

Turkey's exports rise around 7 pct in August thanks to sharp rise in car sales

Hurriyet Daily News, 01.09.2016



Turkey's exports showed a year-on-year rise in August, with the car exports increasing 23 percent in the mentioned period, data from the Turkish Exporters Assembly (T M) showed.

Exports rose by 6.9 percent in August to \$11.16 billion compared to the same month of 2015, marking the largest increase in exports in the last 28 months. The automotive sector made exports worth over \$1.68 billion in August, amounting to 15.1 percent of Turkey's total exports, according to the T M data, which excludes gold and jewelry data.

The sector was followed by the ready-made clothing sector with exports worth \$1.61 billion and the chemical materials sector with exports worth \$1.21 billion. While Turkey's total exports were announced as amounting to \$92.6 billion in the first eight months of the year, marking a 3.1 percent decrease, its 12-month exports amounted to \$140.9 billion, marking a 5 percent decline. In the first eight months of the year, the automotive sector again topped the list with exports worth \$15.14 billion, followed by the ready-made clothing and confection sector with exports worth \$11.58 billion, and the chemicals sector with exports worth \$9.17 billion.

Turkey made the highest amount of exports to Germany in August with a 17.4 percent of year-on-year increase. Exports to the U.K. saw a 1.4 percent increase, to Iraq a 4.2 percent of decrease, to the U.S. a 19.6 percent of increase and to France an 8.3 percent increase. Turkey's exports to the EU rose by 12.7 percent in August compared to the same month of 2015. T M President Mehmet Büyükek i noted that Turkey had seen the highest increase in exports of the last 28 months in August. "We expect our exports to the EU countries and north America, as well as to others, to reach higher amounts," Büyükek i said in the Black Sea province of Giresun, as the association revealed the latest export data.

Among the 20 countries to which the largest amount of exports were made, the highest increase was seen in Bulgaria in August with an 82.9 percent year-on-year hike. Turkey's exports to Israel saw a 34.6 percent increase and exports to Iran saw a 23.6 percent increase.

Turkey's Vestel, Japan's Toshiba sign deal with growth plans for consumer TV business in Europe

Hurriyet Daily News, 02.09.2016



Vestel announced a strategic brand license agreement with Toshiba Visual Solutions Corporation, centered on the production and sale of Toshiba-branded consumer TVs in the European market.

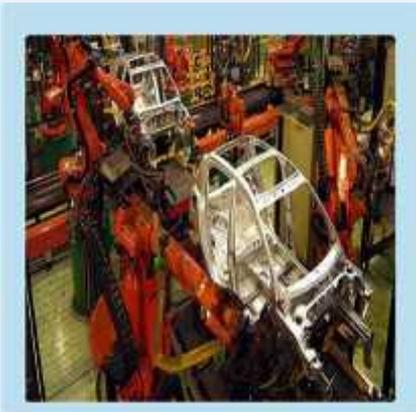
Vestel also stated that it had signed another deal to acquire stakes in the Poland-based Compal Electronics Europe in a move to expand in Europe and to realize its targets in line with the Toshiba agreement. Vestel will be responsible for the production, sales, marketing, and supply chain functions in the European market for Toshiba branded TVs while working closely with Toshiba research.

The Vestel-Toshiba partnership will come into effect after obtaining consent from the authorities in line with the relevant applicable law and under the agreement, it added. "With this strengthened partnership, we look forward to maximizing Toshiba's potential for further growth and market reach. Already a renowned and trusted household name with a reputation for high quality, Toshiba will be positioned as our premier TV brand for Europe. Our aim is to increase the 5 percent of the market stake of Toshiba to increase. This deal will enable to climb further up in the Europe TV market, in which we have already has some 20 percent of share," said Vestel Group of Companies CEO Turan Erdo an.

Vestel also said it plans to create a European stance in line with the Toshiba deal and to make the former Toshiba plant in Poland's Wroclaw a production and logistics hub both for Toshiba and Vestel. "In this vein, Vestel Ticaret A. ., a 100 percent of stake of which is owned by Vestel, and Compal Electronics Inc., one of the major contract electronics makers in Taiwan and owns this plant, signed an agreement to acquire the TV assembly plant," said the company in the Sept. 2 statement, noting that the deal will be applicable after the required permissions are granted and the conditions are met by all parties.

