

## Foreign direct investment in Turkey hits \$765 million in April

Hurriyet Daily News, 23.06.2017



Turkey attracted \$765 million in foreign direct investment (FDI) in April 2017, the Economy Ministry said. According to a statement issued by the ministry, Turkey received \$3.6 billion net of FDI between January and April this year, indicating an increase of 2 percent compared to the same period in 2016.

In the first quarter of 2017, over 1,750 new companies funded by international capital were established in Turkey, while more than 60 domestic firms received capital from foreign participants from the wholesale, retail trade, property renting, and construction sectors.

As of April, of nearly 55,000 companies that benefit from foreign funds or participation, 40 percent are linked to the EU member countries. Financial intermediaries have received the most foreign direct investment with \$1 billion, followed by the community, social and personal service sector -- \$540 million. The manufacturing industry received more than \$480 million in FDI between January and April.

## Turkish PM warns banks to cut interest rates or gov't will 'take its own measures'

Anadolu Agency, 22.06.2017



Prime Minister Binali Yıldırım urged Turkey's banking sector to cut interest rates, saying if it does not then the government will itself take forcible measures.

"The train is about to leave [the station]. I'm making the last call. Either you adopt a reasonable level for interest rates or we will take measures [to reduce them]," Yıldırım said at the opening ceremony of a new Istanbul Chamber of Industry building. "Our bankers should not take this as a threat. But we have tools in hand," he added. Yıldırım said that last year the government took necessary measures to boost the country's economic growth beyond all predictions.

Turkey's economy grew 5 percent in the first quarter of 2017 compared with the same period in 2016, the Turkish Statistical Institute (TÜK) reported on June 19. The figure was higher than the median forecast by state-run Anadolu Agency's Finance Desk, which predicted 3.8 percent growth for the first quarter. In 2016, Turkey's economy grew 2.9 percent despite a series of terror attacks and a deadly coup attempt in July. "We became the number three [country] after China and India [for economic growth], two times higher than Europe," Yıldırım added. "We should guarantee sustainable development. Investments need to be inclusive. Development should be inclusive. We have opportunities to do these. Turkey has opportunities, resources, stability and everything [needed for economic development]," he said. Wikipedia is still banned in Turkey, but the prime minister urged greater attention to research and development, saying the government plans to boost R&D expenditures to 3 percent of GDP.

## Minister Zeybekci: Updating Customs Union deal with EU vital for Turkey

AFP, 21.06.2017



Modernizing the existing Customs Union with its largest market, the European Union, is of great importance to Turkey, Economy Minister Nihat Zeybekci has said, two days ahead of his visit to Brussels to discuss the issue with his European counterparts.

"Turkey is at a key turning point right now in terms of its economic and trade ties. We have free-trade agreements with 23 countries and we will clinch five more deals by the end of this year. We have also been in talks to make more FTAs. The most important goal for us right now is to modernize our Customs Union deal with the EU," Zeybekci said.

At the event hosted by the Foreign Economic Relations Board (DEK) in Istanbul, he noted that the EU still takes the lion's share in Turkey's trade. "We made some 49 percent of our exports to the EU market. We received nearly 40 percent of our imports from the EU, which takes an almost 45 percent share in our foreign trade. We sell nearly 79 percent of our automotive output and 60 percent of textile outputs to this market, despite several disadvantages of the existing customs union deal," Zeybekci said.

The economy minister said both sides agreed to update the deal and stressed that Turkey could “boost the EU’s growth.” “A delegation headed by me will be in Brussels this Friday to talk about the recent situation in our talks on the road to modernizing our deal. We aim to take key official steps in this regard over this year. The process is underway on the other side as well. The European Commission has asked for authorization unanimously to modernize the deal and to further extend the bilateral trade relations to areas such as services, public procurement and sustainable development from the European Council. The Commission’s proposal is currently being discussed in the Council,” he said, adding that the Commission would likely receive approval soon and the process was ongoing in the European Parliament as well. “It will be a win-win situation for both sides,” Zeybekci added.

The Customs Union entered into force on Dec. 31, 1995. It covers all industrial goods but does not address agriculture (except processed agricultural products), services or public procurement right now. Zeybekci also stressed that a free-trade agreement with the U.K. would commence on the same day Brexit starts. Because Turkey has been the first country the U.K. has started negotiations with, he said the two countries would meet “on common ground.”

