

## Turkish Central Bank provides dollar liquidity in reserve requirements move

Anadolu Agency, 06.11.2017



The Central Bank said on Nov. 6 that 5.3 billion Turkish Liras (\$1.37 billion) of lira liquidity will be withdrawn from the market and \$1.4 billion of dollar liquidity will be provided to banks, under a change in reserve requirements.

The move came after markets “witnessed unsound price formations that are inconsistent with economic fundamentals,” the Bank said in a statement, an apparent reference to the lira currency’s weakness on Nov. 3, when it slid to 3.88 against the dollar from 3.80 a day earlier.

“Taking this development into account, with a view to supporting price stability and financial stability, the upper limit and the tranches for the FX maintenance facility within the reserve options mechanism have been revised,” The moves are “light measures to stop the bleeding” in the currency, Özgür Altu , chief economist at BGC Partners, said in a note to clients, Reuters reported following the Central Bank statement.

After the Bank’s moves, the lira firmed to 3.8680 by 07:21 GMT. The Bank said the upper limit for the forex maintenance facility had been lowered to 55 percent from 60 percent and all tranches have been reduced by 5 percentage points. The rediscount credit repayments for export and foreign exchange earning services due by Feb. 1 can be made in lira at a rate of 3.7 for dollars, 4.3 for euros and 4.8 for sterling, provided that they are paid at maturity, it added.

“In case the exchange rate on the date of credit extension is higher than these rates, the exchange rate on the date of credit extension will be applicable,” it stated. One official at the Bank said rediscount credit repayments due by Feb. 1 amounted to \$5 billion. The Reserve Options Mechanism is a tool unique to the Central Bank that holds foreign exchange or gold reserves in increasing tranches in place of lira reserve requirements of Turkish banks. It aims to support the country’s foreign exchange reserve management of the banking system and limit adverse effects of excess capital flow volatility on Turkey’s macroeconomic and financial stability.

# Turkey, US end mutual visa stoppage on 'limited basis'

Anadolu Agency, 07.11.2017



Turkish missions in the U.S. have begun accepting visa applications again from American citizens but on a limited basis.

“Turkey will resume processing visa applications of U.S. citizens at its diplomatic and consular missions in the USA on a ‘limited basis’,” the embassy said, easing a nearly month-long visa logjam and bilateral row. The Turkey-U.S. visa row was sparked Oct. 8, when the U.S. Embassy in Ankara announced the suspension of non-immigrant visa services to Turkish nationals.

That move followed the arrest of a local employee at the U.S. Consulate in Istanbul, prompting a tit-for-tat response from Ankara. Earlier in the day, the U.S. Embassy in Turkey announced visa applications were being processed on a limited basis at its diplomatic missions in Turkey. The U.S. had claimed the decision to resume visa services came after Turkey’s assurance that no additional local employees of the U.S. mission would be investigated, detained or arrested for “performing their official duties”.

In response to the U.S.’ claim, however, the Turkish Embassy in Washington said no foreign mission personnel have been subjected to a legal investigation for performing their official duties. “The personnel in question employed by the U.S. has been the subject of a judicial process not because of his official duties but due to very serious charges against him,” it said in a statement, referring to Metin Topuz.

Topuz, a U.S. consulate employee, was arrested over alleged ties to the Fetullah Terrorist Organization (FETO), the group behind last year’s defeated coup attempt in Turkey. He has allegedly been linked to 121 FETO suspects, including police chiefs, over a prolonged period, according to the Istanbul Chief Public Prosecutor’s Office. “Turkey is a state of law, and our government cannot provide any assurances regarding files that are the subject of ongoing legal processes,” the Turkish Embassy’s statement read. “In the period ahead, it is the duty of the independent judiciary to initiate legal proceedings against those who overstep their consular duties and commit crimes in Turkey.” The statement added that the U.S.’s concern about the security of the employees that work at the U.S. missions does not reflect the truth and is considered odd because Turkey has taken all the necessary measures for the security of all U.S. employees.

“Turkey also has very serious concerns about the ongoing cases against Turkish citizens in the U.S.,” it added. “Turkish officials will continue to engage with their American counterparts to seek a satisfactory resolution of these cases. The move comes on the eve of a four-day visit to the U.S. by Turkish Prime Minister Binali Yildirim during which he is set to meet U.S. Vice President Mike Pence at the White House.

# Turkish domestic tourism spending up over 50 pct in Q2

Hurriyet Daily News, 07.11.2017



Turkey's domestic tourism expenditure increased by 52.9 percent year-on-year in the second quarter of 2017, while the primary purpose of domestic trips was to visit relatives, according to data from the Turkish Statistical Institute (TÜ K).

From April to June, residents' spending reached 6.88 billion Turkish Liras, up from 4.5 billion liras (nearly \$1.55 billion) compared to the same period last year. "In this quarter, domestic visitors made 110.5 million overnights, while the average number of overnights was 6.2," TÜ K said on Nov. 7, noting average expenditure per trip was 388 liras.

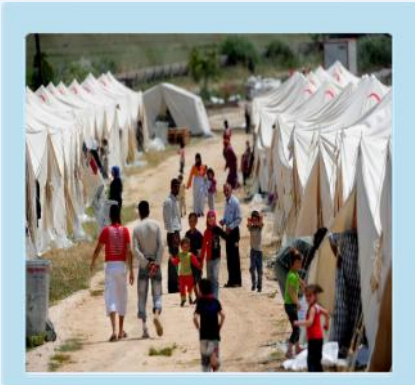
According to Turkey's Central Bank, the average U.S. dollar/lira exchange rate was 3.58 in the second quarter of this year, while one dollar traded for 2.89 liras on average in the same period of 2016. Official data revealed 14.12 million residents took domestic trips in the second quarter, and the number of domestic trips with one or more than one overnights rose by 46.7 percent on a yearly basis, totaling 17.7 million trips. The institute said the primary purpose of domestic trips was visiting relatives, accounting for a 68.6-percent share in the April-June period. "The secondary purpose of trips was travel, leisure, holiday with 19 percent, and the third was health with 5.5 percent," TÜ K said.