Turkish manufacturing sector continues to shrink, data shows

Anadolu Agency, 01.09.2016



Turkey's manufacturing sector saw another difficult month in August, continuing to slow down sharply for the sixth month in a row, as output and new orders declined in the wake of the failed military coup and ongoing terror attacks, while new export businesses and employment both increased for the first time in months.

The Turkish Purchasing Managers' Index (PMI), compiled by HIS Markit and the Istanbul Chamber of Industry, fell to 47 last month from 47.6 in July, according to the data, which was released. Any figure greater than 50 indicates an overall improvement in the sector.

This was the worst slowdown since early 2009 as production and new orders, two indicators of five key PMI indicators, decreased, although the level of new export business rose for the first time in 2016. "Turkey's manufacturing sector contracted in terms of output and new orders in August. More positively, new export business and employment both increased, and input prices rose at the slowest rate in four months," Trevor Balchin, a senior economist at IHS Markit, said in a note.

The volume of new export business received by Turkish manufacturers rose in August. This was the first increase signaled in 2016 so far, with a number of firms reporting new customers, according to the data. The seasonally adjusted Employment Index also rose above the no-change mark of 50 in August, indicating a growth in the workforce in the Turkish manufacturing sector.

Turkish consumer confidence increases sharply after coup attempt

Anadolu Agency, 31.08.2016



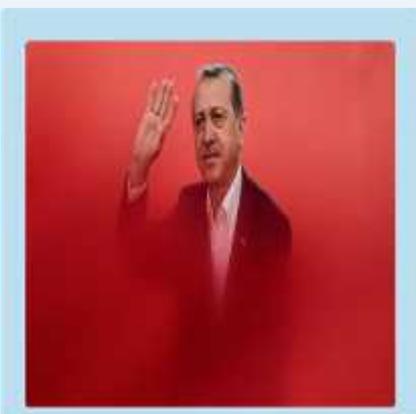
Turkey consumer confidence rose by 11.1 percent in August from the previous month, data from the TUIK showed.

The index was 74.44 in August, up from 67.03 in July, according to official data. The index hit a six-year low of 58.52 last September, but has since recovered somewhat, even after the failed coup attempt. Households turned optimistic about the general economic situation for the next 12 months, with the general economic situation expectation index increasing from 89.82 in July to 101.95 in August, according to the results of the TÜK survey, made in cooperation with the Central Bank.

The household financial situation expectation index also increased by 6.6 percent compared to the previous month, becoming 94.19 in August. More consumers also expect a decline in unemployment rates and they seemed to be less pessimistic about their saving prospects. The latest figures were the highest since November 2015, following the parliamentary election, when the consumer confidence index rose to its highest level since April 2014, when it jumped 22.9 points from October 2015 to 77.15.

Turkey-EU migrant deal row deepens with fresh remarks

Hurriyet Daily News, 31.08.2016



The ongoing row between Turkey and European Union over the implementation of visa-liberalization for Turkish citizens has deepened with Turkish President Recep Tayyip Erdoğan calling on the EU to keep its side of the deal on visa waivers or otherwise prepare for the collapse of the migrant deal.

“The EU is not behaving in a sincere way with Turkey,” Erdoğan told. Erdoğan said the EU had suggested that Turkey accept the readmissions of migrants coming from Turkey into the bloc in exchange for visa liberalization for Turkish citizens. “The readmission agreement and the visa liberalization were to come into force simultaneously.



It is now August and the visa liberalization is still pending,” he said. “If our claims are not met, we will have to stop readmissions.” Relations between Ankara and the West have deteriorated over criticism against Erdoğan’s massive crackdown following a failed coup attempt on July 15. Erdoğan criticized the West for not strongly condemning the coup attempt and showing solidarity with Turkey, expressing instead more interest in the crackdown.

Ankara agreed in March to stop migrants from crossing into Greece in exchange for financial aid, the promise of visa-free travel to much of the EU and accelerated membership talks. However, the reciprocal visa-free access has been delayed due to a dispute over Turkish anti-terrorism legislation and concern in the West about the scale of Ankara’s crackdown following the failed coup.

