

Turkey's industrial production rises in October

Anadolu Agency, 08.12.2017



Turkey's industrial production annually rose by 7.3 percent in October, according to the Turkish Statistical Institute (TurkStat).

On an annual basis, the manufacturing index saw the biggest rise in October, up 7.7 percent, among all three main sub-indices, according to TurkStat. In the same period, the electricity, gas, steam and air conditioning supply index also increased by 7.3 percent while the mining and quarrying index rose by 0.5 percent. On a monthly basis, the country's industrial production increased by 0.7 percent in October.

In October, the manufacturing index increased by 1.3 percent while the mining and quarrying and the electricity, gas, steam and air conditioning supply indices declined by 2.2 percent and 1.9 percent, respectively. Turkey's industrial output is deemed a vital indicator for the economy as it is seen as a preliminary gauge for GDP growth.

Turkey's religious body voices support for Palestinians

Anadolu Agency, 08.12.2017



Turkey's Religious Affairs Directorate supports Palestinians against all types of cruelty and occupation, the institution said in a written statement Thursday.

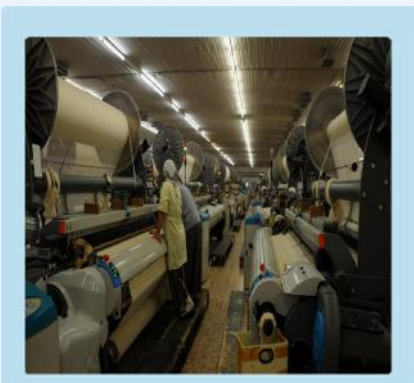
The directorate's president Ali Erbas released a statement about the latest U.S. decision to recognize Jerusalem as Israel's capital. The issue is not only about Palestinians and Muslims living around Al-Aqsa, but it is the common problem of all Muslims, Erbas said in the statement. On Wednesday, U.S. President Donald Trump announced the relocation of the U.S. embassy in Israel from Tel Aviv to Jerusalem.

The controversial decision created anger among Muslims and a number of demonstrations were held all around the world. “Today, Jerusalem, the old city of humanity and the first qibla of Islam, faces an unfair attempt,” Erbas said according to the statement. The qibla designates the Kaaba, which Muslims face during prayer. The Al-Aqsa mosque served as the first qibla until the 7th century. He described the U.S. move as “reckless” and said it ignored international law.

“It is a severe blow to living together, tranquility, peace, and security.” Pointing out that the city was home to the memories of many prophets, he said Jerusalem had been “the most magnificent example of living together among differences”. “Jerusalem is not an ordinary piece of land in an ordinary country,” the statement read. The U.S. administration has been urged to reverse its decision and abide by relevant resolutions and laws. Jerusalem remains at the heart of the Israel-Palestine conflict, with Palestinians hoping that East Jerusalem -- now occupied by Israel -- might eventually serve as the capital of a future Palestinian state.

Turkish economy forecasted to grow 9.2 pct in Q3

Anadolu Agency, 07.12.2017



Turkey is expected to grow 9.2 percent in the third quarter of this year, a panel of economists said.

A group of 17 experts questioned by Anadolu Agency projected the figure ahead of Monday’s announcement of the third quarter’s GDP. Among the economists’ expectations, the highest growth forecast for the third quarter of this year was 11.1 percent, while the lowest was 7.2 percent. Economists also forecasted that Turkey would see annual growth of 6 percent at the end of 2017, with the highest forecast at 6.7 percent and the lowest at 5.1 percent.

Turkey’s economy grew 5.2 percent in the first quarter of this year and 5.1 percent in the second quarter, according to the Turkish Statistical Institute (TurkStat).

Turkish Treasury posts over \$155B revenue in Jan-Nov

Anadolu Agency, 07.12.2017



Turkey's Treasury received a 568.7 billion Turkish liras (\$156.2 billion) cash revenue in the period of January-November this year, according to an official statement.

The Treasury's non-interest expenditures amounted to 565.4 billion Turkish liras (\$155.3 billion) as of November. Over the same period, the Treasury collected around 11.2 billion Turkish liras (\$3 billion) in privatization and fund income. This amount includes the transfer made by the Turkish Privatization Administration, 4.5G license payment, land sales revenue etc.