By type of accommodation, domestic visitors stayed mostly at the house of a friend or relative - 76.4 percent of total overnights - while "own house" took second place with 9.6 percent and "hotel" took third place with a 7.5 percent share. According to TÜ K, the number of residents in Turkey was 79.8 million as of Dec. 31, 2016.

Last year, the country's domestic tourism expenditure amounted to nearly 28 billion liras (some \$9.3 billion), as 68.4 million trips with one or more than one overnights were recorded. The primary reason for most of these trips - 65.9 percent - was "visiting relatives." The second most common purpose was "travel, leisure, holiday" - 21.5 percent - and the third was "health" with 6.3 percent. In 2016, according to the number of overnights by type of accommodation, domestic visitors stayed mostly at the "house of a friend or relative" -- around 414 million overnights.

# Turkey spends \$30 billion on Syrian refugees: FM

Hurriyet Daily News, 31.10.2017



Turkey will remain at the forefront in dealing with humanitarian crises, Turkish Foreign Minister Mevlut Çavuşoğlu said on Nov. 5, adding that the country has spent \$30 billion on the refugee crisis in Syria since 2011.

“In recent years, we have increased the amount and variety of our assistance,” Çavuşoğlu told a gala dinner organized by the International Federation of Red Cross and Red Crescent Societies (IFRC) in the Mediterranean resort city Antalya. He said that Turkey hosts more than 3.2 million Syrians, more than any other country in the world.

He said that despite all claims, the international community did not help Turkey in dealing with the crisis, and Turkey has spent \$30 billion on the refugees since the civil war in Syria broke out in 2011. He added that Turkey was taking special care to ensure access to education for the Syrian refugees. “There are 976,000 Syrian children of school-going-age living in Turkey. 620,000 of them have been able to continue their education. We are doing our best to increase this number,” he said.

Kerem Kınık, head of the Turkish Red Crescent Society, said that media reports of human tragedies received a halfhearted response from the international community. “We witness human tragedies and stories about people leaving behind their home, work, land. We watch stories of children who have to leave their friends, toys, families and schools. We see how babies are washed up dead on beaches. Yet sadly enough, the amount of media coverage of humanitarian crises and the amount of humanitarian action vis-à-vis these crises do not often overlap. “There is still a paradoxical gap between the recognition of crises and finding appropriate solutions for them,” he said. During the event, a short film about the Red Cross and Red Crescent Societies was shown to the audience.

Also, a dance troupe performed a traditional Turkish dance. Around 1,500 guests from Turkish and international aid organizations are attending the IFRC General Meeting from Nov. 5-11. The IFRC general assembly will address humanitarian crises in Myanmar, Somalia, Iraq and Syria during the seven-day summit, according to a statement. The assembly will select a new IFRC president as well as vice presidents and board members for the next four years.

## Turkey's industrial production up 10.4 percent in September

Anadolu Agency, 08.11.2017



Turkey's industrial production rose by 10.4 percent in September compared with the same month last year, the Turkish Statistical Institute (TÜ K) revealed on Nov. 8.

In September, the annual increase in electricity, gas, steam and air conditioning supply index was 13 percent, while the manufacturing index and the mining and quarrying index were up 10.4 and 4.6 percent respectively. Among all sections and main industrial groupings, the highest increase year-on-year was seen in the durable consumer goods index with a 36.5 percent hike, official data showed.

On a monthly basis, Turkey's industrial output was up 0.6 percent in September compared with August, TÜ K noted. The durable consumer goods index rose by 6.6 percent from August to September, while the mining and quarrying rose by 5.7 percent. The manufacturing index increased by 0.2 percent and the electricity, gas, steam and air conditioning supply index advanced by 1.6 percent in September compared with August, TÜ K stated. Meanwhile, Turkey's industrial production increased by 1.9 percent in the third quarter of this year compared with the April-June period, while the third quarter's annual increase was 10 percent.

## Turkey opens its largest defense training facility in Qatar

Anadolu Agency, 06.11.2017



Turkey's largest defense industry project in Qatar officially opened on Nov. 5.

Turkish Defense Minister Nurettin Canikli and Qatari Minister of State for Defense Khalid bin Mohammad al-Attiyah attended the inauguration ceremony of the AW 139 Helicopter Simulation Flight Training Facility. Earlier on Nov. 5, Canikli was received by his Qatari counterpart at the Al-Udeid Air Base, southwest of the capital Doha. During the ceremony, Canikli gave a presentation on the facility, which was built by the Turkish state-run air defense and military software company HAVELSAN.

He described Turkey and Qatar as “two brother countries” enjoying a strategic partnership. “The painful experiences we [Turkey] have had countless times has taught us that you cannot be a mere spectator in defense technologies. If not for our efforts over the last 10 years, Turkey would have had great difficulty resisting the attacks today. Our allies have not supplied us with these technologies in our fight against terrorism even though we were willing to pay for them,” Canikli said.

“One of the recent examples of these difficulties is the S-400 Air Defense System, which we are in urgent need of. We are fighting against the world’s three bloodiest terror groups all at once and we are conducting our operations mostly through weapons developed by Turkey. We have made progress but we have to improve ourselves even more, working together,” he added, particularly praising Turkey’s advances in drone technology. Following the inauguration, Canikli and al-Attiyah inspected the facility together with other military delegations.

The project was signed on May 10, 2013, with the aim of meeting the needs of AW 139 helicopter pilots and operators in the Qatari Air Forces. Before the end of 2016, the project moved to Qatar. So far 55 pilots operating in the Qatari Air Forces have been given 550 hours of training through this system and 40 engineers have served for three years on the project, which cost \$39 million.

