

Mosul offensive going faster than planned, Iraqi PM says

Hurriyet Daily News, 20.10.2016



The offensive to seize back Mosul from the ISIL is going faster than planned, Iraqi Prime Minister Haider al-Abadi said, as Iraqi and Kurdish forces launched a new military operation to clear villages on the city's outskirts.

Howitzer and mortar fire started at dawn, hitting a group of villages held by ISIL about 10-20 km from Mosul, while helicopters flew overhead, according to Reuters reporters. To the sound of machine gun fire and explosions, dozens of black Humvees of the elite Counter Terrorism Service (CTS), mounted with machine guns, headed towards Bartella, an abandoned Christian village just east of Mosul.

Militants were using suicide car-bombs, roadside bombs and snipers to resist the attack, and were pounding surrounding areas with mortars, a CTS commander said. Hours later, the head of Iraq's Special Forces, Lieutenant General Talib Shaghati, told reporters at a command center near the frontline that troops had surrounded Bartella and entered the center of the village. Two soldiers were hurt and none killed, and they had killed at least 15 militants, he said.

Al-Abadi, addressing anti-ISIL coalition allies meeting in Paris by a video link, said: "The forces are pushing towards the town more quickly than we thought and more quickly than we had programmed." A U.S.-led coalition that includes France, Italy, Britain, Canada and other Western nations is providing air and ground support to the forces that are closing in on the city in an operation that began.

French Foreign Minister Jean-Marc Ayrault said controls were being put in place to check jihadists were not trying to insert themselves among those fleeing Mosul. On the northern front, Kurdish peshmerga forces shot down a small drone that had flown over from ISIL lines. It was not clear if the drone, 1 to 2 meters (yards) wide, was carrying explosives or being used for reconnaissance. "There have been times when they dropped explosives," said Halgurd Hasan, one of the Kurdish fighters deployed in a position overlooking the plain north of Mosul.

Turkey and Iraq negotiate agreement on Turkish troops in Bashiqa

Hurriyet Daily News, 21.10.2016



Turkey and Iraq are negotiating on a five- or six-point agreement to clarify the current status and future of Turkish troops at the Bashiqa military camp close to Mosul.

A visiting Turkish delegation presented a draft to Iraqi officials in Baghdad, and the parties edited some of the articles following proposals by the Iraqi side, Turkish officials said. As Iraq works on the draft agreement, Ankara and Baghdad will continue talks in the near future, they said. The status of the Bashiqa camp, the involvement of Shiite militias in Mosul offensive and the presence of outlawed PKK elements in the Sinjar region were the three main issues.

Ankara and Baghdad have reached a “general consensus” over the issues, according to Turkish officials, who stressed that Turkey preferred a written agreement which would also have an effect on non-state actors in Iraq.

As a second option, the parties could implement the consensus under a modus vivendi without a written accord, according to developments in Iraq. The Turkish side is worried about Tehran’s possible interference in the talks between Baghdad and Ankara.

On the issue of Turkish forces in northern Iraq, the agreement will identify the current status and future of the troops, with Turkey insisting that the soldiers remain stationed at Bashiqa until the end of the Mosul offensive. A formula that would bring the status of Bashiqa camp under the mandate of the coalition forces has long been proposed by Turkey.

Ankara also proposed that Iraq use Turkish troops’ assets at the Bashiqa camp, such as its artillery capacity, as part of the Mosul offensive against the Islamic State of Iraq and the Levant (ISIL), yet Baghdad expressed concerns about the involvement of Turkish soldiers. Turkish officials have underlined that the participation of the Ninova fighters trained by Turkish soldiers in the Mosul offensive was vital for Ankara, adding that Baghdad accepted the request.

After the Kurdistan Democratic Party (PDK) retreated from the Sinjar region in the face of an onslaught by ISIL, the PKK moved into fill the vacuum and rescue fleeing members of the Yazidi community before subsequently demanding to become part of the Mosul offensive.

Turkey has urged both the U.S. and Iraq to hinder the participation of PKK elements in the offensive, officials say, adding that their expectation was met by Iraqi administration. Baghdad stopped financial aid to Kurdish militias in Sinjar two months ago following suggestions by Washington.

During the talks in Baghdad, Iraq proposed to their Turkish interlocutors to resume a trilateral committee between Turkey, Iraq and the U.S. in order to discuss the PKK presence in the Sinjar region after the Mosul offensive is completed.

