



This aerial view shows a pedestrian walking across a parking lot in a residential area after snow fell in Beijing yesterday. — AFP

## Prospect of US-Iran conflict threatens Gulf economies

**DUBAI:** Gulf economies, already strained by years of low oil prices, face a double-edged sword with the prospect of conflict with Iran increasing oil prices while also threatening exports. If the US killing of Iranian general Qasem Soleimani on Friday leads to conflict between Washington and Tehran, oil facilities could be targeted in Gulf states, which also host US military bases, including the headquarters of the US Fifth Fleet in Bahrain.

Observers say such a conflict might send oil prices above \$100 a barrel but could also lead to a massive disruption of exports if Iran closes the Strait of Hormuz, a strategic waterway which serves as the main artery for Middle East oil. "With Iran vowing to retaliate, there is an increased risk of attacks on oil facilities and other targets," in the Gulf states, said M R Raghu, head of research at Kuwait Financial Centre. "However, high oil prices may not translate into higher revenues as over 20 percent of global oil supply is transported through the Strait of Hormuz, which Iran threatened to block in September."

Drone and missile attacks on Saudi Aramco oil facilities in September, blamed on Iran, slashed crude production from the world's top oil exporter by almost half. And a string of attacks on vessels in the troubled waters of the Gulf last year, which Washington and its allies blamed on Iran, also stoked fears for the security of global supply. A major new disruption that led to lower production and exports, and consequently lower revenues, could cripple oil-dependent regional economies.

### Gloomy outlook

The oil price crash of mid-2014 cost Gulf economies hundreds of billions of dollars, with Saudi suffering the most. Since then, they have increased borrowing amid persistent budget deficits, weak

economic growth and lower foreign investment inflows. In October, the International Monetary Fund cut its forecasts for Gulf economic growth in 2019 to just 0.7 percent, down from 2.0 percent the previous year. Saudi Arabia was pared to a meagre 0.2 percent over low oil prices, production cuts and geopolitical tensions.

Oil and gas income make up at least 70 percent of public revenues for the Gulf Cooperation Council (GCC) states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. London-based Capital Economics predicted that if Iran succeeded in closing the Strait of Hormuz "Brent crude would jump to \$150 a barrel."

It said however that the impact on other countries in the Middle East and North Africa "would ultimately depend on whether they get directly caught up in the conflict". Many Gulf countries emerged relatively unscathed and recorded rapid growth during and after the First Gulf War in 1990-91, when oil exports were not disrupted.

Given the variables, the outlook for oil is difficult to pinpoint. Edward Bell, director of commodities research at Emirates NBD, UAE's second-largest bank, believes oil prices over \$100 a barrel are unlikely. "Moving from a sort of \$60-70 range to \$70-80 a barrel range will be much more likely," Bell told AFP. Even if the Strait of Hormuz was closed, some Gulf countries, mainly Saudi Arabia and UAE, have alternative export routes on the Red Sea and the Arabian Sea. Oman lies outside Hormuz.

But the Saudi East-West pipeline, with a capacity to transport five million barrels a day to the Red Sea, was hit by drones flown by Yemen's Iran-backed Huthis in the summer, causing disruption for several days. Saudi economist Fadhil Al-Bouenain said a US-Iran war would further dampen economic growth in



TEHRAN: Mourners gather to pay homage to slain Iranian military commander Qasem Soleimani (image on banner), Iraqi paramilitary chief Abu Mahdi Al-Muhandis and other victims of a US attack in the capital yesterday. — AFP

GCC states, just as many of them are attempting to diversify towards a post-oil future. "Any restrictions to Gulf countries' ability to export oil would lead to a drop in their economic growth... This will not be offset by higher oil prices," Bouenain told AFP.