## US Secretary of State Tillerson to receive top award at key energy summit in Istanbul

Hurriyet Daily News, 22.06.2017



**U.S. Secretary of State Rex Tillerson will be honored with the highest recognition of the World Petroleum Council (WPC), the Dewhurst Award, for his “outstanding contribution to the oil and gas industry,” the WPC announced in a statement.**

**Tillerson will receive the “distinguished lifetime achievement award” on July 9 at the opening ceremony of the 22nd World Petroleum Congress at the Istanbul Convention Center, the statement said. Tillerson, the ex-chairman and former chief executive officer of Exxon Mobil Corp., is the 10th recipient of the Dewhurst Award in the history of the WPC, it added.**

The largest meeting of the oil and gas industry will start on July 9 with a high-level official opening ceremony at the ICC, where ministers and top Turkish officials will welcome over 5,000 participants to the congress. High-level executives from leading energy companies such as Shell, BP, ExxonMobil, Chevron, Total, Saudi Aramco and SOCAR as well as up to 50 energy ministers will be attending the congress with the theme “Bridges to our Energy Future.”

# Fitch revises up Turkey's GDP forecast to 4.7 percent based on strong first quarter growth

Hurriyet Daily News, 20.06.2017



Fitch has upgraded Turkey's growth forecast, pointing to strong first-quarter results that showed 5 percent growth from the same quarter a year ago. The agency now estimates the Turkish economy will expand 4.7 percent in 2017 and 4.1 percent each for next year and 2019.

In its latest Global Economic Outlook (GEO), which was released on June 19, Fitch said the latest data, combined with the robust 2011-2015 performance, suggest that Turkey's growth is persistently higher than previously assumed.

Momentum in the first quarter of 2017 was supported by government incentives aimed at reviving economic activity in the aftermath of the failed coup attempt in July 2016, Fitch stated. "A potentially smoother political environment, with the referendum complete and the next elections not due until November 2019, should support a strengthening of investment and consumption through mid-2019," Fitch noted.

Inflation slowed in May (when it was 11.7 percent) for the first time this year, due to hikes in interest rates and resulting currency stability, it also added. Fitch forecasted 9.5 percent inflation in 2017, 7.5 percent in 2018 and 7.3 percent in 2019.

The recovery in global growth is strengthening and is expected to pick up to 2.9 percent this year and peak at 3.1 percent in 2018, the highest rate since 2010, according to Fitch. "Faster growth this year reflects a synchronized improvement across both advanced and emerging market economies. Macro policies and tightening labor markets are supporting demand growth in advanced countries, while the turnaround in China's housing market since 2015 and the recovery in commodity prices from early 2016 has fuelled a rebound in emerging market demand," said Brian Coulton, Fitch's Chief Economist, in a follow-up press release. "The two key downside risks identified last quarter - eurozone fragmentation risk and aggressive US-led protectionism - have not gone away but have certainly diminished somewhat in recent months," Coulton also noted.

# Turkey's Foreign Economic Relations Board to open business councils in various states of USA

Anadolu Agency, 19.06.2017



The Foreign Economic Relations Board (DE K) will soon adopt a state-basis model in its approach to the United States, establishing business councils in a number of states across the country rather than only in the capital Washington, DE K President Ömer Cihad Vardan has told daily Dünya.

Vardan said each state should be “seen as a separate country with its own characteristics,” but Turkey does not know most of them, focusing mainly on DC along with some of the largest states.

“Our handicap with the U.S. market is our geographical distance. We do not know each other very well. We need to adopt a state-based approach in the U.S., as each state has its own characteristics like a separate country. As the DE K, we should not be present only in Washington. We are working on this plan right now,” he said, quoted on June 19. “I want our board to get organized in various different states as soon as possible. I wish we had done this before now,” Vardan added.

He also noted that the DE K’s business councils worked to explain the reality of the failed July 15, 2016 coup attempt around the world. “The DE K has 135 business councils in 128 countries. Following the coup attempt, we immediately issued an 11-item action plan and started to implement it. At that time, some potential investors tended to postpone their investments in Turkey due to escalating terror attacks. Through our action plan, we tried to explain that the reality was different from what was seen from outside and things were going normally in Turkey. We are still continuing this initiative and we will soon launch a program through which we will compile and announce all these efforts,” Vardan said. He also stated that he foresaw great potential and opportunities for Turkish businesspeople in Iran and India in the upcoming period.

