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IRAN WARNS OF NEW STEPS ... EU TO CONSULT PARTNERS

Kuwait, UK concerned on escalation

Turkey offers mediation ... No talks without Khamenei nod: Tehran

LONDON, July 4, (Agencies): The visiting Kuwaiti Deputy Foreign Minister Khaled Al-Jarallah on Thursday said escalation in the Arabian Gulf between the United States of America and Iran constitutes a "source of concern for Kuwait and the United Kingdom."

Al-Jarallah, speaking to KUNA as he emerged from a meeting with the UK Secretary of State for the Middle East and North Africa Andrew Murrison, noted that the latter has recently visited Tehran in a bid to defuse the tension in the region.

He affirmed Kuwait's support for the British diplomatic efforts in this respect, hoping that they would result in ridding the region of any conflicts that may threaten international peace and security.

He added that the meeting with the secretary constituted an opportunity to coordinate on some universal issues particularly

with consideration to Kuwait's current status as a non-permanent member of the United Nations Security Council.

For his part, Murrison affirmed London's commitment to the security in the Gulf particularly amid the current jitters. Murrison added that the memo inked earlier for cooperation in military training is part of the approach to secure the region in general. The European Union says it's in contact with signatories of the Iran nuclear agreement and will discuss with them what steps to take should the country ramp up uranium enrichment this weekend.

Iranian President Hassan Rouhani says Tehran will increase its enrichment of uranium to "any amount that we want" beginning on Sunday, ramping up pressure on European nations to save the faltering nuclear deal from the damage inflicted by US sanctions. Iran announced Monday that it had already breached the pact's limitations on stockpiles of low-enriched uranium.

A spokeswoman for EU foreign policy chief Federica Mogherini — a guarantor of the 2015 pact — said Thursday that "we've called on Iran to reverse these steps and to refrain from further measures that would undermine the nuclear agree-

Tehran summons UK envoy

Britain seizes Iran oil tanker at US request

LONDON, July 4, (RTRS): Britain's Foreign Office confirmed on Thursday that its ambassador to Tehran had been summoned over the seizure of an Iranian oil tanker in Gibraltar.

A spokesman for the Foreign Office said the ambassador will reiterate Britain's support for Gibraltar's seizure of the ship, which was accused of bringing oil to Syria in violation of European Union sanctions.

British Royal Marines seized an oil tanker in Gibraltar on Thursday accused of bringing oil to Syria in violation of EU sanctions, a dramatic step that could escalate confrontation between the West and Iran.

The Grace 1 tanker was impounded in the British territory at the mouth of the Mediterranean Sea after sailing around Africa from Middle East.

Shipping data reviewed by Reuters suggests it had been loaded with Iranian oil off the coast of Iran, although its documents say the oil is from neighbouring Iraq.

The authorities in Gibraltar made no reference to the source of the oil when they seized it under the authority of European sanctions against Syria that have been in place for years.

But the likelihood that the cargo was Iranian drew a link between the incident and a new US effort to halt all global sales of Iranian crude, which Tehran has described as an illegal "economic war" against it.

European countries have tried stay neutral in that confrontation, which saw the United States call off air strikes against Iran just minutes before impact last month, and Tehran amass stocks of enriched uranium banned under a 2015 nuclear deal.

In a statement, the Gibraltar government said it had reasonable grounds to believe that the Grace 1 was carrying its shipment of crude oil to the Baniyas refinery in Syria.

"That refinery is the property of an entity that is subject to European Union sanctions against Syria," Gibraltar Chief Minister Fabian Picardo said. "With my consent, our port and law enforcement agencies sought the assistance of the Royal Marines in carrying out this operation."

A spokesman for British Prime Minister Theresa May welcomed Gibraltar's move, though the incident could also signal some tensions within Europe.

Spain, which challenges British ownership of Gibraltar, said the action was prompted by a US request to Britain and appeared to have taken place in Spanish waters. Britain's Foreign Office did not respond to a request for comment.

While Europe has banned oil shipments to Syria since 2011, it had never seized a tanker at sea.

"This is the first time that the EU has done something so public and so aggressive. I imagine it was also coordinated in some manner with the US given that NATO member forces have been involved," said Matthew Oresman, a partner with law firm Pillsbury Winthrop Shaw Pittman who advises firms on sanctions.