Interest payments, from this January to November, were 53.8 billion Turkish liras (\$14.7 billion), making it the top contributor to the balance deficit. The eleven-month cash balance -- a \$10.8 billion deficit -- represents the Treasury's cash revenues plus privatization and fund income minus its expenditures including interest payments. Meanwhile, the official report showed that the Treasury's cash balance for last month was a surplus of 5.65 billion Turkish liras (\$1.45 billion), compared to a deficit of 4.5 billion Turkish liras (\$1.2 billion) in October.

In November, the Treasury's cash revenues plus privatization and fund income reached to some 63.5 billion Turkish liras (\$16.3 billion), while its expenditures -- including interest payments -- were nearly 57.9 billion Turkish liras (\$14.9 billion). The average U.S. dollar/Turkish lira exchange rate was 3.89 in November, as the eleven-month average exchange rate was 3.64.

Turkish business world calls for new reform policies

CNN, 07.12.2017



Turkish businesses need reformist economic policies that support consistent and effective production along with increasing competitive capacity and prosperity, Erol Bilecik, chairman of the Turkish Industry and Business Association (TUSIAD), said on Thursday.

“We definitely need a new economic development story. Turkey, and especially the Turkish private sector, has an ability, ambition and energy to enable our country to gain that acceleration,” Bilecik said at Turkey’s top businesses association high advisory council meeting in Ankara.

“We need a contemporary education approach, a foreign policy that understands the importance of integrating with the world, a judicial system that operates by sticking to universal rules and to be a rising country in the fight against corruption,” Bilecik said. Bilecik said that although Turkey’s economy had maintained its growth trend for the last 15 years there was a difference in terms of quality and quantity between the period of 2002-2007 and 2010-2017. “Turkey grew on average 7 percent before global crises and 5.6 percent in the aftermath of crises,” he said.

From 2002 to 2007 the country managed to reduce its fragility, inflation rate and debt ratio while growing, Bilecik said. “We grew on the back of reforms that helped productivity increase and also attracted qualified labor force and a considerable amount of foreign direct investment as we strengthened our relations with the EU and the West,” he said. He underlined that the growth policy the country implemented after global crises had depended on cheap liquidities as well as on consumer and public expenditures rather than rising productivity.

“This approach caused our financial indicators to be destroyed and fragility to rise,” he said. Bilecik said Turkey’s inflation rate of almost 13 percent was not acceptable while it hovered around 3-4 percent in similar developing countries. He said the Central Bank’s main role was not an institution served to create prosperity and growth but one to provide price stability. Every policy that distances Turkey from price stability damages the country’s economy, Bilecik said. “Higher inflation and growth rates can not exist at the same time. This growth is not sustainable and is always temporary,” Bilecik said. “The main determinant of our current situation is how we react to global developments, how we respond them,” he added.

He said that Turkey's EU membership bid was the natural result of the history of its modernization and constituted a significant opportunity for realizing its potential. "This process contributed not only Turkey's property but also to its strategic position and image," he said. Bilecik added that the update of the customs union agreement with the EU should not be sacrificed due to cyclical crises. He said Turkey should swiftly sign a deal with the United Kingdom, with which Turkey has an export surplus, should London ink a new agreement with the EU. "The difficulties the U.K. faces during the Brexit process emphasize the importance of EU membership," he added.

Tuncay Ozilhan, the president of the TUSIAD High Advisory Council added that efforts to keep up with global developments in science and technology should not be delayed amid political and geo-strategic threats. "Scientific and technological developments will pave the way for significant changes in societies' lives," he said. The Turkish economy needs a new vision that focuses on production with the use of high technology, Ozilhan said. The most problematic field is education, Ozilhan pointed out, noting that education quality could not be reached despite a rise in university numbers. Ozilhan underlined that radical reforms should be made in all fields, for instance in business life, the tax regime, the social security system, the financial system and the education system in order to keep up with changes in society and technology.

He added that the independence and neutrality of the judiciary, freedom of expression and thought, free and scientific academic environment, a free media and internet environment, well defined authorizations and responsibilities, a merit factor in the public administration constituted important parameters for the country's competitive power. "Turkey is gaining power as long as the country proceeds through democracy and the rule of law, its economy is getting strong and the citizens' prosperity and happiness is soaring," Ozilhan added. Bilecik also mentioned the U.S. decision to recognize Jerusalem as the capital of Israel, saying it should be reversed as the Middle East does not need more conflict areas. "This is a wrong and irresponsible decision which will trigger violence in the world," Bilecik said.