# Minister: Turkey runs \$1.8 billion budget surplus in May thanks to sharp rise in tax revenue

Anadolu Agency, 19.06.2017



Turkey ran a budget surplus of 6.4 billion Turkish Liras (\$1.8 billion) in May, mainly thanks to a significant boost in tax revenues, Finance Minister Naci A bal stated.

The surplus was boosted by a 20.3 percent leap in tax revenue, taking tax revenue to 50.9 billion liras (\$14.5 billion), A bal said in a written statement. “In May, tax revenue soared 20.3 percent with corporate taxes, VAT on imports and income taxes seeing significant increases. Revenue from the recent tax restructuring scheme also made a key contribution to the tax revenue hike,” he added.

The budget also posted a 10 billion lira (\$2.87 billion) non-interest surplus in May. Total government revenue for the month stood at 57.5 billion liras (\$16.4 billion), a 16.1 percent increase year-on-year. Budget spending was 51.1 billion liras (\$14.6 billion), an increase of 11.4 percent compared to the same period last year, according to the ministry.

Between January and May, however, Turkey ran a budget deficit of 11.5 billion liras (\$3.29 billion), A bal noted. The same period last year saw a budget surplus of 9.1 billion liras (\$3.1 billion). “Incentives introduced by the government to support economic growth had a significant impact on the deficit,” he said, adding that the recent economic activity would lead to a rise in tax revenue in the upcoming period. “The key for us is to maintain budget discipline. We will continue to realize economic policies by making no concessions in this area,” A bal vowed.

In the first five months of the year, total revenue rose to 255.3 billion liras (\$73.2 billion) with a 10.5 percent increase compared to the same period of 2016. Total spending hit 266.8 billion liras (\$76.5 billion) in the January-May period, with a 20.2 percent year-on-year increase.

# Saudi king empowers son in royal shake-up

Reuters, 21.06.2017



King Salman made his son next in line to the throne yesterday, handing the 31-year-old sweeping powers as the kingdom seeks radical overhaul of its oil-dependent economy and faces mounting tensions with regional rival Iran.

Although Salman's promotion to crown prince was expected among those who follow the royal family closely, the timing was a surprise, putting the kingdom's future in relatively untested hands. He replaces Prince Mohammed bin Nayef, a veteran security chief who led the Saudi campaign against ISIL and al-Qaeda at a time when Riyadh faces heightened tensions with Qatar and Iran.

Mohammed bin Salman's appointment may make Saudi policy more hawkish against long-time enemy Iran and other Gulf rivals such as Qatar, increasing volatility in an already unstable region, analysts say. "The elevation of Mohammad Bin Salman to the Crown Prince will likely mean minimal change to oil production policy but could bring more aggressive foreign policy moves that bring back the political risk premium," said a note by RBC Capital Markets.

The young prince is often charming in person, but analysts say his rapid rise has also created friction within the ruling family and made Saudi policy less predictable than in recent decades. A favorite son of his elderly father, his youth and dynamism have also appealed to many younger Saudis, who constitute the biggest proportion of society and are often eager for change.

After decades in which the same small group of princes handled Saudi affairs on the world stage, Prince Mohammed has led diplomacy with global powers, reportedly charming both U.S. President Donald Trump and Russian President Vladimir Putin. Mohammed bin Salman was appointed crown prince and deputy prime minister by royal decree. He retains the defense, oil and economy portfolios.

The previous crown prince, Mohammed bin Nayef, the king's nephew and a counter-terrorism chief admired in Washington for putting down an al-Qaeda campaign of bombings in 2003-06, was relieved of all his posts, according to the decree. The royal decree said the decision by King Salman to promote his son and consolidate his power was endorsed by 31 out of 34 members of the Allegiance Council, made up of senior members of the ruling al-Saud family.