## Top Turkish companies’ profits soar in third quarter

Hurriyet Daily News, *09.11.2017*



Profits of Turkey’s largest conglomerates, Koç Holding and Sabancı Holding, jumped in the third quarter of the year, their financial results have shown.

Koç Holding said on Nov. 9 its net profit climbed 31 percent to 1.290 billion liras (\$334 million) in the third quarter from 981 million liras in the same period a year earlier, mainly due to strong contributions from the group’s energy and automotive businesses. According to a statement to the Istanbul stock exchange, its total sales climbed to 25.87 billion liras in the third quarter from 18.64 billion in the same period a year earlier.

Sabancı Holding said on Nov. 7 that its net profit rose 64 percent in the third quarter to 880.5 million liras (\$229.72 million), with its industrial, energy and retail businesses making a robust contribution in addition to its banking unit, Akbank. Revenue rose 19 percent to 3.64 billion liras, Sabancı said in a statement to the Istanbul stock exchange.

# Turkey, France and Italy to strengthen cooperation on missile defense

Reuters, 09.11.2017



Turkey signed a letter of intent with France and Italy to strengthen cooperation on joint defense projects including air and missile defense systems.

The Franco-Italian EUROSAM consortium and Turkish companies will look into a system based on the SAMP-T missile system produced by EUROSAM and determine the common needs of the three countries. NATO member Turkey has said it plans to buy Russian S-400 surface-to-air missiles, a decision which has been seen in some Western capitals as a snub to the alliance given tensions with Moscow over Ukraine and Syria.

The Russian deal also raises concerns because the weapons cannot be integrated into NATO defence. "That deal has not been consummated. There are no S-400s in Turkey as we speak," U.S. Air Force General Tod Walters, head of NATO Allied Air Command, told Reuters in Berlin. Walters said he would continue to press Turkish air force officials to buy weapons that could work together with NATO systems, which the S-400 could not. "We obviously have systems in the region now that possess that capability and demonstrate a high, high degree of interoperability," he added.

Raytheon, which builds the Patriot missile defense system, had also put in offer before Turkey chose the S-400. Turkey has continued talks with the EUROSAM consortium, which came in second in the tender. NATO Secretary-General Jens Stoltenberg last month said Turkish President Recep Tayyip Erdoğan had told him that Ankara was discussing buying air defense systems from France and Italy in addition to the S-400s. The Defense Ministry sources said Turkey, France and Italy would strengthen cooperation on joint production of military electronic systems, software and simulation systems and warfare equipment, as well as air and missile defense systems. The letter of intent was signed in Brussels, where Turkey's Defense Minister Nurettin Canikli was attending a meeting of NATO defense ministers.

# Lithuania, UAE to cooperate on renewables

Anadolu Agency, 06.11.2017



Lithuania and the United Arab Emirates signed a memorandum for cooperation in the field of renewable energy and energy savings.

The ministry said parties to the memorandum would cooperate to encourage investments in renewable energy, develop energy saving technologies, carry out scientific research and implement joint projects. The Arabian government has plans to invest \$160 billion in renewable energy over the coming decades to ensure 44% of the country's energy needs will be satisfied by renewable energy.

It is forecasted to be done in 2050. In addition, the country targets increasing the share of clean energy including renewables and nuclear energy to 24 percent by 2021. "Both Lithuania and the U.A.E. are interested in cooperation in the field of energy. Though the U.A.E. has plentiful natural resources, the country has decided to intensively develop renewable energy," Lithuania's Energy Minister Zygimantas Vaiciunas said.

This opens a wide range of opportunities for both countries' businesses to export their experience as well provide advanced and innovative renewable energy technologies, he added. The ministry acknowledged that the U.A.E, which owns one of the world's largest oil stocks, has made recent inroads into renewables. "This country is one of the world's biggest oil exporters and still continues to produce the substantial share of energy by means of natural gas. However, over the recent years, the UAE has focused on developing renewable energy and declared ambitious plans in this field," it noted.

The Lithuanian Ministry stressed that Lithuanian companies have gained extensive experience in developing solar cell technology, as well as innovating and industrial manufacturing solar modules. "Lithuanian companies can supply the U.A.E. market with new generation glass solar modules, which feature high efficiency, durability and are fit for the U.A.E. climate," it said. One of the major green energy projects developed by the U.A.E. is the Mohammed bin Rashid Al Maktoum Solar Park.



It will be the world's largest (5,000 MW) solar plant park, which is planned for completion by 2030. The U.A.E. invests not only in the construction of large solar power stations, but also small solar systems installed on individual houses. According to Directive of the European Parliament and of the Council, Lithuania set a goal to increase the share of renewable energy use up to 23 percent by 2020. According to the Lithuanian Department of Statistics, Lithuania has already reached the 23 percent target. In 2014, the share of renewables in the total energy balance of the country exceeded one fifth, accounting for 23.66 percent. In 2015, it was around 26 percent. With 27 gigawatts of installed capacity, the U.A.E. relies mostly on natural gas and LNG for power.

## Belgium court rules conditional release for Puigdemont

Anadolu Agency, 01.11.2017



A Belgium court on Monday released Catalan leader Carles Puigdemont and four other members of his Cabinet on probation. In a statement by the Belgium Federal Prosecutor's Office, the judge granted a conditional release for Puigdemont, and former ministers, Maria Aleu Serret, Antoni Oliveres Comin, Lluís Gordi Puig and Clara Obiols.

The group is not allowed to leave Belgium without the judge's permission and should reside at a fixed address as part of the conditional release. They turned themselves into Belgian police after a Spanish judge issued a European arrest.