Fearing the possibility of Sunni-Shiite sectarian clashes, Turkey has objected to the prospect of al-Hashd al-Shaabi, Shiite paramilitary forces, entering the city center of Mosul and Tel Afar in the U.S.-led offensive against ISIL.

In talks with the Turkish delegation, Baghdad assured Ankara that the militias would not be involved in an offensive into Mosul city center. But Ankara is still worried the forces might enter the largely Turkmen town of Tel Afar in contravention of Baghdad's instructions. U.S.-led coalition forces are planning another offensive in Tel Afar against ISIL fighters after the Mosul operation.

The next round of talks between Ankara and Baghdad will be held upon a reply from the Iraqi side. A delegation from Iraq to Turkey or vice versa could make the visit or Turkish embassy officials in Baghdad could conduct the upcoming talks.

Supporters of Shiite leader Muqtada al-Sadr have been holding protests in front of the Turkish embassy since Oct. 17. Ankara is worried about the deterioration of ties with the Shiite group as Turkey has previously had good relations with al-Sadr, Iraq's most powerful Shiite cleric, whose policies are perceived as "balanced" by Ankara. Al-Sadr has identified the Turkish presence in Mosul as an "occupation of Iraq" and called his supporters to make their voices heard without assaulting the embassy.

The challenges facing Turkish diplomacy

Yeni Safak, 14.10.2016



The Obama Administration's conscious policy of diminishing American power and prestige in Western Asia continues to yield benefits to Russia and Iran. What does this mean for Turkish power?

The Washington Post columnist Charles Krauthammer last month analyzed what he called the "reordering of the Middle East" where after "40 years the U.S.-Egypt alliance anchored the region, a Russia-Iran condominium is now dictating events." This is the result of U.S. President Obama's evident belief that "calculations of raw realpolitik are 20th-century thinking -- primitive, obsolete, the obsession of small minds."

The fallout effects of this myopia extend beyond the Syria-Iraq nexus into the whole neighborhood of the Greater Middle East. In this complex and evolutionary situation, the autonomy of the strategically key South Caucasus oil and gas-producer Azerbaijan comes under increasing pressure, as it seeks to adapt to the demands of its neighbors while maintaining some margin of diplomatic maneuver.



A most recent indication of this situation is the trilateral meeting, in Baku, of the foreign ministers of Azerbaijan, Iran and Russia. The tectonic shifts in the region are slowly rumbling, but are still under the radar as attention focuses on the Iraq-Syria (and now Turkey) conundrum. At the meeting's conclusion, Azerbaijan's foreign minister Elmar Mammadyarov said that the discussions highlighted the energy and transportation sectors.

Iran hopes for the establishment of railroad links to its Bandar Abbas port all the way from St. Petersburg, depending in part on the project of a railway corridor with Azerbaijan (from Rasht to Astar). Electricity swaps are also foreseen, as Azerbaijan now overproduces electrical power and has export capacity for this. Russian foreign minister Sergei Lavrov noted that the three countries have established a permanent institutional framework for coordinating ministerial-level cooperation.

Russia has already significantly increased arms sales to Azerbaijan, and it just compelled Armenia to agree to the establishment of a single Armenian-Russian army. This gives Russia the keys to the resolution, or the irresolution of the territorial conflict over Nagorno-Karabakh, an integral part of Azerbaijan that Armenian armed forces have occupied for over 25 years. At the same time, a general realization is dawning in Armenia that its affiliation with the Russian-led Eurasian Economic Union brings Yerevan no advantages at all.

With recent changes in the constellation of domestic political forces in Georgia, Russian pressure beginning with the 2008 invasion and occupation of South Ossetia is bearing fruit as the U.S. and the EU likewise look in other directions. The Iranian energy cooperation with Armenia and Georgia continues to deepen. Where does this leave Turkey?

Turkey is not present in this equation, except for its strong ties with Azerbaijan. Russia and Iran are making significant economic and diplomatic inroads in the South Caucasus. This development by itself puts pressure on Turkey, which has long counted good relations with Azerbaijan and Georgia as a political advantage. These relations will not change with Azerbaijan, where cooperation on energy and other economic matters is a well-established national interest.

Georgia, however, does not have the same stability of a diplomatic course that Azerbaijan does. While domestic developments in Tbilisi are also finding it necessary to make political compromises with Russia, the occupation of its territory by Russia (as distinct from the occupation of Azerbaijani territory by Armenia) arguably weakens its resolve more than Baku's is weakened by foreign forces.