Intent on dispelling speculation of internal divisions in the ruling dynasty, Saudi television was quick to show that the change in succession was amicable and supported by the family. Throughout the early morning it aired footage of Mohammed bin Nayef pledging allegiance to the younger Mohammed bin Salman, who knelt and kissed his cousin's hand. "I am content," Prince Mohammed bin Nayef said. Prince Mohammed bin Salman replied: "We will not give up taking your guidance and advice." Iran, Saudi Arabia's main rival for regional influence, called Prince Mohammed's appointment a "soft coup." Arab leaders, including Oman's Sultan Qaboos, Jordan's King Abdullah and Egypt's Abdel Fattah al-Sisi congratulated bin Salman on his appointment.

## Coalition shoots down Iran-made drone in Syria

AFP, 20.06.2017



A US warplane shot down an Iran-made drone operated by pro-regime forces in southern Syria early on June 20, officials said, the second such incident in less than two weeks.

The US-led coalition said in a statement that an F-15E Strike Eagle jet destroyed the Shaheed-129 drone around 12:30 am (2130 GMT) northeast of the Al-Tanaf garrison, which is close to the Jordanian border. "It displayed hostile intent and advanced on coalition forces," the statement read. Coalition troops were working in the area alongside local forces who are being trained to fight the so-called Islamic State of Iraq and the Levant (ISIL) group.

A US military official told AFP the drone was "on a run toward our folks to drop a munition on them," so the coalition shot the unmanned aircraft down in self defense. Al-Tanaf, on the key highway connecting Damascus with Baghdad, has been menaced by a surge of Iran-backed troops loyal to Syrian President Bashar al-Assad.

Coalition forces use the area -- just northeast of the Jordanian border -- as a training and staging area for attacks against ISIL. The incident has similar hallmarks to a June 8 shoot-down, when a US F-15 destroyed a pro-regime drone after it dropped what turned out to be a dud bomb near US-backed local forces. It also comes after an American F/A-18E Super Hornet fighter jet shot down a Syrian SU-22 fighter-bomber Sunday in northern Syria as it "dropped bombs" near the Syrian Democratic Forces, a US-backed alliance fighting ISIL. "Hostile intent and actions of pro-regime forces toward coalition and partner forces in Syria conducting legitimate counter-ISIS operations will not be tolerated," the coalition statement read.

The downing of the regime jet led Moscow to say it would sever a vital hotline it uses to communicate with the US coalition to avoid mishaps in Syria's increasingly crowded and complicated battlespace.



## NATO jet ‘buzzed’ Russian cargo plane

AFP, 21.06.2017



A plane carrying Russian Defense Minister Sergei Shoigu was buzzed by a NATO F-16 fighter jet as it flew over the Baltic Sea, but was seen off by a Russian Sukhoi-27 military jet.

The F-16 had tried to approach the aircraft carrying the defense minister even though it was flying over neutral waters, agencies said. Shoigu was reported to be en route to the Russian exclave of Kaliningrad for a meeting to discuss how well Russia’s western flank was defended. Shoigu’s plane had inserted itself between the defense minister’s plane and the NATO fighter and tilted its wings from side to side to show the weapons it was carrying, Russian agencies said.

The Baltic Sea has become an area of rising tensions between Moscow and NATO. Earlier this month, Russia scrambled a fighter jet to intercept a nuclear-capable U.S. B-52 strategic bomber it said was flying over the Baltic near its border, in an incident that had echoes of the Cold War. Russian defense ministry has said in the past that all Russian flights over the Baltic are conducted in strict accordance with international law.

The incident occurred a day after the Russian defense ministry said an RC-135 U.S. reconnaissance plane had swerved dangerously in the proximity of a Russian fighter jet over the Baltic. The ministry said at the same time that another RC-135 had been intercepted by a Russian jet in the same area.

Apparently referring to the same episode, Pentagon spokesman Navy Captain Jeff Davis said the U.S. aircraft “did nothing to provoke this behavior.” The Pentagon said the intercept had been unsafe and accused the Russian pilot of flying too fast and having “poor control” over his SU-27 fighter jet.

# France's Macron faces balancing act after losing MoDem allies

Reuters, 21.06.2017



President Emmanuel Macron's allies from the under-fire MoDem party quit the government, complicating what had been billed as a routine ministerial reshuffle days after his party emphatically won parliamentary elections.

With MoDem caught up in a judicial investigation into claims it misused EU parliamentary funds, the party's leader Francois Bayrou - a significant ally since backing Macron's presidential bid in February - quit as Justice Minister. The center-right party's two other ministers have also quit Macron's administration since June 20.