On Thursday, the five separatist leaders, who flew to Brussels early this week skipped their required appearance at a court hearing in Madrid. But of the nine ministers who did attend the hearing, eight were sent into pre-trial detention without the possibility of bail. Puigdemont and his entire Cabinet faced the extremely serious charges of rebellion, sedition, and misappropriation of funds after last month's independence proclamation in the Catalan Parliament. According to the judge, in recent months, the Catalan politicians "encouraged and used intimidating and violent force from the independent sectors of the population, calling for insurrection and challenging the constitutional order."

# Bank of England's Carney sees slower growth without Brexit deal

Reuters, 05.11.2017



Britain's economy will grow more slowly in the short term if the country fails to secure a future trading deal with the European Union after Brexit, Bank of England Governor Mark Carney said on Nov. 5.

Asked in an interview with ITV television if Britain's economy would take a hit if there is no Brexit deal, Carney said: "In the short term, without question, if we have materially less access (to the EU's single market) than we have now, this economy is going to need to reorient and during that period of time it will weigh on growth."

Carney also said British business investment should be booming now, given the strength of the world economy and other factors, but that it was just growing instead. This is because of the uncertainty about the outcome of the Brexit negotiations, he said.

The BoE on Nov. 2 raised interest rates for the first time since 2007, before the start of the global financial crisis, but sterling fell sharply as the central bank also said it expected only "very gradual" rate rises ahead. Britain's economy has slowed sharply this year following the 2016 Brexit vote, but the BoE decided to raise rates in part because it believes that Brexit will create more inflation pressure due to lower migration and weaker investment.

Carney told ITV on Nov. 5 that it was possible that in the event of a bad Brexit deal, the BoE would not be able to cut interest rates in future because of that inflationary pressure. "The scenario you paint is not the most likely, by any stretch of the imagination, but it is a possibility," he said. Carney has come under political pressure from some supporters of the vote to leave the EU, who have been angered by his comments that Brexit is having a negative impact on the economy.

# EU raises Turkey's growth forecast

Agence France, 09.11.2017



The EU has increased its 2017 growth forecast for Turkey by more than two percentage points, according to the European Economic Forecast Autumn report published on Nov. 9, state-run Anadolu Agency has reported.

Brussels' latest set of economic forecasts project that the Turkish economy will grow 5.3 percent in 2017, up from the union's previous estimate of 3 percent in May. The EU raised the country's economic growth forecast for 2018 from 3.3 percent to 4 percent. The Turkish economy is also expected to grow 4.1 percent in 2019.

The increase follows the International Monetary Fund's raising of Turkey's 2017 growth forecast by 2.6 percentage points on Oct. 10, the World Bank raising its forecast 0.4 percentage points on Oct. 19, and the European Bank for Reconstruction and Development's (EBRD) lifting of it by 2.6 percentage points on Nov. 7. Turkey's economy grew 5.2 percent in the first quarter of this year and 5.1 percent in the second quarter, compared with the same periods in 2016, according to the Turkish Statistical Institute (TÜ K).

"The government's fiscal stimulus this year - supported by stronger exports, a significantly depreciated Turkish Lira in comparison with last year, and a strong boost from public finances and other policy incentives - intended to restore confidence in the Turkish economy," the bloc's economic report stated. The report noted that the growth of private consumption was expected to increase towards the end of this year and continue its expansion in 2018-19.

The EU sharply raised its eurozone growth forecast for 2017 as well, confident that the economic recovery was gathering pace despite the uncertainties of Brexit. The 19-country eurozone will grow by 2.2 percent in 2017, its fastest pace in a decade, the European Commission said, AFP reported. This was substantially higher than the previous forecast of 1.7 percent and comes just after the EU's latest GDP growth figures resoundingly beat expectations. The Commission said dark clouds that did exist included the outcome of Brexit talks between the EU and Britain, as well as geopolitical tensions between the U.S. and North Korea.

Britain saw its outlook for 2017 slashed due to "uncertainty" over Brexit. "After five years of moderate recovery, European growth has now accelerated," EU Economy Commissioner Pierre Moscovici said. "We see good news on many fronts, with more jobs being created, rising investment and strengthening public finances," Moscovici added. In its forecasts, the European Commission said growth in 2018 would edge lower to a still strong 2.1 percent, followed by 1.9 percent in 2019.

# Congo mining output rises, central bank warns of inflation risk

Reuters, 06.11.2017



Copper production in Democratic Republic of Congo, Africa's top producer of the metal, rose by 9.3 percent in the first nine months of this year, but soaring inflation remains a risk to the economy, the central bank warned on Monday.

Rising mining production should help ease some of the economic problems in Congo where inflation is expected to hit 48 percent this year and the Congolese franc has fallen by 22 percent against the dollar, largely due to lingering effects from two years of low commodity prices. Copper production in the first nine months of the year stood at 831,000 tones.

It is said by central bank in a monthly report, while cobalt production increased by 18 percent to 59,000 tonnes and gold production rose 5.7 percent to 23,000 kg. But the bank warned that any letup by authorities on tight monetary policy and austerity measures that have reduced fiscal deficits in recent months could cause inflation and depreciation of the franc currency to spiral again.

It said the annual inflation rate could rise to as high as 76 percent by year-end if those policies are relaxed. The franc could fall further, by as much as 39 percent, if the policies are not maintained, the bank said. Congo's mining sector, which along with the smaller oil sector accounts for 95 percent of export revenues, has grown steadily since the end of a civil war in 2003, attracting investors like Glencore, Randgold Resources and China Molybdenum.

Congo's economy has also been rattled by political upheaval caused by repeated delays since 2016 to an election to replace President Joseph Kabila. The country's electoral commission postponed the vote again on Sunday to December 2018. Government spending traditionally increases near the end of the year. "Based only on the historic inflationist behavior of the final quarter (of the year) due to the year-end festivities, it is unlikely that the current rigor will be maintained without creating social discontent," the bank said. Congo forecasts economic growth of 3.2 percent this year, up from 2.4 percent last year as the commodity sector continues to recover. Despite its vast mineral riches, Congo remains one of the world's least developed countries, with an annual budget of roughly \$5 billion for a population of 80 million people.