One of Turkey's greatest concerns should be to prevent Russia and Iran from colluding against it. There are two ways for this. First, Russia and Iran have sometimes divergent interests, for example in Syria, and Turkey can use that to its own advantage, if it can play a subtle game.

Second, Turkey can try to leverage other parties to increase its own autonomy. Relations with Israel and Saudi Arabia, for example, come in here. If Turkey has recently overcome a threat from within, it should not give Iran undue advantages, because Iran uses the same tactics elsewhere. Without even mentioning Iraq or Israel, we see Iran trying (and even succeeding) to destroy Lebanon from within by using Hezbollah, trying to destroy the Palestinian Authority from within by using Hamas and Palestinian Islamic Jihad including Al-Quds Brigade, trying to destroy Egypt from within by using Muslim Brotherhood and trying to destroy Saudi Arabia from within using sectarian tensions.

Iran is a revisionist power, meaning that it seeks to overturn the regional status quo. Why should Turkey escape this subversion from Tehran when literally no other country in the region escapes? Russia and Turkey can expand cooperation again, but also Russia will always try to use Iran (insofar as it can) to leverage against Turkey. And Iran will use Iraq, where a government is setting up its own “praetorian guard” that will be only a subsidiary of Iran’s Revolutionary Guard and directed from Tehran.

Turkey has been expanding relations with China, and seeking sometimes to play off China against Russia; for example, in the question of nuclear-industry cooperation. But China is too far away to be of real power-political value to Turkey in the regional equation. Europe has become too concerned with its internal problems to be much help. (This involves not just the migrant crisis, but also Brexit and similar domestic developments in the politics of the member-states.) The United States is caught up in its own domestic political and demographic crisis as well.

Turkey must rely upon itself, but it cannot rely only upon itself. It must seek and accept tactical and strategic cooperation with third parties. The problem is that only Russia and Iran are offering substantial help in this regard, and each one has its own agenda that seeks to limit Turkey’s options. By process of elimination, Saudi Arabia and Israel are the only countries in the neighborhood that hold the possibility for counterbalance against Russia and Iran and have the means to offer for that purpose.

Atlantic Council: Turkey, new US administration should think strategically

Hurriyet Daily News, 21.10.2016



A change in the White House will provide enormous opportunity for the new U.S. administration to sit down with Turkish leaders, the head of the Atlantic Council has said, expressing his belief Ankara and Washington will be able to leave disagreements as they focus on goals and interests.

“My own view is, this is a time when Turkey and the United States together have such massive interests that when we have disputes over anything, that throws off our ability to get the big [problems solved]. We have to take on those disputes and we have to work together to solve them,” Frederick Kempe, president and CEO of Atlantic Council, told.

Here are the questions and answers from the interview:

It’s obvious that Turkey and the U.S. are at odds over a number of very critical issues. How did they come to this point?



There is much more cooperation going on a day-to-day basis that most people see, but the U.S. and Turkey also have disagreements that need to be sorted out. Over time, both sides will have to find a way to deal with the issue of Fethullah Gülen that both suits American legal demands and Turkish expectations.

We are going to have to deal with the Kurdish issue in a way that understands the Kurds' role in the region but also the dangers that extremist organizations pose. But most of all, we have to understand that we no longer face a crisis of the Middle East, we face a crisis from the Middle East. And what I mean by that is, it is not a crisis that can be solved by outside actors.

How destructive do you think the Gülen issue could be?

At the moment, this appears to be an issue that divides the U.S. and Turkey, but ultimately I think we will find that this is a manageable issue and we will ultimately find our way closer together. What I mean by that is I think that there is a growing understanding in the United States of the issue that this poses in Turkey. You have to understand most Americans have never heard this name before. And they don't understand at all the meaning of this issue to Turkey or the importance of this issue for the Turkish government. So you start from a standpoint of confusion among most Americans about what this means in general.

How do you think relations between Turkey and the U.S. should be navigated under the new elected administration?

My own view is that the common interests of Turkey and the United States are so incredibly deep. We both want the prosperity of this region and the stability of this region as two members of NATO that both want to act against extremism.

[Because] the common interests are so strong, I am less worried than others are about challenges to the relationship. I think a change in the White House will provide an enormous opportunity for a new U.S. administration to sit down with Turkish leaders and think about things strategically. ... It is very often that we don't think strategically enough about our common interest and how we can work together to take on problems.

We don't actually have the luxury of disputes over less consequential matters. My own view is that this is a time when Turkey and the United States together have such massive interests that when we have disputes over anything that throws off our ability to get the big [problems solved]. We have to take on those disputes and we have to work together to solve them.