European Commission chief Jean-Claude Juncker told Germany’s Tagesspiegel that Turkey had committed itself to meeting the 72 criteria for the visa-free travel and only after that could the EU lift the visa requirements for Turkish citizens. “If and when the visa liberalization is implemented largely depends on Turkey. We have our repeatedly signaled that we are ready to assist them with the necessary reforms,” Juncker said.

Criticizing the response of Washington and European leaders to the attempted coup, Erdoğan said the Turkish people had been abandoned by the West. “The whole world reacted to the attack against Charlie Hebdo.

Our prime minister joined a rally in the streets of Paris,” Erdoğan said, referring to the deadly militant attack on the office of the French satirical magazine in January 2015. “I would have hoped that the leaders of the Western world would have reacted [to the coup attempt] in the same way and not have contented themselves with a few clichés.”

Meanwhile, Germany’s center-left vice chancellor, Sigmar Gabriel, said Turkey’s accession to the EU remained “10, 20 years” away. Speaking to Germany’s ARD television, Gabriel said dropping talks with Turkey, currently Europe’s “difficult partner,” made little sense and that “every communications channel” to Turkey must be sought.

Gabriel dismissed Turkey’s accession bid – begun at talks in 2005 and centered on hopes for a visa-free entry to Europe – saying the EU was currently not in any shape to admit “even a small state” to its 28-nation ranks. “The illusion ... here comes someone to soon become a full member in the EU ... that’s complete nonsense ... that will not eventuate,” said Gabriel, who is also federal economy minister.

In Berlin, a spokeswoman for the German Foreign Ministry repeated that reinstatement of the death penalty in Turkey would end its bid to join the EU. Erdoğan, speaking to ARD last month after the coup attempt, said the Turkish people wanted the death penalty to be reinstated and that those governing the country should listen to them. Meanwhile, 52 percent of Germans think the EU should scrap the migrant deal with Turkey, while another 66 percent want the EU accession talks broken off, according to a poll published on Bild am Sonntag. The Emnid survey for mass-circulation Bild am Sonntag showed 52 percent were in favor of the migration deal being terminated, compared with 35 percent who wanted it to continue, Reuters reported. More than two thirds of the 502 people surveyed also wanted an immediate freeze of aid payments to Turkey and 66 percent wanted the EU accession talks to be broken off.

Turkish FM: Ankara wants lasting solution on Cyprus

Hurriyet Daily News, 01.09.2016



Mevlüt Çavuşoğlu said that Turkey will continue to do its part for a just and lasting solution to the Cyprus issue.

Çavuşoğlu's remarks came during a press conference in Nicosia alongside Turkish Cypriot Prime Minister Hüseyin Özgürçün. "Turkey will support Cyprus peace talks as it always has," Çavuşoğlu said, adding that Turkey was closely following developments on the Cyprus issue. Reunification talks between the Greek and Turkish communities on the island resumed in May 2015 and expectations have been high for a resolution of the conflict by the end of this year with the formation of a bi-communal, bi-zonal federal administration.

The eastern Mediterranean island was divided into a Turkish Cypriot state in the north and a Greek Cypriot state in the south after a 1974 military coup aimed at unification with Greece was followed by the intervention of Turkey as a guarantor power. Çavuşoğlu also met the Turkish Cypriot President Mustafa Akıncı, followed by a joint press conference. "We will continue to give support to a solution that would be accepted by both parts [of the island]," Çavuşoğlu told reporters alongside Akıncı. Çavuşoğlu said the aim was to ensure a "permanent" peace and solution, adding: "We are ready to make any kind of contribution, including trust-building steps and measures."

Akıncı for his part said they set this year as the target year for a solution. Akıncı and Greek Cypriot President Nicos Anastasiades are engaged in a marathon of meetings until mid-September, during which they will meet seven times and try to resolve the remaining conflicting topics before a United Nations General Assembly by the end of September. "This is the aim for us all. Turkey supports this aim all the way," Akıncı said. "We strive for a solution that both sides can accept."

For his part, Özgürçün said that Turkey and Turkish Cyprus were two states but one nation. Referring to the July 15 failed coup attempt in Turkey, blamed by Turkish officials on the Fethullahist Terrorist Organization (FETÖ), Özgürçün said the Turkish Cypriot administration recognized the group as a terrorist organization. "Northern [Turkish] Cyprus will not tolerate any negative development in our 'homeland' Turkey," he said, adding, "Because we know that a powerful Turkey means a powerful Northern Cyprus."

