ECONOMY

Syrians in Turkey Boost Economy as They Thrive

More than 6,500 companies founded or co-founded by Syrians have been registered in Turkey since the 2011 start of Syrian civil war.

GAZIANTEP - In the Turkish city of Gaziantep, home to around half a million Syrians who fled the civil war south of the border, hundreds of Syrian businesses are thriving in a boost both for the displaced community and their host country.

Over 3.5 million Syrians are registered in Turkey, far more than in any other country that has welcomed refugees of the seven-year war.

Turkish officials highlight the major economic burden of hosting so many refugees but the presence of this new population many well-qualified and multilingual and the success of their businesses have also been a fillip for the Turkish economy, contrary to widely-held assumptions.

A Syrian coffee seller makes a coffee, in Gaziantep, in the south-west province of Turkey.

More than 6,500 companies founded or co-founded by Syrians have been registered in Turkey since the 2011 start of the war, according to the Union of Chambers and Commodity Exchanges of Turkey.

And the Syrian Economic Forum (SEF), an organisation which aims to develop entrepreneurship among the Syrian diaspora, estimates the number in fact to be over 10,000 when the informal sector is included.

In a large complex in Gaziantep's industrial zone, Syrian businessman Amer Hadri, head of prominent crisp and snack packaging company Zirve Extrusion, has succeeded in resuming his business, once based in the war-ravaged city of Aleppo, just 125 kilometres (78 miles) south of the Turkish city.

"Before we exported to the Arab world but since we set up in Turkey, we have realised our ambition to export to the whole world," he added.

All the packaging has a "Produced in Turkey" label, which Hadri said was a "guarantee of quality" on the European markets.

Like Hadri, many Syrians arrived in Turkey with their experience and customer base.

While some target increased exports and access to international markets, other entrepreneurs have more local ambitions.

Dania Abdulbaqi, a civil engineer who came to Turkey from Hama in 2013, opened a creche in August 2016 for children of all nationalities between three months and five years old after not being able to find one in the area.

It added that some experts believe the presence of Syrians added about three percent to Turkish economic growth in 2016.

UAE Plans Ownership for Foreigners to Lure Investors

Emirates to change visa, ownership laws to attract investors in bid to boost slowing national economy.

ABU DHABI - The United Arab Emirates has announced plans to allow 100 percent ownership and visa incentives to foreigners, in a bid to attract investors to boost its slowing national economy.

The new measures come amid signs of an economic slowdown in the oil-rich Gulf state on the back of lower oil prices, with reports showing the vital real estate and tourism sectors of Dubai struggling.

The decision will allow foreign investors 100 percent ownership of companies, coupled with 10-year residence permits for them and their families, according to a cabinet statement cited by WAM news agency.

The measures will come into force by the end of 2018, the statement said.

The UAE leads all Arab countries in terms of foreign direct investment, attracting $11 billion last year a jump of 22 percent on 2016 according to the International Institute of Finance. Although it is the most diversified and open economy in the Middle East, foreigners can only own up to 49 percent of companies unless they are established in special free trade zones.

The new measures also grant 10-year long residence permits to professionals in the medicine, science, research and technical fields.

Like other energy-rich Gulf Cooperation Council (GCC) states, foreigners working in the UAE must have their residence permits made by a national sponsor known as kafeel.

The International Monetary Fund earlier projected that UAE economic growth would fall from 3.0 percent in 2016 to 1.3 percent in 2017.

Capital Economics, a London-based think tank, however has said that the UAE economy grew by just 0.5 percent last year.

It said that the economy of Abu Dhabi, the largest of the seven emirates making up the UAE and the richest in oil, shrank by 1.3 percent and 1.1 percent in the third and fourth quarters of last year, respectively.

In Dubai, sales and rents in the real estate sector slowed by five to 10 percent in 2017.

The downturn is expected to continue through 2019, before picking up in 2020 when it will host the World Expo trade fair.

China Has Decided Russia Is Too Risky an Investment

The economics of a major oil deal seemed to make sense. But when energy companies are arms of the state, economics aren't the only factor.

BY MAXIMILIAN HESS

Chinese President Xi Jinping and Russian President Vladimir Putin at the West Lake State in Hangzhou, China.

On May 4, the planned investment by the Chinese company CEFC China Energy into Russian state oil giant Rosneft fell apart, eight months after it was first announced. The tie-up's failure reveals the strict limits on the potential for energy cooperation between China which is in the process of taking ownership of CEFC and Russia, and with it a broader political alliance between the two countries.

Beijing has come to view Rosneft more as a tool of the Russian state than a traditional oil company, and to the extent the two countries don't share political priorities, China has little interest in any significant economic relationship. Although China is actively searching for new political and economic partners around the world, it seems to have decided the Russian government is too risky a political investment.

Rosneft makes little effort to disguise its political motivations and its status as a major domestic political player throughout the Vladimir Putin era. When Yukos, then Russia's largest oil company, was seized in 2004 following oligarch Mikhail Khodorkovsky's fall from grace, its assets were ultimately transferred to Rosneft. Rosneft subsequently controlled 16 percent of domestic oil production. Today, the firm claims to produce about 40 percent of Russia's oil output.