"This is likely to have been meant as a signal to Syria and Iran — as well as the US — that Europe takes sanctions enforcement seriously and that the EU can also respond to Iranian brinkmanship related to ongoing nuclear negotiations."

Iran has long been supplying its allies in Syria with oil despite such sanctions. What is new now is US sanctions on Iran itself. They were imposed last year when President Donald Trump pulled out of an agreement that guaranteed Tehran access to world trade in return for curbs on its nuclear programme.

Those sanctions have been tightened sharply since May, effectively forcing Iran off of mainstream crude markets, making it desperate for alternative ways to sell oil and more reliant on its tanker fleet to store supplies it cannot sell.

The US-Iranian confrontation has escalated in recent weeks, taking on a military dimension after Washington accused Tehran of attacking tankers in the Gulf and Iran shot down a US drone. Trump ordered air strikes but called them off at the last minute, later saying too many people would have died.

European countries opposed Trump's decision to exit the nuclear deal last year, and they have promised to help Iran find alternative ways to export. But they have so far failed to offer ways to ease the impact of US sanctions in practice.

Iran has said it wants to keep the nuclear deal alive but cannot do so indefinitely unless it receives promised economic benefits. This week it announced it had accumulated more low-enriched uranium than the deal allows, and it says it will refine uranium to a greater purity than permitted from July 7.

By restricting Iran's ability to move oil, US sanctions have choked off Tehran's Syrian allies, causing fuel shortages in government-controlled areas. In May, Syria received its first foreign oil for six months with the arrival of two shipments, one from Iran, a source said at the time.

NewsWatch

RIYADH/DUBAI: Tamim Jabr, the chief executive of Deutsche Securities Saudi Arabia, a unit of Deutsche Bank, will join Prince Alwaleed bin Talal's investment firm Kingdom Holding, two sources familiar with the matter said.

Deutsche Bank will look to replace Jabr, said one of the sources. The bank declined to comment on the move, which was earlier reported by Bloomberg. (RTRS)

TUNIS: Dozens of African migrants capsized off the coast of Tunisia on Wednesday after setting off by boat for Europe from Libya, a government source and the Tunisian Red Crescent said. Some of the four initial survivors told the Tunisian coast guard on Thursday that the boat had sunk off the town of Zarzis, Red Crescent official Mongi Slim told Reuters.

One of the four died later in hospital, Slim said. (RTRS)

GENEVA/TRIPOLI: The United Nations said on Thursday it had information that Libyan guards shot at refugees and migrants trying to flee from air strikes that killed at least 53 people, including six children, in a migrant detention centre.

A report from the UN Office for Coordination of Humanitarian Affairs (OCHA) said there were two air strikes late on Tuesday, one hitting an unoccupied garage and one hitting a hangar containing around 120 refugees and migrants. (RTRS)

Risk for Iraq in militia move



Full moon over Safat Square. — Hajar Alofaisan-KUNA

BAGHDAD, July 4, (AP): The Iraqi government's move this week to place Iranian-backed militias under the command of the armed forces is a political gamble by a prime minister increasingly caught in the middle of a dangerous rivalry between Iran and the US, the two main power brokers in Iraq.

Facing pressure from the US to curb the militias, the move allows Prime Minister Adel Abdul-Mahdi to demonstrate a tough stance ahead of a planned visit to Washington, expected to take place in the coming weeks. It is unlikely, though, that he would be able to rein in the powerful Iran-supported militias, and he risks coming off as a weak and ineffective leader if he doesn't.

Besides having built credibility as an effective force against the Islamic State group, the mainly Shiite militias, known collectively as the Popular Mobilization Forces, are a significant political force, with government ministers and 48 seats in the 329-member parliament.

The PMF "is among the parties that achieved victory for Iraq against (the Islamic State group), liberating Mosul and restoring security to the country. The time has come to organize their status in a legal way ... meaning no weapons outside the framework of the state," Abdul-Mahdi told reporters at a weekly news conference Tuesday.

That's a tough sell in a country awash with arms and militias, many of which operate outside the state's control.