Life returns to normal in Syria's Jarablus after liberation from ISIL

Hurriyet Daily News, 01.09.2016



Life has returned to normal in the northern Syrian town of Jarablus, with shops opening up and children enjoying ice cream, a week after Turkey launched an operation to liberate the city from the Islamic State of Iraq and the Levant (ISIL).

At the start of the cross-border offensive, now ongoing for more than one week, Turkish tanks, artillery and warplanes provided rebels from the Free Syrian Army (FSA) with the firepower to capture the Syrian frontier town of Jarablus, which was abandoned by ISIL militants with little fight last week.

The number of civilians living in the city, which was populated by around 25,000 inhabitants, consisting mostly of Turkmens and Arabs, fell to just a couple of hundred during the ISIL siege. With the liberation of Jarablus, civilians have started returning to the city, including women and children enjoying ice cream from an old ice cream machine. Bakeries and most of the shops, varying from markets to perfumeries, opened up on Aug. 31, one week after the Turkish offensive was launched. Groups of women can be seen waiting in line for water from public fountains, as one of the biggest problems in the city is finding fresh water due to collapse of infrastructure. Another big problem for civilians returning to the border city is electricity, along with the lack of medicine.

'Principal architect' of ISIL attacks on West killed in Syria

AFP, 31.08.2016



One of the ISIL top leaders, Abu Mohamed al-Adnani, described by the US as the "principal architect" of the group's attacks on the West, has been killed in Syria, the jihadist organisation announced.

The US said coalition forces had carried out an air strike targeting Adnani in Aleppo province and that it was still assessing the results of the raid, but that his death would be a major blow to the group. One of ISIL's most recognised figures, Adnani had called for lone-wolf attacks on civilians using weapons including knives and even vehicles, as happened in Nice.

ISIL news agency Amaq said Adnani “was martyred while surveying operations to repel the military campaigns against Aleppo” and pledged to avenge his death. In Washington, Pentagon spokesman Peter Cook said Adnani “has served as principal architect of ISIL’s external operations and as ISIL’s chief spokesman,” using another name for the group. “He has coordinated the movement of ISIL fighters, directly encouraged lone-wolf attacks on civilians and members of the military and actively recruited new ISIL members,” he said.

Adnani, who had a \$5 million US bounty on his head, was originally from the western Syrian province of Idlib and joined the jihadist movement in Iraq, where he served under late Al-Qaeda leader Abu Musab al-Zarqawi. Aymenn Jawad Tamimi, an expert on jihadist groups, said his death was “significant symbolically and in pointing to the wider decline of the Islamic State”. “If a coalition air strike hit him, it shows intelligence penetration by the coalition is very high,” he said.

A US defence official described him as one of IS’s most senior leaders and far more significant than simply being the group’s spokesman. “Most notably, he served as ISIL’s chief of external operations, directing and inspiring major terrorist attacks outside of Iraq and Syria,” he said, linking Adnani to a string of high-profile attacks that have killed hundreds, including in Paris, Brussels and Istanbul. “If confirmed, this is a very significant blow for ISIL, and will degrade its ability to direct and inspire terror attacks on the West,” said the official who declined to be named.

Merkel says faults made in refugee crisis

Reuters, 31.08.2016



Germany and other European Union countries turned a blind eye to the refugee crisis building on its external borders for too long, Angela Merkel said.

Merkel, who has faced criticism in Germany for launching her policies of welcoming refugees, also told the Zeitung that Germany and the EU will need patience and endurance in dealing with migration of people to Europe. “There are political issues that one can see coming but don’t really register with people at that certain moment - and in Germany we ignored both the problem for too long and blocked out the need to find a pan-European solution,” she said.

Merkel made the comments in an unusually self-critical analysis that appeared to be timed to the one-year anniversary of her now-famous statement “Wir schaffen das,” or “we can do this,” when asked about the rising tide of refugees. She said Germany, which has taken in most of the more than 1 million refugees from the Middle East and Asia who arrived in the EU in the past year, had let Spain and other EU border countries deal with the refugees on their own. “Back then, we also rejected a proportional distribution of the refugees,” she said.

