakistan Railways. The line begins from Quetta station and ends at Koh-e-Taftan station.

The total length of this railway line is 325 kilometers. There are 23 railway stations from Quetta to Koh-e-Taftan. The line then crosses into Iran and extends to Zahedan.

Earlier the government of Pakistan had invited Iranian

companies to invest in country's railway industry to improve rail systems of Pakistan.

The suggestion was floated by former Pakistan's Minister for Railways Khawaja Saad Rafique during a meeting with Iran's Minister for Roads and Urban Development Abbas Akhouni.

Meanwhile, Akhouni emphasized the expansion of Iran-Pakistan cooperation, calling for the early launch of the railway line project between Gwadar and Chabahar.

There were also reports that Pakistan will get Chinese loan to lay a railway track between Gwadar and the Iranian port of Chabahar.