The leaders of some of the larger militias, like Asaib Ahl al-Haq, Badr and the Peace Brigades, welcomed the decision, calling it a step in the right direction. But one militia leader said his group has secret offices that they will not close, calling Abdul-Mahdi's decision a "US directive". Speaking to The Associated Press on condition of anonymity, he said the prime minister and the Americans "are dreaming" if they think they can implement the decision.

The Hezbollah Brigades, one of the largest militias with close ties to Iran, indirectly criticized the order in a statement Thursday. It said the government's foremost responsibility is to remove what it described as US occupation forces and their business affiliates from Iraq, saying they constitute "a major threat" to security. It did not address whether the group would abide by Abdul-Mahdi's orders. The US maintains military bases and more than 5,000 troops in Iraq.

The PMF emerged following a call in the summer of 2014 by Iraq's top Shiite cleric, Grand Ayatollah Ali al-Sistani, for volunteers after Islamic State militants overran nearly a third of Iraq, including the northern city of Mosul, Iraq's second-largest. Iraq's military and security forces collapsed in the face of the onslaught.

Tens of thousands heeded the cleric's call, enlisting in multiple militia factions, many of which had existed for years and even fought American forces in Iraq following the 2003 invasion. Sanctioned by the Iraqi government but dominated by Shiite groups with close ties to Iran, the militias played a key role in the war against IS and the protection of Shiite shrines in Iraq. They came out of the war with the image of an almost holy force defending Iraq's Shiite Muslim majority.

That has helped enshrine the militias as a major political and paramilitary player in post-IS Iraq, despite US suggestions that they should be disbanded after IS was driven from the country. Militia factions armed with tanks and heavy weapons are present in almost every Iraqi province, in many cases deeply embedded in local governance and rivaling state institutions. Together, they are believed to number more than 140,000 fighters.

Europe squeezed on N-deal

TEHRAN, Iran, July 4, (AP): When it comes to saving Iran's nuclear deal, Europe finds itself in the impossible situation of trying to salvage an accord unraveling because of the maximalist US sanctions campaign.

Since President Donald Trump unilaterally withdrew America from the accord over a year ago, a slow fuse has burned through Iran. At first, it appeared Iranian officials thought they might be able to wait out Trump. They spoke about "strategic patience" as the US 2020 presidential election loomed.

That talk faded as US sanctions choked off Iran's vital crude oil sales abroad and then began targeting its paramilitary Revolutionary Guard and officials including Supreme Leader Ayatollah Ali Khamenei. Soon, the talk changed to "strategic action" and making threats to the Strait of Hormuz, a crucial global oil supply point.

That action has seen Iran break the limit put on its stockpile of low-enriched uranium under its 2015 nuclear deal with world powers. President Hassan Rouhani says that starting Sunday, Iran will begin enriching uranium to "any level we think is necessary and we need."

Those steps combined could see Iran narrow the one-year window it needs to have enough material ready to potentially build a nuclear weapon, something Iran denies it wants to do but the atomic accord prevented.

To Iran, the only people who now can prevent further escalation in the crisis are in Europe. Among the parties to the deal are Britain, France and Germany, while the European Union also has aided in the diplomacy.

In public comments, it is Europe that Iran keeps targeting.

The "actions of the Europeans have not been enough so the Islamic Republic will move ahead with its plans as it has previously announced," Iranian Foreign Minister Mohammad Javad Zarif said Monday.

Maja Kocijancic, a spokeswoman for EU foreign policy chief Federica Mogherini, said Thursday that Europe "called on Iran to reverse these steps and to refrain from further measures that would undermine the nuclear agreement."

But what, if anything, the Europeans can offer remains in question. They've pointed to INSTEX, a trading vehicle that allows European and Iranian

firms to send goods abroad and be paid locally to avoid American sanctions. However, questions remain if Iran will set up a matching system itself to facilitate the trade. The EU says from its side that INSTEX "is now operational and its first transactions are being processed."

For Iran, being able to sell oil through INSTEX remains its most important concern. "Without (an) oil deal, it's very clear INSTEX will not work," Iranian Oil Minister Bijan Namdar Zangeneh told Bloomberg this week. However, Iran may have been able to export some oil to China last week despite sanctions.