Meanwhile, support for Merkel's conservatives has slipped as more voters turn to the anti-immigrant Alternative for Germany (AfD), a poll showed yesterday. A Forsa poll showed support for her conservatives, still the biggest group, had fallen to 33 percent, down two points from last week and eight points from a year ago.

Europe's future will be decided at a quaint Renaissance Italian bank

Foreign Policy, 31.08.2016



Italy's Banca Monte dei Paschi di Siena would seem to be the archetype of a good, non-exploitative financial institution. The oldest bank in the world, with headquarters located in the medieval palazzo of one of Italy's most beautiful cities, it was founded in 1472 as an answer to the problem of providing nonusurious credit to the deserving poor.

The American poet Ezra Pound took it as a model for how all banks should operate, explaining in the 1930s that there were two types of banks — the bank of the devils and Monte dei Paschi. Pound's homage to Dante in "Canto 42" also includes a tribute to the bank.

In short, it was a bank that really served people and, as Pound explained, gave hope that Italy was "the only possible foundation or anchor or whatever you want to call it for the good life in Europe." Remarkably little has changed at Monte dei Paschi since Pound offered that praise. But if the bank, Italy's third largest, serves as any sort of foundation today, it is the foundation of a financial crisis.

But if the bank, Italy's third largest, serves as any sort of foundation today, it is the foundation of a financial crisis — one that could determine the political future of not just Italy but the entire European Union.

Over the past 10 years, Monte dei Paschi has required recapitalization three times, receiving a total of 16 billion euros in capital from private sector investors, mostly Italian banks, though not from the Italian government. Last Friday, Italians learned it was the only bank to clearly flunk the most recent European stress tests on financial institutions. The question is what the Italian government will decide to do next — in Rome and in Brussels.

It's nothing new for Italian banking crises to be intertwined not just with general economic stress but fundamental political transformation. In 1893, a property price crash led to the revelation of fraudulence at the Banca Romana, one of the country's note-issuing banks, and the bank's subsequent failure led to the collapse of the country's center-left government and a reordering of politics.



There are fears that a 21st-century banking crisis could be analogous and destroy the present center-left government of Matteo Renzi. That would lead to a completely new political constellation in which the populist opposition party Five Star Movement, which has already taken over local governments in Rome and Turin, would form a government with the explicit task of having Italy abandon the euro. But the history of Italian banking crises is also old in the sense of being old-fashioned. Unlike most European banks that have struggled since the start of the 2008 financial crisis, Italian banks have never really been part of the global trend of hyper-financialization.

While banks in Germany were busy channeling funds into repackaged U.S. mortgage securities, Italian banks were much more locally focused. The loans on the balance sheets of Italy's local banks weren't made to consumers spending beyond their means, or speculative house purchasers, but mostly to local businesses.

Their customers were primarily the country's large number of small- and medium-sized enterprises, often family-run, with business models not that different from the very dynamic enterprises of southern Germany, Austria, or Switzerland, which concentrate on making niche products — specialized textile machinery, for instance — for international markets.

This throwback banking model insulated Italian banks from the fast-developing financial shocks of 2007 and 2008. At the beginning of the global crisis, as other European governments spent large sums bailing out their banking systems, it looked as if Italy had the most solid banks in Europe.

The European Central Bank's calculation of the fiscal cost of bank bailouts for the 2008-2013 period shows a cost for Germany of 8.8 percent of GDP and for Spain of 4.9 percent, with much higher amounts for European countries that required a bailout from the International Monetary Fund (Ireland, 37.3 percent; Greece, 24.8 percent; and Portugal, 10.4 percent). Italy, by contrast, spent less than 0.2 percent of GDP.

But this encouraged a dangerous complacency in Italy, as a slow-moving economic crisis gradually rotted the country's financial foundation. A long-standing failure to undertake structural reforms has condemned the country to exceptionally sluggish growth, even before the 2008 crisis. Italy's clothing and textiles sector has been hit by the move of production to Asia or to lower-cost producers in southeastern Europe; even luxury manufacturers are beginning to outsource production.

Eventually, the weaknesses of the Italian economy hit the country's banks with a massive volume of nonperforming loans — the current estimate is 360 billion euros. (It didn't help matters that the Italian government is often a hindrance; there are many stories of businesses that contract with the government only to find they are never paid.) Among the Italian financial institutions struggling with nonperforming loans are big international banks like UniCredit and Intesa Sanpaolo (in both cases around 15 percent of their total loans).

