

Headlines:

- **Bank of England's Bailey Warns UK Faces Very Big Inflation Shock**
- **Taliban say 'no information' about Al Qaeda Chief Zawahiri in Afghanistan**
- **China Halts US Cooperation on Range of Issues after Pelosi's Taiwan Visit**

Details:

Bank of England's Bailey Warns UK Faces Very Big Inflation Shock

The Bank of England on Thursday defended its decision to hike interest rates at the fastest clip in 27 years, saying the U.K. faces a "very big" shock to inflation. BOE Governor Andrew Bailey said that the risks of high inflation becoming persistent had risen since the Bank's previous meeting in June, prompting it to take "stronger action." "We're facing a very big shock to inflation," Bailey told CNBC's Joumana Bercetche. "Our action today was very, very clearly [that] we feel we've got to take stronger action." The BOE on Thursday raised interest rates by 50 basis points, taking borrowing costs to 1.75% in an ongoing bid to curb soaring inflation. It also issued a dire outlook for U.K. economic growth, predicting that the country will enter recession from the fourth quarter of 2022, with the downturn expected to last for five quarters. The central bank has faced criticism for not acting sooner and more aggressively to tackle runaway inflation. But Bailey insisted Thursday that many of the inflationary shocks facing the U.K. economy were external and unexpected — most notably Russia's war in Ukraine and its detrimental impact on energy prices. "We don't make policy with hindsight," Bailey said. The war in Ukraine "is not something that was foreseen or frankly could be foreseen." [Source: CNBC].

Britain's exit from the EU has made it difficult for the government to recover in the post-Covid world, as the country heads towards stagflation. It is very likely that the Central Bank will have to raise interest rates much higher to bring inflation under control, and this will be accompanied by very poor growth

Taliban say 'no information' about Al Qaeda Chief Zawahiri in Afghanistan

The Taliban said on Thursday they have no knowledge of Ayman al-Zawahiri's presence in Afghanistan, days after US President Joe Biden announced the Al Qaeda chief's killing by a drone strike in Kabul. Zawahiri's assassination is the biggest blow to Al Qaeda since US special forces killed Osama bin Laden in 2011 and calls into question the Taliban's promise not to harbour militant groups. "The Islamic Emirate of Afghanistan has no information about Ayman al-Zawahiri's arrival and stay in Kabul," said an official statement — the Taliban's first mention of his name since Biden's announcement. Zawahiri was believed to be in charge of steering Al Qaeda's operations — including the 9/11 attacks — as well as serving as bin Laden's personal doctor. A senior US administration official said the 71-year-old Egyptian was on the balcony of a three-storey house in the Afghan capital when targeted with two Hellfire missiles early on Sunday. Thursday's carefully phrased Taliban statement neither confirmed his presence in Afghanistan nor acknowledged his death. "The leadership of the Islamic Emirate of Afghanistan has instructed the intelligence agencies to hold a comprehensive and serious investigation," it said. "The fact that America invaded our territory and violated all international principles, we strongly condemn the action once again. If such action is repeated, the responsibility of any consequences will be on the United States of America." The Taliban reiterated in their statement that there was "no threat" to any country from Afghanistan's soil. They called on Washington to adhere to the Doha pact signed in February 2020 that paved the way for the withdrawal of foreign forces from Afghanistan, ending two decades of US-led military intervention in the country. In announcing Zawahiri's death on Tuesday, Biden declared "justice had been delivered" to the families of victims of the 9/11 attacks on the US. Sunday's drone attack was the first known over-the-horizon strike by the US on a target in Afghanistan since Washington withdrew

its forces from the country on August 31 last year, days after the Taliban swept back to power. The house targeted in the strike is in Sherpur, one of Kabul's most affluent neighbourhoods, with several villas occupied by high-ranking Taliban officials and commanders. [Source: Dawn]

It is hard to believe that Taliban along with Pakistan were not complicit in Zawahiri's assassination. The drone strike requires on the ground personnel to track and confirm the target before and after the drone strike. For this to happen at a senior Taliban official's house underscores that the Taliban had a hand in the assassination. Furthermore, the drone needs a base to fly from or a safe air corridor. It appears Pakistan provided this in return for IMF payments. The very next day after Zawahiri's assassination, IMF confirmed that it would disburse payment to Pakistan.

China Halts US Cooperation on Range of Issues after Pelosi's Taiwan Visit

Relations between the world's two largest economies have plummeted into further uncertainty as China halted ties with the US on a range of critical issues – from talks on the climate crisis to dialogue between their militaries – following the visit to Taiwan earlier this week by the US House speaker, Nancy Pelosi. The declaration of the series of “countermeasures” came as Beijing for a second day staged massive military drills surrounding the island of Taiwan and also announced sanctions against Pelosi and her direct family members for what it called her “vicious and provocative actions”. Taiwan's defence ministry said it had scrambled jets to warn away 49 Chinese aircraft in its air defence zone on Friday and a total of 68 Chinese military aircraft and 13 navy ships had conducted missions. The foreign ministry in Taipei also reported it had detected “massive” number of cyberattacks attempts against its website throughout Thursday and on Friday morning. With tensions running high in the Taiwan strait, China on Friday said it was cancelling some efforts to keep communication channels open between Chinese and US military commanders. Those included attempts to coordinate air and sea operations to prevent unintentional flare-ups, for example, by warships operating close to each other at sea. Bilateral talks and collaborations on issues including the climate emergency, repatriation of illegal immigrants, counternarcotics and legal assistance in criminal matters were suspended. The White House said it had summoned China's ambassador to Washington to condemn the “irresponsible” behaviour of Beijing over Taiwan. A Chinese embassy official in Washington said the only way out of the crisis was for the US to “rectify its mistakes and eliminate the grave impact of Pelosi's visit.” Analysts say the halting of some of the bilateral activities – especially those related to military – threatens to break what the White House calls “guardrails” between the two countries, which could prevent the situation from spiralling out of control. “These measures are going to decrease chances for the US and China to find a much needed modus vivendi,” said Zeno Leoni, a defence expert at King's College London. “The two most powerful states are now unable to talk to one another – in a productive manner.” The US secretary of state, Antony Blinken, told an Asean meeting of top diplomats on Friday that China's reaction was “flagrantly provocative”. “The fact is, the speaker's visit was peaceful. There is no justification for this extreme, disproportionate and escalatory military response,” Blinken said. Huiyao Wang, the founder of the Beijing-based Centre for China and Globalisation thinktank and a Chinese government adviser, said China saw Pelosi's visit as evidence that Washington had already broken the “guardrails”. He said Beijing regarded the issue of Taiwan as the “ultimate red line” for the bilateral relations, and her visit would galvanise other politicians to visit Taiwan in the future. [Source: The Guardian]

After embroiling Russia in Ukraine, the US looking to do the same to China over Taiwan. Pelosi's visit marks an escalation by the US to encourage China to take military action in Taiwan. At the same time the US is using both Russia and China to weaken Europe and make it more dependent on American security. For example, Germany's economy is on the brink of collapse as it struggles to replace gas from Russia and its stance of supporting the US over Taiwan is bound to invite retaliation from China—Germany's largest export market. All of these measures are intended to enable America to reassert its global supremacy after the disastrous Trump years.