What do you think about criticisms that Turkey does not act like a reliable partner and a NATO ally?

Turkey is a pivotal state. I don't think there is another country in the world that is a hinge state in so many different ways. It is a Middle Eastern state, in a way. It is a Black Sea state in a way, a Central Asian state and a European state. I am not sure if there is another country that has this strategic function in so many different geographies, not to mention this dividing line between Europe and Asia. And, so, there is absolutely no doubt in my mind that the understanding in the West of Turkey's importance as part of the West will grow and has grown over time.

And it also strikes me that Turkey is stronger as part of the West, looking into each of these issues as part of the West dealing with the Middle East; as part of the West dealing with Central Asia and as part of the West dealing with the Black Sea. Turkey on its own is not as strong and is not as anchored and so in my vision, it is vital that the West recognizes the value of Turkey and also that Turkey recognizes the value of the West. This is also why we are having our annual summit; a high-level dialogue platform on energy, economy, and security issues here in Istanbul every year. The next one will be on April 6-7, 2017.

Two last questions. First on Russia: Is there a new alliance rising in the region between Turkey and Russia?

No one had an interest on a confrontational course between Turkey and Russia. There was a dangerous situation that served nobody's interest. The question now is whether Turkey's improved relationship with Russia can also help influence Russia's decisions in Syria and in Ukraine to be more constructive. And on Turkey and Israel. How do you think this normalization between Turkey and Israel might affect the Middle East in general terms?

The return of Turkey's approach in the direction of zero problems with neighbors is positive: As long as it also means a value-oriented approach to make judgments regarding neighbors to create a better world. There is no downside to an improved relationship between Israel and Turkey but there is an enormous upside.

US wants Turkey in anti-Daesh operations, Secretary of Defense Carter says

Daily Sabah, 22.10.2016



The U.S. Secretary of Defense, Ashton Carter said the U.S. supports initiatives taken by Turkey to protect its borders with Iraq and Syria, and that it wants Turkey in anti-terror operations against Daesh.

According to reports, Carter told that it is reasonable for Turkey to follow the developments. He reportedly said the U.S. supports precautions taken by Turkey to protect its borders and added the U.S. would like Turkey to participate in operations against Daesh terrorists. Carter noted that even though there may be differences of opinion between the U.S. and Turkey, both countries always agree in principle.

"Fighting against all types of terrorism is one of such principles" Carter said, and added that both countries can overcome differences of opinion through discussion. I ik told Carter that Daesh terrorists pose a great threat to Turkey and that Turkey has taken significant steps to eliminate the threat along its borders by launching Operation Euphrates Shield.

He highlighted that the success of Turkey-backed operation, which liberated many areas including the Daesh-stronghold of Dabiq, has shown that the Free Syrian Army (FSA) can accomplish a lot against Daesh if it is properly supported. In response, Carter congratulated Turkey for liberating Dabiq and also thanked it for accepting millions of refugees from neighboring Iraq and Syria. “We expect the PKK/PYD/YPG elements to withdraw to the east of Euphrates River, as previously promised” I ik said, and warned his U.S. counterpart that such terrorist organizations cannot be relied on.

He also highlighted that the U.S. will continue to be a strong ally of Turkey during his visit to the Grand National Assembly of Turkey (TBMM), which was bombed by Gülenist terror group (FETÖ)-linked soldiers on the night of July 15 failed coup attempt. Carter expressed his condolences for the lives lost in the July 15 failed coup attempt and said that people who sacrificed their lives for democracy are heroes.

“We will continue to support democracy in Turkey,” Carter said. President Recep Tayyip Erdoğan also welcomed Carter at the Presidential Complex in Ankara, where the two had a 30-minute long closed-door meeting.

In addition to Turkey, the secretary will also travel to the United Arab Emirates, France and Belgium between October 20 and 27 to meet with “key partners in the campaign to deliver Daesh a lasting defeat,” statement by the Defense Department said.

Carter will also participate in his fifth NATO defense ministerial as secretary of defense. Carter began his trip in Turkey. He met with Turkish leaders to discuss a range of security challenges in the region including the latest developments in Iraq and Syria, and he will then head to the United Arab Emirates for meetings with Emirati leaders.

EU threatens Russia with sanctions over Syria

Hurriyet Daily News, 20.10.2016



European Union leaders warned Russia at a summit on Oct. 20 that they will consider sanctions over its role in the Syrian conflict if Moscow does not stop “crimes” in the devastated city of Aleppo, as a “humanitarian pause” the Syrian army’s Russian-backed assault on Aleppo took effect.