A conflict would increase risk premiums, hit foreign

direct investment flow into the region and make raising debt from overseas more expensive, said Raghu from Kuwait Financial Centre. If the Strait of Hormuz was blocked even for a few days, it could decrease the ratings of GCC banks and sovereigns and dampen investor confidence, S&P Ratings said in July. —AFP

## Haftar forces take control of Sirte as...

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Haftar's LNA earlier yesterday said on social media they were "steadily advancing towards the heart of Sirte" after seizing control of Ghardabiya airport on the city's outskirts. The statement said the operation aimed to "purge Sirte of armed militias". The airport, located in an air force base, fell into LNA hands after "forces tasked with protecting it surrendered completely with their equipment" to Haftar's self-styled army, the statement added. "Clashes are underway" in the southern part of Sirte and in its coastal area, the statement said, adding that some enemy fighters had fled while others were captured by the advancing LNA forces.

Forces loyal to the UN-recognised GNA confirmed they had come under attack in Sirte. "We are dealing

with Haftar's terrorist militias," they said in a statement on Facebook, adding that "mercenaries" from Chad were fighting alongside Haftar's forces. The UN-recognized government has recently sought help from its ally Turkey. Last week the Turkish parliament passed a bill approving a military deployment to Libya to shore up the GNA. On Sunday, Turkish President Tayyip Recep Erdogan said soldiers had begun deploying in Libya.

Tensions escalated in Libya when Haftar launched an operation in January 2019 to "purge" southern Libya "of terrorist groups and criminals" and seized several towns after security support from local tribes. Haftar then set his eyes on Tripoli, launching an offensive on the capital in April to unseat the GNA. Haftar's LNA has received material and military support from countries including the United Arab Emirates, Jordan and Egypt, according to UN experts and diplomats. Sirte was at one stage a bastion of the Islamic State group which moved into Libya amid the chaos that followed Gaddafi's ouster. IS controlled Sirte from early 2015 but the GNA, backed by US airstrikes, evicted the militants in a seven-month battle that cost hundreds of lives. — Agencies

MP Adel Al-Damkhi, who filed the grilling, rejected requests to delay the grilling in light of grave security developments in the region. Damkhi said he believes the minister will be forced to quit sooner rather than later, adding that those who asked him to delay the grilling raised sectarian concerns amid US-Iran tensions. He however insisted that the minister is a liberal and such sectarian concerns should not be raised.

The grilling accuses the minister of undermining MPs and their electorate after ridiculing statements they made about her following her inclusion in the Cabinet. Several Islamist MPs had demanded that Aseeri be dismissed because she had tweeted in support of the 2011 Bahraini protests against the government. Yesterday, Aseeri demanded an explanation over the charges listed in the grilling, saying that parts of the grilling were not clear. She also said that she is being grilled as a citizen and not for actions she did as a minister. MP Abdulwahab Al-Babtain tweeted that Soleimani was killed by Americans in Iraq and urged Kuwaitis to stay away from sectarian issues.

Meanwhile, MP Safa Al-Hashem yesterday questioned why and how the Anti-Corruption Authority signed a cooperation agreement with the Egyptian anti-corruption body. She asked if the Kuwaiti authorities have attempted to sign such cooperation agreements with other countries.

## Khamenei in tears as huge crowd...

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Iraq's parliament has meanwhile demanded the government expel the 5,200 American troops stationed in the country in response to the drone attack in Baghdad which also killed top Iraqi military figure Abu Mahdi Al-Muhandis. Trump has warned a forced departure of US troops would prompt sanctions against Iraq that would "make Iranian sanctions look somewhat tame".

NATO chief Jens Stoltenberg warned Iran must avoid "further violence and provocations" after the alliance held emergency talks on the crisis. "At our meeting today, allies called for restraint and de-escalation. A new conflict would be in no-one's interest," he said. The European Union, whose foreign ministers will hold emergency talks about the crisis Friday, said it was in both Iran and Iraq's interests to "take the path of sobriety and not the path of escalation".