The US appears poised to potentially sanction INSTEX if it moves outside the bounds of food and medicine, which America still allows to be sold into Iran. And even if it did, there's no sign that any major company would be willing to risk US sanctions in the name of European diplomacy, something the Trump administration seems all too happy to point out.

"We just don't see any corporate demand for it because if a corporation is given a choice between doing business in the United States or doing business in Iran, it's going to choose the United States every single time," said Brian Hook, the US special representative for Iran, in May.

Trump himself increasingly has criticized Iran over it not adhering to the deal he abandoned.

"Be careful with the threats, Iran," Trump wrote early Thursday on Twitter. "They can come back to bite you like nobody has been bitten before!"

But Iran can bite as well. Already amid the crisis, Iran shot down US military surveillance drone worth over \$100 million that it said illegally entered its territorial airspace. The US denies that, saying an Iranian missile hit the drone over international airspace in the Strait of Hormuz, through which 20 percent of the world's oil passes.

Iran repeatedly has threatened to close off the strait if it can't sell its oil. In the last two months, mysterious attacks struck oil tankers near the strait. Iran denies being involved, while the US accuses Tehran of using limpet mines on the vessels.

While the strait remains open, insurance premiums for oil tankers have risen. While 80 percent of the oil passing through the strait goes to Asia, Saudi and Iraqi oil does find its way to Europe. Any impact to that flow through the strait likely will see global prices rise, hurting European consumers.

Iran's intelligence minister has said Tehran and Washington could hold talks only if the United States ended its sanctions and Iran's top authority, Ayatollah Ali Khamenei, gave his approval, state news agency IRNA reported on Thursday.

"Holding talks with America can be reviewed by Iran only if (US President Donald) Trump lifts the sanctions and our supreme leader gives permission to hold such talks," Mahmoud Alavi said late on Wednesday.

"Americans were scared of Iran's military power, that is the reason behind their decision to abort the decision to attack Iran."

Trump said last month that he had aborted a military strike to retaliate for Iran's downing of an unmanned US drone over the Strait of Hormuz on June 20 because it could have killed 150 people, and signalled that he was open to talks with Tehran.

Tehran said the surveillance drone had been shot down by an Iranian surface-to-air missile in Iranian airspace, while Washington said it had been in international airspace.

Tension has spiked between Tehran and Washington since last year, when Trump quit a 2015 nuclear deal between Iran and six powers and reimposed sanctions that had been lifted under the pact in return for Tehran curbing its sensitive nuclear work.

Under the deal, Iran can enrich uranium to 3.67 percent fissile material, well below the 20 percent it was reaching before the deal, and the roughly 90 percent suitable for a nuclear weapon.

In reaction to US sanctions, which have notably targeted its main foreign revenue stream in the shape of crude oil exports, Iran said in May that it would scale back its commitments to the deal.

In its first major breach of the nuclear pact, Tehran said on Monday that it had amassed more low-enriched uranium than permitted.

It said on Wednesday that it would boost its uranium enrichment after July 7 to whatever levels it needs beyond the cap set in the agreement. Trump responded: "Be careful with the threats, Iran. They can come back to bite you like nobody has been bitten before."

But in defiance of that warning, Tehran said it would stick to its plan to further scale back its nuclear commitments.

Turkish President Recep Tayyip Erdogan says he is willing to mediate between the United States and Iran to ease tensions over Iran's nuclear program.

In comments published Thursday, Erdogan said he had discussed the issue of a possible mediation with Japanese Prime Minister Shinzo Abe on the sidelines of a G-20 meeting.

Erdogan says Abe asked the Turkish leader whether Turkey and Japan could act together, to which Erdogan responded that he would be willing to meet with Iran's leaders.

Table with market data: US\$/KD 0.30335/45, Euro/KD 0.3429, Yen/KD 0.0028, British £/KD 0.3824, KSE +32.22 pts at closing July 4, Dow +179.32 pts at 20:55 July 4, Nasdaq +61.14 pts at 20:55 July 4, FTSE -5.74 pts at closing July 4, Nikkei +64.29 pts at closing July 4, Gold \$1,425.10 per oz (London), NYMEX crude \$56.80 pb, Brent crude \$63.30 pb, 3-month \$ LIBOR rate 2.28850%