Turkey to receive more Arab funds: Bahraini banker

Anadolu Agency, 07.12.2017



The ongoing instability in the Gulf region, will cause funds from Arab countries to flow into Turkey, the chief executive officer of Bahrain Islamic Bank said Thursday.

Speaking to journalists during the World Islamic Banking Conference in the capital Manama, Hassan Jarrar said Arab funds looking for "a safe haven" will transfer to Turkey. Jarrar said countries in the Middle East look up to Turkey. Most Arabs consider Turkey a model Islamic country due to its secular outlook, he said. Stating that historically Europe and the U.S. were considered safe havens for Gulf funds, he said.

The geographical proximity of the Middle East to Turkey increases likelihood that the funds will land in Turkey. He added a long-held view was that Gulf money would end up in Asia. He said despite recent challenges Turkey was still a stable place for investment and a potential market for Islamic banks. Jarrar said real estate, tourism, food security and agriculture sectors could use investment from Arab countries. Khalid Hamad, executive director of banking supervision at the Central Bank of Bahrain, said Turkey was one of the largest economy in the Middle East. He added that due to its large Muslim population Turkey had huge potential when it came to Islamic finance.

Islamic banks have a 12 percent representation in the banking sector in Bahrain, he said, adding that they did not only cater to Muslims. Islamic finance, which does not involve charging or paying interest, uses a model in which trade is backed by real assets and money is merely a medium of exchange rather than a commodity to be traded. Hamad explained that Islamic finance is safer than conventional finance.

Israel signs deal worth 18.6 million euros with Turkey amid political turmoil

Anadolu Agency, 07.12.2017



Israel has signed a deal worth nearly 18.6 million euros with Turkey's Anadolu Isuzu, a joint automotive manufacturing venture between Turkey's Anadolu Group and Japan's Isuzu Motors, to buy buses, the Public Disclosure Platform (KAP) said on Dec. 6.

“A deal to make a delivery worth 18.6 million euros has been signed with our Israeli distributor Universal Trucks Israel Ltd., the company which won the bid,” KAP said in a statement. “The submittal of the delivery mentioned hereby is planned to begin in 2018, and is expected to be completed by 2019,”

Anadolu Isuzu produces 25 different models within five segments in Turkey. While the greatest capital is spared to the midibus, which compromises one-fourth of the production share, the D-Max pick-up follows with 12 percent. Anadolu Isuzu currently has 823 workers. Its revenue in 2016 was 830 million Turkish Liras. In 2016, a total of 5,240 vehicles were produced, of which 666 were exported, by the company headquartered in Istanbul.

Qatar signs €12B-worth of deals with France

Hurriyet Daily News, 07.12.2017



Qatar signed on Thursday contracts worth €12 billion with French companies during a one-day visit by President Emmanuel Macron amid a continuing crisis between Doha and its Gulf neighbors. The signed contracts cover defense, armaments, the operation and maintenance of metros and tramways, and soil pollution treatment.

“In total what was signed today adds up to about €12 billion, reflecting the intensity of this relationship,” “We have also signed a number of commercial contracts which reflect the density of our economic ties, underline the closeness of our commercial ties,” Macron added.

Macron told a joint news conference in Doha with Qatari Emir Tamim bin Hamad al-Thani. He reiterated disapproval of the U.S. decision on Jerusalem and described it as “unilateral”. The French president said that the decision violates international law and the UN Security Council’s resolution. “France will state its position at the UN Security Council.” “Jerusalem is a matter that concerns the international community. The resolution must be done through negotiations between Israelis and Palestinians,” he added.

According to French newspaper Le Monde, Qatar was taking up an existing option to buy 12 French Rafale fighter jets from France’s Dassault Aviation and had confirmed a 2011 order for 50 Airbus jets. Among the other deals, the French national railway operator SNCF along with the Paris metro company RATP won a contract to run the Doha metro. French state-owned armaments company Nexter sold 490 armored vehicles. The talks between the two countries are aimed at strengthening the partnership ahead of a counter-terrorism conference, planned to be held in Paris in April 2018.

Israel braces for protests against ‘Trump Declaration’

Anadolu Agency, 08.12.2017



The Israeli authorities on Friday stepped up security in occupied East Jerusalem in anticipation of Palestinian demonstrations against a U.S. decision to recognize Jerusalem as Israel’s capital.