Both will need to retreat from some of their international exposures. It is likely, for instance, that UniCredit, which acquired a big central European portfolio when it merged with the German HypoVereinsbank that owned Bank Austria, will sell off its Polish bank holdings.



But the drama of this year's stress tests focused on Monte dei Paschi. It was the only bank in Europe to get a negative result in the tests, which indicated it would be insolvent in the event of a new European economic downturn.

The two larger Italian banks are clearly systemically important, but Monte dei Paschi is also very large, and a failure would destroy confidence not just in the economy but also in the Italian political system. As with the 19th-century Banca Romana, the failure of this bank would destroy the country's political system. The problem is that the Italian government can't really do much about this situation because its hands are tied by EU rules.

In response to the bank bailouts elsewhere in Europe, as well as to the political controversies they engendered, the EU reformulated its approach to bank rescues and insisted that some bank creditors, as well as the capital owners, should bear the price of the rescue so that the taxpayer would not be obliged to pay for the incompetence or fraudulence or bad judgment or excessive risk proclivity of bankers.

But these rules will have especially severe political consequences in Italy because of how its banks have funded themselves. For years, Italian banks have not just taken deposits; they have sold risky subordinate bonds to Italian retail investors with little financial knowledge while encouraging the investors to think of the bonds as very safe investments. As some of these banks ran into trouble in recent years, those investors lost large parts of their retirement savings, leading to widespread hardship.

After an elderly holder of subordinated bonds of Banca Etruria, Luigino D'Angelo, killed himself in 2015, the Italian finance minister commented that such bonds had been sold "to people with a risk profile which isn't compatible with the nature of these securities."

The EU commissioner for financial services, Jonathan Hill, echoed this critique with the now-familiar accusation that banks were "selling unsuitable products to people who maybe didn't know what they were buying." The Italian response was to set up a special fund to assist on a case-by-case basis those who lost large amounts in the course of any resolution of a failed bank.

For Monte dei Paschi, shareholders have already lost almost all of their investment. But the government does not want to see a repeat of the bank resolutions of 2015, even though some European policymakers argue that the bondholders who might lose are mostly quite wealthy people — and not the poor pensioners whose bailing in would be politically toxic.

The Italian government has argued that since its banking crisis originated in a different way than other European countries, those peculiar origins should be taken into account when it comes to designing a policy response.

But policymakers in northern Europe simply respond that Italy is facing the penalty for its delay in action on a central economic issue. The new rules came into effect at the beginning of this year and clearly mean that Italy cannot bail out its banking sector today. The Italian government's hands are firmly tied.



So all the government can do is organize an international rescue from private investors, backed by the promise of a breakout from Italy's low-growth trajectory. The first phase of this year's Monte dei Paschi rescue involves transferring about 9.2 billion euros of bad loans (whose nominal value is some 27 billion euros) to a rescue fund called Atlante, financed by Italian banks, insurance companies, and pension funds.

Once a substantial part of the bad-loan portfolio is no longer on the books, there will be a 5 billion euro capital increase underwritten by a consortium of banks led by JPMorgan Chase and Mediobanca and involving six other investment banks with pre-underwriting agreements: Goldman Sachs, Santander, Citi, Credit Suisse, Deutsche Bank, and Bank of America Merrill Lynch. In short, the international banking system is being brought in to rescue Monte dei Paschi.

What's remarkable is that throughout this budding crisis, Italian policymakers and regulators have maintained their consistently upbeat refrain, at least in public, about the prospects of Monte dei Paschi. Italian policymakers and regulators have maintained their consistently upbeat refrain, at least in public, about the prospects of Monte dei Paschi.

This was true even two years ago, when the bank's previous chairman, CEO, and chief financial officer were jailed for misleading regulators about the bank's condition. Alessandro Profumo, Italy's best-known international banker, who had negotiated UniCredit's merger with HypoVereinsbank, was chosen to replace Giuseppe Mussari as chairman and claimed in May 2014 that he had done his job.