As the bloc’s 28 leaders met in Brussels on their future strategy to deal with Moscow, EU President Donald Tusk said they should “keep all options open, including sanctions.” The leaders of France and Germany had given a similar sanctions warning after holding talks in Berlin with President Putin.

A draft summit statement said the EU was weighing sanctions against supporters of Syrian President Bashar al-Assad's regime if they fail to stop atrocities, although it did not mention Russia by name. "The EU should keep all options open, including sanctions if the crimes continue," Tusk said as he arrived for the summit.

British Prime Minister Theresa May, arriving for her first EU summit since the June Brexit vote, called for a united European approach to "sickening atrocities" in Syria. "We must show a robust and united European stance in the face of Russian aggression," May told reporters. "It is vital that we work together to continue to put pressure on Russia to stop its appalling atrocities, its sickening atrocities in Syria."

The unilateral ceasefire began at 8:00 am (5:00 a.m. GMT) and was to last at least 11 hours, with the aim of allowing civilians and fighters to evacuate the city's opposition-controlled east. Gunfire and artillery exchanges erupted around a crossing point near the rebel-controlled Bustan al-Qasr district shortly after the pause began, an AFP correspondent said.

State news agency SANA said "terrorist groups" had targeted the area around the corridor with rocket, machinegun and sniper fire "in an attempt to hinder the humanitarian pause." But by afternoon, the clashes had subsided and the east was calm, though the streets were empty.

The U.N. said Russia had pledged to extend the truce until the night of Oct. 22 and the Syrian army had earlier said it would last three days. On Oct. 20 its soldiers were calling through loudspeakers for residents to "seize the chance" to evacuate. The U.N. said it hoped to carry out the first medical evacuations from Aleppo, after getting clearance from all warring parties.

Brexit's big winner? It could be New York city

Foreign Policy, 10.10.2016



One of the few upshots for Europe after Britain decided to leave the European Union was the possibility that London's financial center, would relocate to the European mainland to avoid the regulatory nightmare to come.

Paris, Amsterdam, and Frankfurt were all possibilities. However, as the aftermath of the Brexit vote unfolds, it appears as if the real beneficiary from financial services departing the U.K is on the other side of the Atlantic. As global investment banks consider how to deal with Brexit, it's becoming clear that only one city has the regulatory framework necessary to handle: New York City.



As Bloomberg recently noted, London is typically an investment bank's largest or second-largest headquarters. The same can be said of New York. Rather than move operations to Europe, it makes more financial sense to simply move to New York, because it would be cheaper to move operations than set up new ones.

British Prime Minister Theresa May has promised to invoke Article 50, the clause that would actually start unwinding the U.K.'s legal ties with the EU, by May of next year. If she does so, she risks losing a sector that accounts for 8 to 10 percent of national GDP. Industry insiders already sense the move to the States rather than mainland Europe is coming. Speaking at a conference in Washington earlier this month, Morgan Stanley CEO James Gorman said, "The big winner from Brexit is going to be New York and the U.S. You'll see more business moving to New York."

He was joined by Xavier Rolet, the London Stock Exchange chief, who said recently that Wall Street was the only place with the capacity to handle clearing of the 17 major world currencies. "Very little of that [ex-London] business is likely to go to Europe," Rolet claimed.

Part of the reason is regulatory. It's not clear whether the EU's massive bureaucracy would be able to cope with an influx of applications to move investment banking operations to Europe. This is one reason, among so many, that banks were anti-Brexit before the June vote. There is now uncertainty about how the European Union will work with Britain to finalize the divorce, and what that will mean for how banks will do business there and in Europe. There is no such worry in the Big Apple.

Another part is cultural. According to the Global Financial Centres Index, published by the consultancy Z/Yen Group, London ranks first of the list of places where financial workers want to live. New York ranks second, while Frankfurt comes in at 19th and Paris at 29th. In a report published Monday, Open Europe, a think tank that did not take a stance on Brexit, found that for finance types, New York, Singapore, or Hong Kong would be preferable to moving to mainland Europe.

And another reason is that London could lose access to the European common market, which allows good, services, and people to flow across Europe without restriction. Many in Europe, including Germany, want to restrict access to it post-Brexit. Without it, banks would lose easy access to a market with 500 million customers.