According to eyewitnesses, hundreds of Israeli police have been deployed throughout the city in anticipation of unrest. “Since the early hours of Friday, police have stepped up security, deploying hundreds of personnel at the entrances of Jerusalem’s Old City,” one local witness, speaking anonymously due to security concerns, told Anadolu Agency.

In a statement, police spokesman Micky Rosenfield confirmed that police reinforcements had been deployed “in and around the Old City”.

“Police are prepared to respond to any protests if necessary,” he said, adding that no age restrictions had been applied on Palestinians entering the flashpoint Al-Aqsa Mosque complex. Meanwhile, police arrested several Palestinians in overnight raids carried out in Jerusalem, according to a Palestinian NGO. In a statement, the Palestinian Prisoners Society said Israeli forces had arrested a total of 13 Palestinians in separate areas of occupied East Jerusalem.

On Thursday evening, Palestinian political factions issued a joint statement calling for marches and demonstrations in the occupied West Bank and East Jerusalem after Friday prayers to protest the controversial U.S. move. They also called for protests at the Al-Aqsa Mosque compound, in which thousands of Palestinians are expected to participate -- raising concerns of possible clashes with Israel forces. The High Follow-Up Committee for Arab Citizens of Israel, for its part, has also called for large rallies on Friday in Arab towns and communities throughout Israel. “In response to the tragic Trump Declaration, we are calling on our people to take part in demonstrations to be held in a number of Arab towns and villages from Friday to Sunday,” the committee said in a statement.

On Wednesday, despite widespread opposition across the Middle East, U.S. President Donald Trump announced his decision to recognize Jerusalem as Israel’s capital. According to Trump, the U.S. State Department has already begun preparations for the relocation of the U.S. embassy in Israel from Tel Aviv to Jerusalem. The dramatic shift in U.S. policy has sparked demonstrations on Thursday in the occupied Palestinian territories, Turkey, Egypt, Jordan, Tunisia, Algeria, Iraq and in some other Muslim countries. Jerusalem remains at the heart of the Israel-Palestine conflict, with Palestinians hoping that East Jerusalem -- now occupied by Israel -- might eventually serve as the capital of a future Palestinian state.

During his electoral campaign last year, Trump repeatedly promised to move the U.S. embassy from Tel Aviv to Jerusalem and acknowledge Jerusalem as the Jewish state's capital. In April, Moscow announced its recognition of West Jerusalem as Israel's capital, going on to voice hope that the city's eastern half might eventually come to serve as the Palestinian capital.

Russia 'firmly' committed to 1987 missile treaty

Anadolu Agency, 08.12.2017



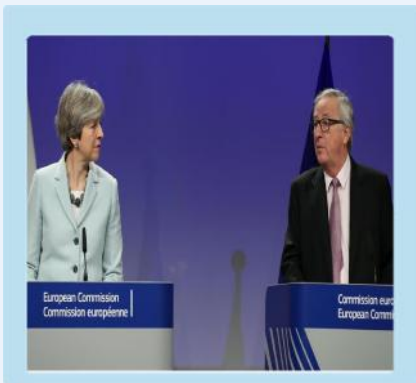
Moscow has been “firmly” committed to the Intermediate-Range Nuclear Forces (INF) treaty, Russian Foreign Ministry said on Friday.

“For all three decades, the Russian Federation remains firmly committed to the INF treaty and strictly complied with it,” the ministry said in a statement. Moscow’s comments came on the 30th anniversary of the INF treaty that was signed in 1987 between the U.S. and the then Soviet Union. The treaty requires parties to destroy their ground-launched ballistic and cruise missiles with ranges of between 500 and 5,500 km.

Their launchers and associated support structures and support equipment within three years after the treaty enters into force. The ministry said signing of the treaty played a “significant” role in strengthening global security and stability. It said the U.S. continues to make “baseless” allegations that Russia violates the deal. “Again, we emphasize that we will comply with all the provisions of the INF Treaty as long as our partners do so. We are ready to conduct a de-politicized and professional dialogue with the U.S. on the essence of the problems that have accumulated around this area,” it added. The ministry said Moscow noted the importance of joint efforts with the American side to maintain the “viability” of the deal.

UK, EU reach deal to move ahead with Brexit talks

Anadolu Agency, 08.12.2017



The U.K. and EU reached a deal on three main sticking points in the Brexit talks on Friday, allowing the negotiations to move on to the next phase.