# Trade deficits with China may be 'horrible,' but there are no quick fixes

CNBC, 07.11.2017



Based on the numbers for the first nine months of this year, the U.S. deficit on goods trade with China is likely to hit what President Donald Trump called last week an “unmentionable,” “embarrassing,” “horrible” red ink trail of \$370 billion. He may have intended to blast China, but that 6.3 percent annual increase in trade deficits has been happening on his watch.

China likened all that to an “unintentional” collateral damage caused by free markets. That’s an interesting retort, but it’s quite at odds with trade analysis.

Beijing’s trade surplus with the U.S. was down 6.4 percent in 2016, even though American domestic spending (a variable that drives import demand) was growing at a rate roughly comparable to what we have seen so far this year. It would have been simpler, and more accurate, for China to invoke its “win-win” mantra of friendly and peaceful international cooperation.

That win-win? In the first three quarters of this year, the U.S. won big with \$91 billion in export sales to China — a 15 percent increase from the same period of 2016. The deal maker-in-chief coming to China on Wednesday would probably whisper to his trade experts: “That’s yuge. But wait until Trump hears that those \$91 billion in U.S. sales pale into insignificance compared to China’s \$364.8 billion worth of goods unloaded in America since he took the helm last January. That is an 8.3 percent increase compared with the first nine months of 2016.

At that point, the Chinese, laughing all the way to the bank, would probably say: “Hey, you win some, and we win four times as much is still a ‘win-win’ deal.” It sounds like they are asking, in New York vernacular, “What’s there not to like?” A lot. China understands that this is an unsustainable trade relationship, but it is not in a hurry to correct structurally unbalanced trade flows with the U.S. China’s former President Jiang Zemin used to ridicule international experts urging quick action in the early 1990s to restructure inefficient state-owned industries. More than 20 years on, that restructuring is still China’s work-in-progress under a fancy name of “supply-side reforms” — a puzzling thing for American economists thinking of the analogy with the Reagan era fiscal policies summed in an “optimal taxation curve” that Art Laffer drew on a paper napkin. Trump is unlikely to fall for a slow-going trade adjustment process, but there is a real concern about what he can do to speed things up, particularly since vexing trade issues cannot be cleanly separated from America’s strategic interests where China looms large.



Some things should be clear, though. China's "win-win" strategy can be read from the trade patterns observed so far this year: Allow, and even promote, an increase in U.S. exports to China in exchange for a liberal access to American markets for Chinese goods, services and direct investments. What China calls "two-way investments" is, in fact, a push for recycling its \$150-\$200 billion in annual current account surpluses to acquire technology and a broadening market presence in the U.S. That is a tough negotiating gambit. Washington may wish to respond by emphasizing a rebalancing of trade flows. China should be welcome to keep buying the Treasury's IOUs, but Wall Street can provide ample investment funds for America's viable business ventures. China's Greenfield investments in the U.S. are a different story. The Chinese would be bringing in their own capital, technology and managerial knowhow. In such cases, Washington should insist that the Chinese be allowed to operate in the U.S. under the same conditions required of American direct investors in China.

Led by Germany's export champions, the Europeans are showing what Washington may wish to consider. The European Union has already moved to limit both trade and China's investments, arguing that they were simply responding to similar limitations the EU businesses are encountering in the Middle Kingdom. The thawing of the EU-China trade and investment regime could take a long time, even in the unlikely case that Germans agree on their new coalition government by the beginning of next year. That, of course, would strengthen the hand to American trade negotiators. China is fully aware of those difficulties. Hence the temptation to package trade as part of Beijing's lofty vision of great power relationships. That sounds like an exalted talk about how America and China can work together to build a global architecture of peace and economic prosperity — circumscribed by China's red lines on its maritime borders, Korean Peninsula and internal issues where the Communist Party remains in charge of "socialism with Chinese characteristics."

It will be interesting to see how Washington will respond to all that at the time when stopping and reversing its huge, and growing, trade deficits with China is a matter of great urgency. That would show whether the U.S. and China can establish trade mechanisms and procedures for an acceptable, and viable, agreement around their clashing red lines in Asia and in the rest of the world. China is not sure; it is hedging its bets, just in case, and is working hard to reduce the American leverage on its strategically important issues. Here are a few examples.

Beijing is taking the lead for a peaceful resolution of the North Korean standoff. Passing that acute phase in the current crisis, the Chinese (and the Russians) are envisaging a gradual elimination of Pyongyang's nuclear weapons and their medium- and long-range delivery vehicles — while drawing the North Koreans into the economic and political mainstream of the world community. Using South Korea's hugely important economic interests in China, Seoul was "convinced" to shelve (whatever that means) the American missile shield — an issue strongly opposed by Beijing. Last year, China took \$124.4 billion of South Korean exports, nearly double the volume of sales to the U.S., and remained Seoul's most important trade partner by far.

The Chinese media reports also have it that Seoul refused to participate in a trilateral military alliance with the U.S. and Japan. China's relations with Vietnam have improved considerably as well. Last week, the two countries pledged an "all-out cooperation," and a state visit to Vietnam for the Chinese President Xi Jinping is set, after the APEC meeting, on November 12. By contrast, relations with Japan remain a big problem. China is inviting Japan to use its newly minted two-thirds "super majority" in the Diet's lower house to tread a friendlier course in the spirit of key political agreements since China and Japan normalized official ties in 1972. A long shot indeed.