Macron, elected on an independent centrist ticket on May 7, had crafted a first government that comprised ministers of the left, right and center, reshaping France's political landscape as he extended his support base. But the flurry of departures indicates that a reshuffle will be more far-reaching than expected as the new president seeks to maintain that balance.

Macron's Republic On the Move (LREM) party won 308 seats in the 577-strong National Assembly on Sunday, while MoDem gained 42. That means the president does not depend on the smaller party to get his legislative program through parliament. But he may have to replace MoDem ministers with politicians from the conservative Republicans, which could give ammunition to leftist opponents who call him a right-winger in disguise.

The prime minister's office confirmed Bayrou's departure and sources told Reuters Junior European affairs minister Marielle de Sarnez, another top MoDem official, was also leaving government. That followed the resignation on June 21 of MoDem defense minister Sylvie Goulard. While Bayrou and de Sarnez have not commented yet, Goulard on June 21 said she was leaving because of the investigation, into whether MoDem used EU parliament funds to finance jobs carried out by party officials in France.

The resignations add to signs that public tolerance of allegations of misuse of public funds by politicians has become much weaker in France. Conservative party The Republicans had on June 20 called for Bayrou and de Sarnez to quit over the investigation into MoDem.

On June 19, the government announced that Richard Ferrand, a minister for territorial planning and key member of LREM was leaving to chair the party's group in parliament. He is the target of a separate judicial probe. "This evening's reshuffle will bring in new names from various backgrounds: some will be from the Left like me and others will be from the Right like [prime minister] Edouard Philippe," Castaner said. "But some others will be appointed to extremely sensitive posts on the basis of their professional expertise, such as the post of armed forces minister."

# EU's Tusk says Europe turning the corner on anti-EU sentiment

Reuters, 21.06.2017



Europe is slowly turning a corner as a wave of anti-European Union movements peters out, Donald Tusk told.

Countries including Austria, the Netherlands, France and Italy have seen a sharp rise in popularity of parties with euroskeptic, often anti-immigration policies, but in recent months these have suffered decisive defeats in elections. Tusk, the president of the council of EU heads of states and governments, said the bloc was now again starting to be perceived as a solution, rather the problem, and that recent difficulties had served to strengthen it.

"It is fair to say that we will meet in a different political context from that of a few months ago, when the anti-EU forces were on the rise," Tusk wrote. "The current developments on the continent seem to indicate that we are slowly turning the corner. In many of our countries, the political parties that have built their strength on anti-EU sentiments are beginning to diminish," he said.

In Britain, the Conservative government of Prime Minister Theresa May lost its majority in parliament earlier this month, scuppering May's stated aim of bolstering her mandate for negotiating Britain's exit from the EU.

In France, Emmanuel Macron decisively won presidential and parliamentary elections on a agenda of support for the EU and reforms, soundly beating Marine Le Pen's far right National Front, which for the first time in its history reached a second round in a presidential vote.

"We are witnessing the return of the EU rather as a solution, not a problem. Paradoxically, the tough challenges of the recent months have made us more united than before," Tusk said.

Apart from Brexit, the EU is also facing a major immigration challenge which, though abated, is still fuelling anti-EU sentiment. Some blame the EU for not acting fast enough to stop the inflow of migrants arriving from the Middle East and Africa.

A series of attacks by Islamist militants in Britain, France, Sweden, Germany and Belgium, in which hundreds were killed, have added to concerns. To further stem migration flows, Tusk said the EU should give more money to support Libyan Navy Coastguards to help stop people being smuggled into the EU by sea. There is also discontent over unfettered global trade, perceived as a threat to jobs in Europe. "Therefore, during the upcoming European Council, I want us to move further on our policy response in these three areas," Tusk said in the letter to the leaders.

# Tunisia PM warns no one safe in anti-graft 'war'

AFP, 21.06.2017



Tunisian Prime Minister Youssef Chahed was reported as saying no one in the North African country involved in corruption would emerge unscathed in his government's "war" on graft.

Corruption was widespread in Tunisia under longtime president Zine El Abidine Ben Ali but it remains endemic. Last month a dozen people including businessmen, suspected smugglers and even a former security official were arrested, in a country where nepotism and corruption are seen as a powerful brake on the road to economic recovery.