May doesn't have to look further than Sir Jon Cunliffe, a deputy governor of the Bank of England, to know where such a financial capital might migrate. When asked earlier this month whether banks will likely depart the U.K for the United States, he said, "Could it be transported to New York? Well of course, it already exists in New York."

Britain is becoming an emerging market

Foreign Policy, 17.10.2016



Breaking up is hard to do — especially after a 43-year marriage. Which is why the notion that the United Kingdom might engineer a “soft Brexit” from the EU, the innocent hope of many investors and some Brits, was always a delusion.

Instead, Britain’s plunging pound, which has swooned to a staggering 168-year low against a benchmark of other major currencies, is just a taste of the economic deterioration to come. Instead of the pro-Brexit camp’s promise that the vote was a push for independence from European red tape, the drive for sovereignty has turned into a quixotic exercise in isolationism that shows few signs of ending well.

In effect, the United Kingdom has abdicated its chief source of economic and political clout — its close association with the European Union, the world’s largest economy. In so doing, Britain may be on the way to looking more like an emerging market, where suddenly political risk, currency volatility, and uncertainty about the future are the new normal. Britain may be on the way to looking more like an emerging market, where suddenly political risk, currency volatility, and uncertainty about the future are the new normal. And if you’re thinking that long-term investment and private spending might suffer as a result, you’re bloody well right.

Despite a raft of warnings, Brexiteers were quick to claim victory in the months following the momentous June referendum. “To me, Brexit is easy,” said a confident Nigel Farage, leader of the pro-Brexit UK Independence Party. Sure, the pound was falling a tad rapidly. But, hey, the economic data didn’t fall off a cliff, and the stock market even hit a new record. But that was the summer sun talking.

The arrival of autumn has brought the onset of reality. One leaked government report estimated the mere cost of the process at an eye-popping \$22 billion. That’s substantially more than the U.K.’s yearly contribution to the EU budget, which was supposed to be a source of savings post-Brexit.

Meanwhile, it’s become clear that the stock market’s surge mostly reflected the pound’s depreciation. The reason late-summer markets had not started to fully price in a Brexit is that the new U.K. government, under conservative Prime Minister Theresa May, simply had decided to hold off on actually pulling the Brexit trigger by not invoking Article 50, the terms of the breakup. In other words, the first few months were like a period of separation when the divorce paperwork had yet to be filed.

Now that notice has arrived, things look a lot bleaker. The pound’s decline has started to look anything but orderly, with daily plunges compounded by a surprise “flash crash” that obliterated the currency momentarily but left a lasting scent of panic. This is quite typical of an emerging market, where currency swings tend to be much greater than in rich countries, in part because of the uncertainty generated by fractious, dysfunctional political systems.



Worse yet, bond prices have been falling in the currency's wake, pushing up expectations of inflation for all the wrong reasons — not because Brits expect the economy to boom and their wages to rise but rather because they expect a currency-driven loss of purchasing power.

While it's impossible to predict the pace at which Britain's economic malaise and increasing isolation will progress — much still hinges on negotiations to come — it is feasible to determine the avenues through which the steady, gradual decay in British living standards is likely to take place.

First and most obviously, there's the xenophobia underlying the push for a Brexit. The Conservative government's anti-immigrant propaganda has surpassed the fears of many, most outrageously when it declared that companies should start publicly listing their foreign workers — a policy with dangerous echoes of nationalist totalitarianism. This is already putting a chill on economic activity and the sort of vibrancy that makes London and other major U.K. cities attractive cosmopolitan centers.

The implications are widespread, affecting everything from potential investment by foreign companies, applications to British universities by top-tier foreign students, EU-wide funding for the arts and sciences — the list goes on and on.

This dissolution of the social fabric is compounded by a second major setback: Britain's trade relations with the world. In one fell swoop, long-lasting relationships have been undermined and thrown into disarray.

In one fell swoop, long-lasting relationships have been undermined and thrown into disarray. Some early enthusiasm about potential bilateral trade deals has been dampened by the fact that non-EU countries want Britain's continental relationship to be fully settled before entering into any new negotiations.

For four decades, Britain's trade relations were conducted with the EU as a whole, so it's impossible to disentangle the two until the U.K. has its own new rules of the road. Indeed, there's so much uncertainty that the British government has had to go on a hiring spree for trade experts. I'm not sure that's exactly what the Brexiteers had in mind when they said that leaving the EU would be good for employment figures.

Then there's the tumbling pound itself. The historically weak pound leaves the Bank of England in a very tight spot, since any effort to further cut already low interest rates would risk compounding the sell-off in sterling.