Finally, to make sure the message is understood, China is warning the U.S. to stay out of the South China Sea territorial disputes, Chinese military installations are being built on contested islands and, sporting army fatigues, Xi was telling his armed forces last Friday "to improve their combat capability and readiness for war." And that's only a few days before Trump's "state visit-plus." Trump has a tough visit to China. It is difficult to see how the solemn decorum — and probably a few big ticket deals — can lead to meaningful and sustainable progress in reducing America's growing structural trade imbalances with China.

Apart from that, the U.S. and China positions with respect to the North Korean crisis and China's maritime boundaries are totally opposite and outright hostile. The only silver lining is the absence of military solutions to any of these issues. Barring accidents and reckless miscalculations, that offers a perspective of a grudgingly managed strategic rivalry. Investors' attention will, therefore, continue to focus on the new Fed leadership, and on China's ability to maintain strong growth, a stable financial system and an increasing reliance on domestic spending and service sector industries.

## Asia markets close higher; energy stocks rise as oil holds onto most gains

CNBC, 07.11.2017



Major indexes in Asia closed higher on Tuesday after U.S. stocks closed at record levels and oil prices traded at their highest marks since 2015 overnight.

Amid that backdrop, investors also watched for headlines as President Donald Trump's tour of Asia continued, with the president arriving in South Korea on Tuesday following his two-day visit to Japan. Japan's Nikkei 225 jumped 1.73 percent, or 389.25 points, to end at 22,937.60, its highest close in 26 years. Energy-related stocks rose following the surge in oil prices in the last session:



Inpex closed up 3.65 percent and Japan Petroleum Exploration rose 6.02 percent. Brokerages and tech names also recorded gains. Across the Korean Strait, the Kospi finished the session off 0.16 percent at 2,545.44 despite gains in energy names and retailers: Petroleum refiner SK Innovation closed up 0.94 percent and Shinsegae jumped 8.35 percent. Tech names were mixed, with blue chip SK Hynix falling 1.32 percent and Samsung Electronics closing down 0.5 percent.

Down Under, the S&P/ASX 200 rose 1.02 percent to close at 6,014.30, the first time the index has crossed the 6,000 mark since 2008. The energy sub-index climbed 2.7 percent to lead gains on the broader index: Santos closed up 3.7 percent and Beach Energy tacked on 6.42 percent. Resource plays also climbed on the back of gains in iron ore and base metals in the last session. Rio Tinto ended the session 2.06 percent higher, Fortescue Metals gained 4.79 percent and Gindalbie Metals soared 8.33 percent on the day.

Hong Kong's Hang Seng Index tacked on 1.33 percent by 3:00 p.m. HK/SIN. On the mainland, the Shanghai Composite edged up 0.8 percent to close at 3,415.14 and the Shenzhen Composite ended the day 0.67 percent higher at 2,012.72. As with the rest of the region, oil stocks in greater China markets also recorded gains: shares of CNOOC and Sinopec traded in Hong Kong rose 1.45 percent and 3.66 percent by 3:03 p.m. HK/SIN. U.S. stocks closed at record levels in the last session as investors focused on Broadcom's unsolicited bid to buy Qualcomm for \$103 billion. If that goes through, it would be the largest tech deal in history. The Dow Jones industrial average closed up 0.04 percent for an all-time high of 23,548.42.

Moves in the oil markets were front and center after prices surged to their highest levels since July 2015 on Monday. That rise followed a political crackdown in Saudi Arabia that began during the weekend. A supposed anti-corruption crackdown resulted in the arrests of billionaire investor Prince Alwaleed bin Talal and other prominent royals, but it is seen by many analysts as a move by Saudi Crown Prince Mohammed bin Salman to consolidate his power.

Oil was little changed on Tuesday after settling higher by some 3 percent in the last session. U.S. West Texas Intermediate crude shed 0.09 percent to trade at \$57.30 a barrel and Brent crude futures lost 0.06 percent to trade at \$64.23. Tensions in the region will need to be monitored going forward, cautioned Philip Wee, a strategist at DBS Bank. Volatility indices stateside, which touched their lowest levels this year last week, are unlikely to remain low "if crude oil prices continue to push higher quickly," he added.

The Reserve Bank of Australia on Tuesday kept interest rates steady. In his statement, RBA Governor Philip Lowe cautioned that inflation remained low, but also noted that the bank expected the metric to "pick up gradually as the economy strengthen[ed]." The Australian dollar traded at \$0.7673 at 2:53 p.m. HK/SIN, a touch softer on the day, although the currency had touched a high of \$0.7700 following the news from the central bank. Elsewhere, William Dudley, the president of the Federal Reserve Bank of New York, will step down mid-2018. Dudley has been at the helm of the bank since 2009.

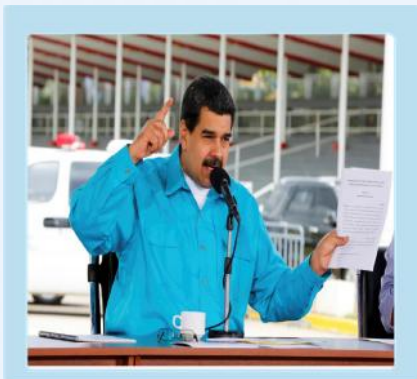


China Evergrande Group will raise 60 billion yuan (\$9.04 billion) from selling shares in subsidiary Hengda Real Estate before a planned backdoor listing of the unit on the Shenzhen Exchange. Evergrande shares jumped 10.62 percent by 2:53 p.m. HK/SIN. Chinese cybersecurity company Qihoo 360 Technology said Monday that “national interest” was one factor for its decision to delist in the U.S. and move to China, Reuters said. Qihoo 360 CEO Zhou Hongyi told the media that cybersecurity companies that were “big enough” had to be “aligned with national interests,” Reuters reported.