"[Monte dei Paschi] is no longer a problem for this country. It has gone back to being a normal bank and is healed," he said. Just over a year later, Profumo stepped down. At the beginning of this year, Prime Minister Renzi said: "Today, the bank is healed, and investing in it is a bargain. [Monte dei Paschi] has been hit by speculation, but it is a good deal. It went through crazy vicissitudes, but today it is healed —it's a good brand. Perhaps this process of finding partners will last several months, because they must stand together with others."

These upbeat assessments by policymakers are the key element of Italy's rescue strategy. They clearly amount to some implicit political guarantee to private investors who might be wondering why they support an institution that has already burned through so much capital. A general economic recovery is just around the corner, the Italian government is saying, and when those conditions improve, the bank's profitability will return.

The upshot is that the only way to avoid dramatic political changes in Italy, which would have political fallout across Europe, is to preemptively make policy changes at the EU level. But in order for its rosy scenario to play out, the Italian government has no choice but to push for an end to the EU's commitment to fiscal austerity.

Renzi's government believes there is substantial support for such a shift in other European countries, above all in France, and it has recently been pushing for a much larger EU public spending initiative, directed primarily at infrastructure investment.

In Giuseppe Tomasi di Lampedusa's great novel *The Leopard*, Tancredi Falconeri states: "If we want things to stay as they are, things will have to change." If the government isn't allowed to help banks directly, it has to commit itself to a new growth dynamic for the entire continent. It remains quite uncertain that it can — or will be allowed to — follow up on that promise.

Japan summons Chinese envoy amid ship 'incursions'

Reuters, 31.08.2016



Japan summoned China's ambassador after the country's ships were spotted near disputed East China Sea islands for a fifth straight day. Japanese Foreign Minister Fumio Kishida called in Cheng Yonghua, Beijing's envoy to Tokyo, the foreign ministry said - the second such summons since Aug. 5.

The situation surrounding the Japan-China relationship is markedly deteriorating," Fumio told Cheng, according to the ministry's statement on its website, AFP reported. "We cannot accept that [China] is taking actions that unilaterally raise tensions."

Cheng told reporters after the meeting he reiterated Beijing's official stance that the islands belong to China and called it "only natural" that Chinese ships "operate in this region." The two countries are locked in a long-running dispute over the uninhabited islets known as the Senkaku in Japan and the Diaoyu in China.

The move comes after repeated protests by Japanese foreign ministry officials over what Tokyo calls "intrusions" by Chinese ships in the territorial and contiguous waters of the rocky islands. Cheng was also summoned by Vice-Minister Shinsuke Sugiyama after two Chinese coast guard and fishing vessels entered Japan's territorial waters.

The Japan Coast Guard said it spotted Chinese ships in the country's territorial waters surrounding the islands and about a dozen others nearby. The Japanese coast guard a day before caught sight of 15 Chinese coast guard ships near the islands -- the highest number ever spotted.

Some 230 Chinese fishing vessels and seven coast guard ships, including four apparently carrying weapons, sailed into waters close to the disputed island. It is rare for so many Chinese fishing vessels to be seen in the disputed waters.

Meanwhile, the visit of the U.S. Navy guided missile destroyer USS Benfold to the northern Chinese port of Qingdao this week is the latest development in a long-term effort to build trust between the countries' militaries amid tensions and a rivalry for dominance in Asia, the Associated Press reported.

Though China resents the highly visible presence of the U.S. armed forces in Asia, especially the South China Sea, it has gradually overcome its reluctance and shown a willingness to engage that the sides hope will help avoid conflicts. The Benford's visit is the first to China by an American warship since Beijing responded furiously to a Hague-based international arbitration tribunal's ruling that its expansive South China Sea maritime claims had no basis in law.

The fact the visit went ahead appears to show that Beijing now values the military-to-military relationship too much to allow it to be derailed by other events as was once the case. Qingdao is the base of China's northern fleet and is thus less sensitive than ports to the south closer to hotspots, such as Taiwan and the South China Sea.

Trump heading to Mexico ahead of immigration speech

AFP, 01.09.2016



Donald Trump will be taking his first foreign trip as the Republican presidential nominee, a nation he derided as the home of rapists and criminals as he launched his campaign.

The meeting with Mexican President Enrique Pena Nieto comes hours before Trump is set to deliver a highly-anticipated immigration speech. It will be a defining issue for Trump. After saying during his primary campaign he would expel all of the estimated 11 million people living illegally with a "deportation force," Trump has suggested recently he might be open to "softening" his stance as he tries to win over more moderate general election voters.