Normally, a falling currency is a boon to manufacturing and exports, and, indeed, it may have a narrow short-term positive effect for the British economy. But given the waning strength of the country's industrial sector, such a bump is likely to be marginal — and overwhelmed by the opposing, negative impact.

Bank of England Gov. Mark Carney, whose low-rate policies have been directly challenged by the May government, has said he would tolerate somewhat higher inflation for a time. But that is likely to become an unpopular strategy if inflation truly takes off. And how can we forget Britain's crowning jewel — its prized financial center?



The so-called City of London, for all of its troubles and role in the financial crisis, is a major employer and driver of business activity both for the capital and the nation. Over the last four decades, the U.K.'s banking system has surged in size, with total assets climbing from about 100 percent of the country's gross domestic product to a staggering 450 percent of GDP — too-big-to-fail on steroids. The large presence of banks in the economy has always been a major boost to other industries, including commercial and residential real estate, hotels, restaurants, and airlines.

Some of that may be about to slip away as banks and other financial companies, including younger technology companies, rethink their British operations and investment. These are not empty threats. The benefits of having a London base came precisely from the free movement of people throughout the European Union. With that gone, and with its access to the European Single Market, the advantages begin to quickly evaporate. Cities like Paris; Frankfurt, Germany; and Dublin start to look competitive as potential alternatives.

Lastly, Brexit has thrown the very territorial integrity of the United Kingdom into question. Scotland is overwhelmingly pro-EU, and the threat of another independence referendum looms. This only further ratchets up frightening levels of uncertainty, which nearly 90 percent of U.K. chief financial officers rank as abnormally high post-Brexit.

There's even the question of what might happen to Northern Ireland. "Robbed of EU financial support, with London less able to commit scarce fiscal funds to Northern Ireland, facing a land border once again with the rest of Ireland ... a centrist majority for reunification on economic grounds might materialize," argues Jacob Kirkegaard, senior fellow at the Peterson Institute for International Economics. "Catholic and Unionist voters who care about the Northern Irish economy may in time choose the perceived economic stability of a united Ireland over remaining in the U.K." How's that for renewed sovereignty?

Most strikingly, the May government has actively chosen to alienate any initial attempts at European goodwill, already hard to come by, even though it has very little negotiating power under the circumstances. The pro-Brexit camp clearly advanced toward its cause without a plan and continues to fumble in developing one. It's no wonder traders see an even steeper decline in the pound ahead, with a potential spike in inflation in its wake as import prices surge. Sound familiar? It's the sort of concern economists long reserved for the developing world.

Donald Trump can't undermine American democracy because it barely even exists

Foreign Policy, 17.10.2016



Calm down, world. Donald Trump will not destroy American democracy. True, America's most loathsome presidential candidate said some typically loathsome things during Wednesday night's presidential debate.

Most notably, when moderator Chris Wallace asked Trump if he would "accept the result of this election," Trump launched into a fuming denunciation of the news media and repeated his claim that the election is "rigged." Pressed by Wallace on whether he accepts the principle that American elections should lead to a concession by the loser and a peaceful transition of power, Trump doubled down:

"I will tell you at the time. I'll keep you in suspense." Trump sure knows how to push people's buttons. On cue, the global media moved into hysteria mode: "Donald Trump placed an unprecedented question mark over the peaceful succession of power in the United States last night," spluttered the Times of London.

In Germany, Der Spiegel decried Trump's "shocking refusal" to recognize the election results. In the United States, every major newspaper denounced Trump's comment: It was "a remarkable statement that seemed to cast doubt on American democracy," opined the New York Times, while the Washington Post called it a "breathtaking repudiation of American democracy." But the only shocking thing about Trump's statements is that everyone seems to find them so shocking.

It's no surprise that Trump is shaping up to be a sore loser. He's been one all his life. It's no surprise that Trump is shaping up to be a sore loser. He's been one all his life. As Hillary Clinton pointed out during the debate, Trump even complained that TV's Emmy Awards were rigged against "The Apprentice," the reality show Trump hosted before moving on to the "The Presidential Campaign," his latest absurdist television drama. (The Television Academy, which bestows the Emmys, begs to differ).

Yes, Trump's ugly comments smack of fascism. Again, no surprise: This is the guy who wants to make all American Muslims register with the government so they can be more effectively monitored. This is the guy who wants to bring back torture and bomb the children of suspected terrorists. This is the guy who threatened, during the second debate, to send Clinton to prison if he wins.