Also of note, Samsung’s appeal over a patent lawsuit was rejected by the U.S. Supreme Court on Monday. Apple had been awarded \$120 million over patent infringement in a 2016 ruling on the lawsuit, Reuters reported. Commodity-linked currencies were in focus after they climbed following the rise in oil prices overnight. The Canadian dollar pared some of its gains made in the last session to trade at \$1.2719 to the dollar at 2:52 p.m. HK/SIN after trading as high as \$1.2699 earlier. The greenback was little changed against a basket of currencies, with the dollar index trading at 94.787 after climbing as high as 95.077 in the Monday session. The dollar also strengthened against the Japanese yen, last trading at 114.12, against Monday’s close of 113.71.

## IMF warns Venezuela over gaps in economic data, transparency

Reuters, 05.10.2017



The International Monetary Fund issued a warning to Venezuela on Nov. 3 for failing to provide the institution with economic data on time and gave it six months to address the lack of some statistics.

The decision was not unanimous with Russia objecting to the move and others abstaining, according to two sources familiar with the IMF board discussion. The sources, speaking on condition of anonymity, said that if the Venezuela did not improve the flow of data, the IMF could issue a “declaration of censure” under Article 8.

An IMF statement said Venezuela was late on data related to the operations of the social security institute, and total exports and imports of merchandise. The data is used as part of the IMF’s monitoring of economies around the world. The IMF complained last month that projecting an economic outlook for Venezuela was complicated by long gaps in receiving data from the government and data was often incomplete.

The IMF finding, although unrelated to an announcement on Thursday by Venezuelan President Nicolas Maduro that he wants to restructure the country's foreign debt, comes as investors worry the government is on the verge of a default. The country is locked in a bruising economic crisis that has sparked a wave of protests against Maduro's government amid calls by the international community for political mediation. Maduro on Nov. 2 vowed to make a \$1.1. billion payment on a maturing bond but also created a commission to study the restructuring of payments. The cash-strapped government invited bondholders to a Nov. 13 meeting in Caracas, although some have indicated they were first waiting to see whether the South American OPEC nation makes the \$1.1. billion payment and another due next week.

Venezuela, which was a founding member of the fund in 1946, remains a voting member of the IMF, but it has not had any formal engagement with the international institution for more than a decade. The IMF conducted its last economic review of Venezuela's economy in 2004. The IMF said it was "hopeful" that its decision will encourage Venezuela to re-engage with the IMF by making the data available.

Meanwhile, Standard & Poor's on Nov. 3 reduced Venezuela's long-term foreign currency rating to "CC" from "CCC-" anticipating probable default after President Nicolas Maduro announced restructuring of the nation's debt. The decision followed a similar one from fellow ratings agency Fitch, which cut the long-term debt rating to "C" from "CC" based on the announcement as well as "previously missed payments" that "makes a default event highly probable," the company said in a statement.

## Trump presses China on North Korea and trade in Beijing

Reuters, 09.11.2017



U.S. President Donald Trump pressed China to do more on the North Korean nuclear issue on Nov. 9 and said bilateral trade had been unfair to the United States, but praised President Xi Jinping's pledge that China would be more open to foreign firms.

On North Korea, Trump said "China can fix this problem quickly and easily," urging Beijing to cut financial links with North Korea and also calling on Russia to help. Trump was speaking alongside Xi in the Chinese capital to announce the signing of about \$250 billion in commercial deals.

This deal is between U.S. and Chinese firms, a display that some in the U.S. business community worry detracts from tackling deep-seated complaints about market access in China. Xi said the Chinese economy would become increasingly open and transparent to foreign firms, including those from the United States, and welcomed U.S. companies to participate in his ambitious "Belt and Road" infrastructure-led initiative.

Trump made clear that he blamed his predecessors, not China, for the trade imbalance, and repeatedly praised Xi, calling him “a very special man”. “But we will make it fair and it will be tremendous for both of us,” Trump said. Xi smiled widely when Trump said he does not blame China for the deficit and also when Trump said Xi gets things done. “Of course there are some frictions, but on the basis of win-win cooperation and fair competition we hope we can solve all these issues in a frank and consultative way,” Xi said. “Keeping opening up is our long-term strategy. We will never narrow or close our doors. We will further widen them,” he said.

China would also offer a more fair and transparent environment for foreign firms, including U.S. ones, Xi said. Trump is pressing China to tighten the screws further on North Korea and its development of nuclear weapons. At least modest progress is hoped for, although there are no immediate signs of a major breakthrough, a U.S. official said earlier. Referring to Xi, Trump said: “I do believe there’s a solution to that, as do you.” Xi reiterated that China would strive for the denuclearization of the Korean peninsula but offered no hint that China would change tack on North Korea, with which it fought side-by-side in the 1950-53 Korean war against U.S.-led forces.

“We are devoted to reaching a resolution to the Korean peninsula issue through dialogue and consultations,” Xi said. In a show of the importance China puts on Trump’s first official visit, yesterday’s welcoming ceremony outside Beijing’s Great Hall of the People overlooking Tiananmen Square was broadcast live on state television - unprecedented treatment for a visiting leader. Earlier on Nov. 9, Xi said he had a deep exchange of views with Trump and reached consensus on numerous issues of mutual concern. “For China, cooperation is the only real choice, only win-win can lead to an even better future,” he said.

## New York Fed President Dudley to retire in mid-2018

Anadolu Agency, 07.11.2017



The U.S. Federal Reserve New York President William Dudley intends to retire sometime in mid-2018, New York Fed announced in a statement on Monday.

Dudley, 64, originally planned to serve until the end of his term in January 2019. “I have deeply appreciated Bill Dudley’s enormous contributions to the FOMC [Federal Open Market Committee], his wise counsel and warm friendship throughout the years of the financial crisis and its aftermath,” the Fed Chair Janet Yellen said in the statement. “The American economy is stronger and the financial system safer because of his many thoughtful contributions.