"I hear some people say this is just a campaign, but it's not -- it is state policy... Corruption in our country is widespread," Chahed said in an interview published on June 4 in the newspapers La Presse and Assabah. "We aim to tear down the systems of corruption. The struggle against corruption will be a long-term war, a sustained policy," he said. Saying he had acted "in harmony" with President Beji Caid Essebsi, the premier vowed that "no one will be protected in this war against corruption."

Chahed dismissed accusations that the crackdown was a countermeasure to the rise of regional social protest movements. Some of those detained are accused of "incitement and alleged financing of the protest movement" in the south. "It is a system that can be seen everywhere... Even social protests are exploited by this system [of corruption], and terrorists also benefit from it," he said. The anti-corruption arrests, made possible by a state of emergency in force since November 2015, have been largely welcomed. But some say such measures do not go far enough, and that more is needed than the arrest of a few prominent figures.

Chahed rejected criticism of the use of the state of emergency to make the arrests. "In exceptional circumstances, exceptional measures," he said, adding: "Other actions are planned in this framework... People will have to get used to them", as they have "in the fight against terrorism". Since the 2011 revolution, Tunisia has experienced an increase in jihadist attacks that have killed dozens of members of the security forces and 59 foreign tourists.

## At least 19 killed in hotel attack in Somali capital

AFP, 21.06.2017



At least 19 people were killed when Islamist militants launched a car bomb and gun attack on a busy hotel and adjacent restaurant in the Somali capital, a police officer said.

A car driven by a suicide bomber rammed into the Posh Hotel in south Mogadishu on Wednesday evening before gunmen rushed into Pizza House, an adjacent restaurant, and took 20 people hostage. Posh Hotel is the only venue with a discotheque in the capital. District police chief Abdi Bashir told Reuters Somali security forces took back control of the restaurant at midnight after the gunmen had held hostages inside for several hours.

Five of the gunmen were killed, Bashir said. "We are in control of the hotel but it was mostly destroyed by the suicide bomber," he told Reuters by phone. Witnesses said there were bodies lying at the scene on June 15 as ambulances came to take them away. Another 27 civilians were taken to hospital with various injuries, ambulance services said. Witnesses said the attack was launched after the Iftar dinner for customers who are fasting for Ramadan. Most of them were still inside relaxing.

## Trump says China tried but failed to help on North Korea

AFP, 21.06.2017



President Donald Trump said on June 20 that Chinese efforts to persuade North Korea to rein in its nuclear program have failed, ratcheting up the rhetoric over the death of an American student who had been detained by Pyongyang.

Trump has held high hopes for greater cooperation from China to exert influence over North Korea, leaning heavily on Chinese President Xi Jinping for his assistance. The two leaders had a high-profile summit in Florida in April and Trump has frequently praised Xi while resisting criticizing Chinese trade practices.

“While I greatly appreciate the efforts of President Xi China to help with North Korea, it has not worked out. At least I know China tried!” Trump wrote on Twitter. It was unclear whether his remark represented a significant shift in his thinking in the U.S. struggle to stop North Korea’s nuclear program and its test launching of missiles or a change in U.S. policy toward China. “I think the president is signaling some frustration,” Christopher Hill, a former U.S. ambassador to South Korea, told MSNBC. “He’s signaling to others that he understands this isn’t working, and he’s trying to defend himself, or justify himself, by saying that at least they tried as opposed to others who didn’t even try.”

On June 20, a U.S. official, who did not want to be identified, said U.S. spy satellites had detected movements recently at North Korea’s nuclear test site near a tunnel entrance, but it was unclear if these were preparations for a new nuclear test. “North Korea remains prepared to conduct a sixth nuclear test at any time when there is an order from leadership but there are no new unusual indications that can be shared,” a South Korean Defense Ministry official said, speaking on the condition of anonymity.

Seoul was in close consultation with Washington over the matter, the official added. North Korea last tested a nuclear bomb in September, but it has conducted repeated missile test since and vowed to develop a nuclear-tipped missile capable of hitting the U.S. mainland, putting it at the forefront of Trump’s security worries.

## Panama cuts ties with Taiwan, switches to China

AFP, 21.06.2017



Panama and China announced June 13 they were establishing diplomatic relations, as the Central American nation became the latest to dump Taiwan for closer ties with the world’s second-largest economy.