Since Igor Sechin was named its CEO in May 2012, Rosneft has increasingly become a foreign-policy instrument. Sechin had previously overseen energy policy in his role as vice premier of Russia, and he foreshadowed his future plans for Rosneft in negotiating with BP over its Russian operations and by personally taking a leading role in developing Russian-Venezuelan cooperation. Within a year of being named Rosneft CEO, Sechin oversaw the purchase of BP's Russian operations, resulting in the British oil major taking a 19.75 percent stake in Rosneft itself. Sechin was feted in London, and many in Moscow saw the deal as a way to align Russian and Western interests.

Just one year later, Sechin found himself on Western sanctions lists as relations between Russia and the West soured following Moscow's annexation of Crimea and invasion of Ukraine. That same geopolitical shift brought Russia closer to China. President Vladimir Putin famously traveled to China in May 2014, when he reportedly agreed to Chinese pricing demands on a 30-year gas export agreement.

Russia's shifting geopolitics coincided with Chinese President Xi Jinping's launch of the Belt and Road Initiative to invest in and develop trade with dozens of countries, using China's economic pull to enhance its influence and deepen political ties. Rosneft, which had recently agreed to double deliveries to China in one of the oil market's largest-ever deals, seemed poised to benefit. Meanwhile, the previously little-known CEFC was launching its own foray into global markets, seemingly taking its cues from Beijing.

All this raises the question of why the investment into Rosneft although professedly also in the spirit of Belt and Road has now been allowed to collapse. When the $9.1 billion deal was announced in September 2017, it appeared to be a new crest in the burgeoning Russian-Chinese energy partnership. Much coverage of CEFC since Ye's detention in late February and speculation into CEFC's downfall has focused on the significant debts the company amassed. CEFC's debts may have been cumbersome, but Russia's state-owned VTB offered to provide much of the financing for the tie-up, though Beijing could easily have done so as well.

Beijing was also clearly willing to deepen its oil ties with Moscow in 2016, Russia displaced Saudi Arabia as China's main oil supplier, with the lion's share being delivered by Rosneft. Just days before the deal's cancellation, it was reported that a separate five-year supply contract between Rosneft and CEFC, agreed last November, was being adjusted but would continue. However, a direct CEFC investment into Rosneft proved a bridge too far.

While Beijing's willingness to continue financing the Venezuelan regime appears to have been exhausted, Rosneft has only doubled down. Just last September, Rosneft agreed to make multibillion-dollar loans to Iraqi Kurdistan, less than a month before its independence referendum. Conversely, China has avoided overtly involving itself in Iraq's internal squabbles. Furthermore, Rosneft's effective takeover of India's Essar Oil, finalized last June, allies the oil giant with New Delhi. This may ultimately provide geopolitical rewards to Moscow, and CEFC's stake would likely not have been sufficient to influence Russian decision-making with regards to one of Beijing's main rivals.

The cost of Rosneft's geopolitical machinations has often been borne by its partners. Its shareholders have failed to see returns comparable to other oil firms, even those also concentrated in Russia, amid the oil-price recovery. Last month, BP CEO Bob Dudley joked that he would have advised a younger version of himself to avoid Russia, though his firm is very much still invested in Rosneft. Beijing appears to have heeded that warning.

Nine years after Igor Sechin launched the first bilateral commission on Russian-Chinese energy cooperation, his machinations have demonstrated that cooperation's limit. While China and Russia now describe their relationship as "strategic partners," the collapse of the CEFC tie-up demonstrates that this is still some way off from an alliance.

Turkish Lira Hits Historic Low

Eyes turn to central bank to see if emergency action necessary to buttress currency as it continues to underperform.

ISTANBUL - Turkey's embattled lira lost over three percent in value to hit new historic lows against the US dollar, but there was no word from the central bank of any emergency action to buttress the currency.

Following sharp losses, the lira continued to underperform all other emerging market currencies, after suffering a hammering in Asian trade overnight when Japanese investors sold Turkish assets.

It lost 3.3 percent against the dollar to trade at 4.82, only slightly paring losses after earlier for the first time ever testing the 5.0 ceiling by hitting 4.92 lira to the dollar.

Over the last month alone, the lira has lost over 18 percent in value against the dollar as fears grow over the health of the Turkish economy which is dogged by double-digit inflation despite high growth.

Its performance has been even worse than the Argentine peso which has also suffered severe turbulence over the last month.

The sharp fall in the currency's value has come at a hugely sensitive time as Turkey heads to June 24 presidential and parliamentary elections where President Recep Tayyip Erdogan is seeking a new mandate and a thumping parliamentary majority.

The next meeting of Turkey's central bank is not due until June 7 but economists believe an emergency -- and substantial -- rate hike by the central bank is not only on the cards, but essential.

The situation has not been helped by Erdogan himself who has consistently pressured the central bank to keep rates down to boost growth.

He has also made statements that fly in the face of economic orthodoxy, describing interest rates as the "mother and father of all evil" and saying low interest rates help keep down inflation.

The Istanbul bourse said it was taking measures to convert its foreign exchange assets to lira to "fight speculative actions aimed at creating a negative image of Turkey", but it was unclear if this would have any impact on the currency.