Saudi Arabia - an oil-rich US ally seen as vulnerable to Iranian counter strikes - also appealed for calm after a "very dangerous" escalation. The EU's diplomatic chief Josep Borrell said he "deeply regrets" Iran's latest step back from the nuclear deal. The agreement had offered Tehran relief from sanctions in return for curbs to prevent it acquiring nuclear weapons - but Trump's withdrawal from it in 2018 dramatically weakened the agreement.

Despite its latest step, Iran insisted it will continue to fully cooperate with the UN agency overseeing its atomic program. The European leaders also pleaded with all parties to not jeopardize the ongoing battle against the Islamic State group, which has lost its self-proclaimed "caliphate" but whose militants remain active. Amid the geopolitical tensions in the oil-rich region, crude prices surged and most equities tumbled while the safe-haven commodity gold hit a more than six-year high.

Trump's adviser Kellyanne Conway said yesterday that Trump was still confident he could renegotiate a new nuclear agreement "if Iran wants to start behaving like a normal country". Tehran has said Washington must return to the existing nuclear pact and lift sanctions before any talks can take place.

Trump stood by remarks that cultural sites were potential targets, despite criticism from US politicians that this amounted to a threat to commit war crimes. "They're allowed to kill our people. They're allowed to torture and maim our people. They're allowed to use roadside bombs and blow up our people. And we're not allowed to touch their cultural sites? It doesn't work that way," Trump said.

The raw emotions sparked by the US killing of Soleimani were on full display in Tehran, where mourners formed a sea of black, dotted with red Shiite flags and white signs, in what state television said was a "several million-strong" turnout. "The last time I remember such a crowd was at Ayatollah Khomeini's funeral 30 years ago," said journalist Maziar Khosravi. As they marched down a main artery of the Iranian capital, the mourners chanted "Death to America" and "Death to Israel".

Khamenei's voice cracked and he appeared to weep briefly as he prayed over the flag-draped coffins containing the remains of Soleimani and five other "martyrs" killed in the strike. The supreme leader was flanked by President Hassan Rouhani and other top political and military figures as well as the slain general's replacement as Quds commander, Esmail Qaani. "We must give a crushing response," a 61-year-old named Alkhami said. "We must target whatever military base they have in the region."

Soleimani's daughter Zeinab and the leader of the Palestinian Islamist movement Hamas, Ismail Haniya, also delivered rousing speeches. Zeinab said: "Stupid Trump - a symbol of stupidity and a toy in the hand of Zionism - don't think that with the martyrdom of my father everything is over." The procession made its way to Tehran's Azadi Square, before Soleimani's remains were flown to the holy city of Qom for a ceremony.

A tribute was also paid to Soleimani and Muhandis at a mosque in Baghdad where people trampled on a large portrait of Trump and the US and Israeli flags. In Yemen, hundreds vented their anger over the assassination in a protest called by Tehran-backed Houthi rebels. "We come together with free men around the world to face down the American Satan," an announcer told the crowd in Sana'a's old town. Soleimani was one of Iran's most popular public figures, seen as a hero of the 1980-88 Iran-Iraq war. The general will be laid to rest in his hometown Kerman today, in a martyrs' cemetery next to a war veteran he used to fight alongside with. — Agencies

## Speaker receives US, Iranian envoys...

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such operations. It urged publishers of such fabricated reports to pursue credibility and accuracy and stop publishing or circulating such reports.

Ghanem said it had been agreed with the government to hold a special session on Thursday to debate the agreement signed with Saudi Arabia on the neutral zone and the traffic chaos. He said this part will be open to the public, while the other part of the session will be held behind closed doors to discuss regional security developments.

Ghanem also said he discussed with the Iranian ambassador the issue of receiving a man said to be an opponent of the Iranian government, adding that the man was received in the personal capacity of a researcher and not an activist from Ahvaz. The speaker said the grilling of Minister of Social Affairs and Labor Ghadeer Aseeri is listed on the agenda of today's session, but the debate could be delayed if the minister asks for it.