The move prompted an angry response from Taiwan and will likely further strain ties between Taipei and Beijing, which considers the self-ruled island a renegade province awaiting reunification with the mainland. Taiwan is recognized by around 20 countries worldwide and its status is one of the most politically sensitive issues for Chinese leaders who pressure trade partners to accept its “one China” principle.

Panamanian President Juan Carlos Varela said in a nationally televised message “to the country and the world” that “Panama and China establish diplomatic relations today.” The two countries issued a joint statement saying: “In light of the interests and wishes of both peoples, the Republic of Panama and People’s Republic of China have decided to grant each other, from the date of this document’s signing, mutual recognition, establishment of diplomatic ties at the ambassadorial level.”



After decades of siding with Taiwan in the disagreement over its status, Panama now “recognizes that there is only one China in the world” and that Taiwan is part of Chinese territory. Chinese Foreign Minister Wang Yi and his Panamanian counterpart Isabel Saint Malo de Alvarado signed the communique in Beijing. “This is a historic moment, China-Panama relations have opened a new chapter,” Wang said, adding that Panama’s decision was in “complete accord” with its people’s interests and “in keeping with the times.”

Saint Malo said Panama and China had made an “important step” and started a “new page in our strategic relations.” The announcement comes after Beijing began construction last week of a container port, with natural gas facilities, in Panama’s northern province of Colon. Panama had long stressed it had diplomatic ties with Taipei and commercial ones with Beijing. Chinese ships, after those from the United States, are the number two users of the Panama Canal, the Central American country’s main source of budget revenue.

Panama is the latest country to cut ties with Taiwan and it is unlikely to be the last, said Carl Thayer, an emeritus professor of politics at the UNSW Canberra college in Australia. “That change is representing a longer term trend of atomic decay where the circle of countries that recognize Taiwan one by one seem to be shifting to the mainland,” Thayer said. “It’s about who can give the most... Taiwan has resources but it can’t match China.” In December China signed an agreement to restore diplomatic relations with Sao Tome and Principe after the African nation ditched the island.

Taiwan reacted furiously to the latest move. “We strongly condemn Beijing for manipulating the so-called ‘one China’ policy to continue to suppress Taiwan’s international space through various means,” the presidential office said. “This kind of action is not only an open threat to Taiwanese people’s survival and welfare but also an open provocation to peace and stability in the Taiwan strait and the region.”

Diplomatic tussles between Taiwan and Beijing eased under the island’s previous Beijing-friendly government. But relations have deteriorated since President Tsai Ing-wen’s China-skeptic Democratic Progressive Party was swept to power in a landslide election victory last year. Tsai has refused to acknowledge the concept that Taiwan is part of “one China”, unlike her predecessor Ma Ying-jeou.

Cross-strait tensions have been further exacerbated by a highly unusual call from Tsai to congratulate then U.S. President-elect Donald Trump, who questioned Washington’s policy towards the island, including its decision to not formally recognize its government.

# Angry Trump decries being target of Russian links probe

AFP, 21.06.2017



President Donald Trump has responded angrily to reports that he is under criminal investigation, deriding a “witch hunt” against him led by some “very bad” people.

He was answering accounts that he is personally being investigated for obstruction of justice with a characteristic scorched-earth defense: Claiming mistreatment of historic proportions and calling into question the probity of his accusers. “You are witnessing the single greatest WITCH HUNT in American political history -- led by some very bad and conflicted people!” he said in an early morning tweet June 16.

Trump did not directly address the allegations that he is being probed for possibly obstructing justice -- a potentially impeachable offense. Nor did he deny that he has entered the miniscule ranks of sitting presidents who have become subjects of criminal investigations. “They made up a phony collusion with the Russians story, found zero proof, so now they go for obstruction of justice on the phony story. Nice,” he wrote.

Trump’s young presidency has been battered by allegations -- under investigation both by Congress and the FBI -- that Russia interfered to sway the 2016 election in his favor, in possible collusion with Trump’s campaign team.

The FBI probe, now in the hands of special counsel Robert Mueller, shifted its focus to allegations of obstruction in the days after Trump fired the agency’s then-director James Comey on May 9. The new allegations against Trump center on his own admission that he fired Comey because of the Russia investigation, and suggestions he asked several top intelligence officials for their help altering the inquiry’s direction.