Fortunately for the world, Trump isn't the arbiter of election validity. If Clinton wins on Nov. 8, as now appears overwhelmingly likely, the courts, the police, the military, Congress, every federal agency, and the vast majority of American voters will accept her as the nation's president. Trump can reject the election results if he wants, just as he can reject the notion that the Earth is round if he wants.



It doesn't matter. He can stand on a soapbox and whine, but the Secret Service won't be letting him move into the White House on Jan. 20, and no one will be handing him the nuclear codes. That's not the only reason Trump's unhinged debate comments don't present an "unprecedented threat" to American democracy. Yes, they may incite some of his most disgruntled supporters to violence. But here again, this would hardly be new.

Though most Americans don't know it — or prefer to forget it — American history is replete with examples of voter intimidation and political and electoral violence. American history is replete with examples of voter intimidation and political and electoral violence. In 1834, opponents of abolition rioted in New York.

In 1856, riots broke out in Baltimore over the disputed mayoral election of Thomas Swann, the "Know Nothing" candidate. In 1871, as many as 30 blacks were killed in Meridian, Mississippi, and the mayor was forcibly driven from office by a white mob. In November 1898, a violent coup by local white supremacists overthrew the elected government of Wilmington, North Carolina.

In November 1920, local whites became so incensed when a black man tried to vote that they massacred up to 50 black residents of Ocoee, Florida. 1968 saw the assassinations of Martin Luther King Jr. and Bobby Kennedy, and violent clashes between Chicago police and protesters during the Democratic National Convention.

And, of course, there was the most violent political protest of all, also known as the Civil War. When Abraham Lincoln won the election of 1860, most Southern states seceded from the Union. By the end of the war in 1865, hundreds of thousands of soldiers and civilians were dead.

That's not an exhaustive list of political and electoral violence in America, just a representative one. If angry Trump supporters take to the streets — or beat up minorities, or grope some more women — it will be despicable. But it won't be unprecedented. America has seen much, much worse, and the republic has not collapsed.

So don't panic. Trump won't undermine American democracy, both because we have a strong rule-of-law culture and because we've survived far more serious threats. But don't get too smug, either. There's another reason Trump can't do much to undermine American democracy, and it's a dirty little secret: America isn't really a democracy anyway.

What? The world's oldest, proudest, and loudest democracy isn't really a democracy? No, it's not. If democracy implies that each person's vote should count equally, the United States has never had much of a democracy. If democracy implies that each person's vote should count equally, the United States has never had much of a democracy.

The Constitution created a greatly diluted form of representative democracy that privileges some voters over others. (And I'm not even referring to slavery, or early restriction of the franchise to white male property holders.) Every state gets two senators, for instance, regardless of population size. Since states with smaller populations have, in recent decades, also had less diverse populations, this gives outsized political power to rural white voters and dilutes the political impact of the demographic changes that have been so evident in urban America. Meanwhile, the Electoral College further distorts democracy:



A candidate can lose the popular vote but still win the presidency. Most recently, more Americans voted for Democratic candidate Al Gore than for Republican candidate George W. Bush in 2000, but thanks to the Electoral College system (and a little assist from the conservative justices on the Supreme Court), Bush became America's 43rd president.

Toss in racial gerrymandering, interest group politics, campaign finance rules that give disproportionate political clout to the rich, and a bizarre and often discriminatory patchwork of state voter registration rules, and what you end up with is modern America: an oligarchy in which almost half of eligible voters don't even bother to go to the polls. That's the final reason Trump can't do much to undermine American democracy. It's already been undermined.



Announcements & Reports

Low long-term rates: bond bubble or symptom of secular stagnation?

Source : Bruegel
Weblink : <http://bruegel.org/2016/09/low-long-term-rates-bond-bubble-or-symptom-of-secular-stagnation/>

Americans Are United in Dissatisfaction with Their Choices

Source : RAND
Weblink : http://www.rand.org/pubs/research_reports/RR1726.html

Dealing with a simmering Ukraine-Russia conflict

Source : Brookings
Weblink : <https://www.brookings.edu/research/dealing-with-a-simmering-ukraine-russia-conflict/>

What Consequences Would A Post-Brexit China-UK Trade Deal Have For The EU?

Source : Bruegel
Weblink : <http://bruegel.org/2016/10/what-consequences-would-a-post-brexit-china-uk-trade-deal-have-for-the-eu/>

Upcoming Events

Global Governance of Public Goods: Asian and European Perspectives

Date : 22 October 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 : 22 October 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/>