The Federal Reserve System and the country owe him a debt of gratitude,” she added. Dudley said in the statement that he has confidence in the Fed, its leadership and staff. “... After I leave, the New York Fed, as a critical part of the Federal Reserve System, will continue to contribute strongly to the nation’s well-being,” he said.

Dudley worked in investment banking giant Goldman Sachs between 1986-2007, before joining the New York Fed in 2007. He became the president of New York Fed on January 2009. Dudley’s early retirement is the last of many recent changes in the Fed. The Fed Vice Chairman Stanley Fischer announced his resignation in September, which came into effect on Oct. 13. His term as vice chairman was set to expire on June 2018. President Donald Trump did not reappoint the Fed Chair Yellen last week, whose term will end on February 2018. Trump nominated the Fed Board of Governors member Jerome Powell to become the new head of the central bank last Thursday.

## US corporate giants’ income, revenue rise in 3rd qtr.

Anadolu Agency, 07.11.2017



Total net income and revenue of major American companies increased in the third quarter of this year, according to data compiled by Anadolu Agency on Tuesday.

The 20 companies, operating in the U.S.’ financial, technology and energy sectors, saw their total net income rise by 22.6 percent to \$64.57 billion in the third quarter of 2017, from \$52.66 billion during the same period of 2016. Their total revenue increased by 12.4 percent to \$418.85 billion in the third quarter of this year, from \$372.56 billion in the same period a year ago.

The total revenue of six U.S. energy giants -- ExxonMobil, Chevron, ConocoPhillips, Halliburton, Schlumberger, and Kinder Morgan -- rose 14.1 percent to \$131.55 billion in the third quarter. The six companies had a total revenue of \$115.27 billion in the July-September period of last year. While these firms had a total net income of \$2.95 billion in the third quarter of 2016, this amount climbed to \$7.85 billion in the same period of 2017, marking a 166 percent increase.

Out of the six energy companies, Chevron showed the largest rate of increase in income and revenue year-over-year. The company’s net income jumped by 52.3 percent, while its revenue increased 20.3 percent from the third quarter of 2016 to the same period of 2017. ExxonMobil posted the biggest net income and revenue amount in the July-September period this year. The company had a net income of \$3.97 billion, and revenue of \$66.16 billion in the third quarter of this year.

American financial banking giants' total net income and revenue also increased in the third quarter, according to data compiled by Anadolu Agency. Total net income of JP Morgan Chase, Citigroup, Wells Fargo, Bank of America, Goldman Sachs and Morgan Stanley rose 2.5 percent to \$24.91 billion in the third quarter of this year, from \$24.29 billion during the same period a year ago. Their total revenue increased 1.3 percent to \$105.63 billion, from \$104.27 billion, during that period.

Out of the six global financial banking giants, Morgan Stanley had the biggest rate of increase in net income and revenue. The bank saw its net income rise by 11.2 percent, and revenue by 3.4 percent, year-over-year. It was JPMorgan Chase, however, that had the biggest net income and revenue in the July-September period in 2017. The bank had a net income of \$6.7 billion, and revenue of \$26.2 billion in the third quarter of 2017.

The American technology firms' total net income and revenue also increased year-over-year. Total net income of Apple, IBM, Netflix, Twitter, Microsoft, Amazon, Facebook, and Alphabet rose 25.1 percent to \$31.81 billion in the third quarter of the year, from \$25.42 billion a year ago. Total revenue of those eight firms rose from \$153.02 billion in the third quarter of 2016 to \$181.67 billion in the third quarter of this year -- an 18.7 percent increase. Facebook showed the largest rate of increase in revenue during that period. The social network giant saw its net income rise by 47 percent. Netflix showed the largest rate of increase in net income, jumping 150 percent year-over-year.

Apple saw the biggest net income and revenue amount in the July-September period. The tech giant, and still the world's most valuable company by market capitalization, posted \$10.71 billion in net income and \$52.58 billion in revenue in the third quarter. The firm also saw its market value hit \$900 billion last Friday, to become the first company in history to reach that level. Among the 20 major American corporations, Apple came out on top with the highest net income in the third quarter with \$10.71 billion, while ExxonMobil ranked the first for the highest revenue with \$66.16 billion in the July-September period of 2017.

## US stock market closes with records

Anadolu Agency, 07.11.2017



Indexes on the U.S .stock market closed at record high levels on Monday after energy companies saw gains in their shares.

The Dow Jones added nine points to end trading at 23,548 points, while the S&P 500 rose three points to 2,591 points. The Nasdaq increased 22 points to finish the first trading day of the week at 6,786 points. At the final bell, tech giant Apple's stock price was up 1 percent trading at \$174.25 a share. This gave the company a market capitalization of \$900 billion. After Friday, this is the second time Apple saw its market value reaching this level.



American energy companies saw gains in their stock price after crude oil prices have continued their increase. Oilfield services firm Baker Hughes shares gained 8.8 percent, while oil and gas exploration and production company Chesapeake Energy's stock price increased 11.9 percent. Global benchmark Brent crude climbed as high as \$64.44 per barrel on Monday, while American benchmark West Texas Intermediate rose to as much as \$57.79 a barrel.

# Announcements & Reports

## *Precautionary recapitalisation: time for a review?*

**Source** : Bruegel  
**Weblink** : <http://bruegel.org/2017/07/precautionary-recapitalisation-time-for-a-review/>

## *Trends in Extremist Violence and Terrorism in Europe through End-2016*

**Source** : CSIS  
**Weblink** : <https://www.csis.org/analysis/trends-extremist-violence-and-terrorism-europe-through-end-2016>

## *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 December 2017  
**Place** : Beijing - China  
**Website** : <http://bruegel.org/events/13th-asia-europe-economic-forum/>

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

**Date** : 27 December 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 December 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 December 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 December 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 December 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 December 2017  
**Place** : Lisbon - Portugal  
**Website** : <http://bruegel.org/events/vision-europe-summit-2016/>