Mueller’s team is also focusing on the finances and business dealings of Jared Kushner, Trump’s senior adviser and son-in-law. The widened Russia probe could have far-reaching repercussions for Trump’s presidency, transforming his closest aides into witnesses and sucking yet more political oxygen out of the West Wing.

An aide to Vice President Mike Pence revealed on June 15 that he was hiring Richard Cullen -- a veteran of the Iran-Contra investigation, Watergate and the 2000 vote recount in Florida -- as a private lawyer. The latest White House crisis struck on the evening of Trump’s 71st birthday, after a day in which he had won plaudits for his handling of the shooting of Republican Congressman Steve Scalise.





In an address to the country, Trump struck a notably less partisan tone in response to his first major domestic crisis. Ditching derogatory rhetoric about the Washington “swamp,” he rallied in support of his fellow politicians and called on the country to pull together. “We may have our differences, but we do well, in times like these, to remember that everyone who serves in our nation’s capital is here because, above all, they love our country,” Trump said. But his tweets virtually ensure that the political focus swings back to the Russia scandal.

The president has long vehemently denied any collusion with Moscow. But as the legal rope has tightened, his allies have gone on the offensive, questioning the credibility of the special investigator Mueller, a respected former FBI director who served under Republican president George W. Bush. Allies have even floated the idea that Mueller may be fired. On June 14, Trump’s lawyer Marc Kasowitz suggested -- without providing evidence -- that the FBI had leaked details of the criminal probe. “The FBI leak of information regarding the President is outrageous, inexcusable and illegal,” Kasowitz said via a spokesman.

Late on June 15, Deputy Attorney General Rod Rosenstein -- who is overseeing the Russia investigation -- issued a statement saying the Justice Department does not confirm or deny the kind of allegations in news reports about the probe, and encouraging the public to be skeptical of them. “Americans should exercise caution before accepting as true any stories attributed to anonymous ‘officials,’ particularly when they do not identify the country -- let alone the branch or agency of government -- with which the alleged sources supposedly are affiliated,” he said.

Trump also trained his fire on his onetime rival Hillary Clinton. “Why is that Hillary Clintons family and Dems dealings with Russia are not looked at, but my non-dealings are?” he wrote. “Crooked H destroyed phones w/ hammer, ‘bleached’ emails, & had husband meet w/AG days before she was cleared- & they talk about obstruction?” Several top intelligence officials have agreed to be interviewed by Mueller’s team, according to reports in both The Washington Post and New York Times.

The Post quoted five people briefed on the requests, saying those who agreed to be interviewed include national intelligence director Daniel Coats, Admiral Mike Rogers who heads the NSA, and his recently departed deputy, Richard Ledgett. Comey told Congress last week that before being sacked, Trump pressured him to drop an investigation into his former national security advisor, Mike Flynn, who was forced to quit for lying about his links to Moscow.



# Announcements & Reports

## *How to Handle State-Owned Enterprises in EU-China Investment Talks*

**Source** : Bruegel

**Weblink** : <http://bruegel.org/2017/06/how-to-handle-state-owned-enterprises-in-eu-china-investment-talks/>

## *What Factors Cause Individuals to Reject Violent Extremism in Yemen?*

**Source** : Rand

**Weblink** : [https://www.rand.org/pubs/research\\_reports/RR1727.html](https://www.rand.org/pubs/research_reports/RR1727.html)

## *Actualising East: India in a Multipolar Asia*

**Source** : Brookings

**Weblink** : <https://www.brookings.edu/research/actualising-east-india-in-a-multipolar-asia/>

# Upcoming Events

## *13th Asia Europe Economic Forum (AEEF)*

**Date** : 26 June 2017

**Place** : Beijing - China

**Website** : <http://bruegel.org/events/13th-asia-europe-economic-forum/>

## *Emerging Markets and Europe: Time for Different Relationships?*

**Date** : 27 June 2017

**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** : 27 June 2017

**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** : 27 June 2017

**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 June 2017  
**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** : 28 June 2017  
**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** : 28 June 2017  
**Place** : Lisbon - Portugal  
**Website** : <http://bruegel.org/events/vision-europe-summit-2016/>