Trump took to Twitter on the night of Aug. 30 to say he looks "very much forward" to meeting with Pena Nieto. The Mexican leader's office confirmed the meeting with its own tweet, saying the two men would meet privately. Pena Nieto cast a different tone late Aug. 30, writing on Twitter of the visit, "I believe in dialogue to promote Mexico's interests in the world and, principally, to protect Mexicans wherever they are."

Pena Nieto has been sharply critical of Trump's original immigration policy, particularly the Republican's plan to build a wall along the length of the southern border and his insistence that Mexico would pay for it. In a March interview, Pena Nieto said that "there is no scenario" under which Mexico would do so and compared Trump's language to that of dictators Adolf Hitler and Benito Mussolini.

In meetings recently with Hispanic supporters, Trump had suggested he could be open to allowing some people living in the country illegally to stay. After one such roundtable this month, his new campaign manager, Kellyanne Conway, said Trump's stance on using a deportation force to expel people was "to be determined."



In the days since, Trump and his staff have broadcast varied and conflicting messages - though on Aug. 31 Conway appeared to make clear that Trump had decided against allowing immigrants in the U.S. illegally to stay. "The point that Mr. Trump has made again and again is that you don't get amnesty and you don't get legalization since you broke the law to be here in the first place. But then he also respects it's a complex issue," Conway said in an interview with MSNBC. She added that Trump's plan would be "the toughest on illegal immigration than anyone's ever been and he means it, he has meant it from day one."

While Trump's visit came as a surprise, New Jersey Gov. Chris Christie, a close Trump adviser, has been among those pushing Trump to make the trip, according to a person familiar with their conversations who spoke on the condition of anonymity in order to discuss them publicly. Christie made his own successful trip to Mexico City in September 2014 and has a warm relationship with the Mexican president.

Last week, Pena Nieto extended invitations to visit Mexico to both Trump and Democrat Hillary Clinton, who met with him in Mexico in 2014. The Washington Post first reported Aug. 30 that Trump was considering making the trip to Mexico.



Announcements & Reports

What can The Eurozone Learn From US Monetary History?

Source : Bruegel
Weblink : <http://bruegel.org/2016/08/what-can-the-eurozone-learn-from-us-monetary-history/>

The Missile Defense Agency and the Color of Money

Source : CSIS
Weblink : <https://www.csis.org/analysis/missile-defense-agency-and-color-money>

Transatlantic Rifts: Averting a Turkey/Russia Conflict

Source : Chatham House
Weblink : <https://www.chathamhouse.org/publication/transatlantic-rifts-averting-turkey-russia-conflict>

Upcoming Events

Congo's Political Crisis: What is The Way Forward?

Date : 05 September 2016
Place : Washington DC, USA
Website : <https://www.brookings.edu/events/congos-political-crisis-what-is-the-way-forward/>

Competitive Gains in the Economic and Monetary Union

Date : 15 September 2016
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/534-competitive-gains-in-the-economic-and-monetary-union/>

The Future of Capitalist Democracy: UK-Japan Perspectives

Date : 16 September 2016
Place : London - UK
Website : <http://www.chathamhouse.org/event/future-capitalist-democracy-uk-japan-perspectives>

13th Asia Europe Economic Forum (AEEF)

Date : 21 – 22 September 2016
Place : Beijing - China
Website : <http://bruegel.org/events/13th-asia-europe-economic-forum/>



Emerging Markets and Europe: Time for Different Relationships?

Date : 23 September 2016
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/524-emerging-markets-and-europe-time-for-different-relationships/>

What future for Europe's Social Models?

Date : 25 September 2016
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/526-what-future-for-europes-social-models/>

Challenges for Growth in Europe

Date : 26 September 2016
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/521-challenges-for-growth-in-europe/>

Global Governance of Public Goods: Asian and European Perspectives

Date : 28 September 2016
Place : Paris - France
Website : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

The Future of the Welfare State

Date : 30 September 2016
Place : Berlin - Germany
Website : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>

Vision Europe Summit 2016

Date : 21 – 22 November 2016
Place : Lisbon - Portugal
Website : <http://bruegel.org/events/vision-europe-summit-2016/>