EU Commission President Jean-Claude Juncker signaled that enough progress had been made on the status of the Irish border, the rights of citizens affected by Brexit and Britain's financial settlement when it leaves the EU to launch talks on a post-Brexit U.K.-EU trade agreement. "Today I am hopeful that we are now all moving towards the second phase of these challenging negotiations."

He told a televised news conference in Brussels. He said the "breakthrough we needed" had been achieved after months of talks. Donald Tusk, president of the European Council, said he recommended that the negotiations should move on and described the agreement as a "personal success" for Prime Minister Theresa May. "The most difficult challenge is still ahead," he added, referring to the transition period leading up to the U.K.'s departure by March 2019. Speaking alongside May, who flew to Brussels early Friday, Juncker said there had been compromises on both sides.

Welcoming the end of the first phase, May tweeted: "I very much welcome the prospect of moving ahead to the next phase of the Brexit talks on trade and security." Under the first phase deal there will be no "hard border" between Northern Ireland and the Republic of Ireland while EU citizens in the U.K. and British nationals in the EU will have their rights protected. A joint report said the U.K. would pay the EU an amount that is "fair to the British taxpayer" when it leaves the bloc. The EU's chief negotiator Michel Barnier said there had been "real progress" but warned of further hurdles in future negotiations.

Ireland's Prime Minister Leo Varadkar said the deal had "achieved all that we set out to achieve", broadcaster RTE reported. He added: "This is not the end, but it is the end of the beginning." The agreement came after painstaking work following a delay caused by the Democratic Unionist Party (DUP) in Northern Ireland earlier this week. The DUP, which props up May's Conservative Party in parliament, rejected an agreement between London and Dublin to retain EU rules in Northern Ireland as a way of resolving the border issue. "There is still a major debate within the Cabinet, parliament, the Conservative Party and other parties about the nature of any regulatory alignment with the EU that may be required post-Brexit," the DUP said in a statement. "We believe that the paper could pre-judge the outcome of that debate." The initial deal is expected to be signed off at an EU summit next week before the second phase of talks begins.

Germany: SPD approves coalition talks with Merkel

Anadolu Agency, 07.12.2017



A party conference of Social Democrats on Thursday gave the go-ahead for coalition talks with German Chancellor Angela Merkel's conservative bloc CDU/CSU.

A proposal submitted by party executives to enter preliminary coalition talks with Merkel's conservatives was approved by a large majority of the 600 delegates, after eight hours of heated debate at the conference. SPD leader Martin Schulz told delegates that preliminary talks would be conducted in an "open-ended" way, and would not necessarily mean Social Democrats would become part of a coalition government.

The SPD's youth section "Jusos" voted against entering coalition talks with Merkel's Christian Democrats, arguing that the election result meant voters had rejected the option of another "grand coalition" between the SPD and the CDU/CSU. The young Social Democrats called for a comprehensive reform within the party.

Investor is betting big on China's payments system going global

CNBC, 08.12.2017



Hong Kong-based private equity and venture capital firm First Eastern Investment Group is betting big on China's burgeoning financial technology sector, its chairman and chief executive told CNBC.

"I'm putting my money on Chinese fintech, particularly the payments sector going global," Victor Chu said Friday on the sidelines of the Fortune Global Forum in Guangzhou, China. Alibaba's Alipay and Tencent's WeChat Pay, which currently dominate the payments landscape in China, have already had some expansion outside of their domestic market.

And as Chinese tourists travel abroad in greater numbers, the two payments companies are expected to “follow their customers” and sink their feet in more countries, Chu said. First Eastern Investment Group is already helping both Alipay and WeChat to expand into Europe, Chu told CNBC. “If they (Chinese tourists) go to London and WeChat Pay is accepted like Visa, it’s very easy, they don’t even need to exchange foreign currency,” he said, noting that the number of Chinese outbound tourists is projected to exceed 200 million in five years from the current 110 million. “So they have to go out because they have to follow their customers, but sooner or later, WeChat Pay and Alipay, with innovation, can be very competitive,” he added.

JPMorgan explains what’s driving China’s growth

Agence France, 20.10.2017



Consumption and innovation will be the two major growth drivers in China in the years ahead as the economic giant moves into its next phase of expansion.

China’s consumption will grow from the current \$4 trillion to \$6 trillion. That is roughly equivalent to the size of Germany’s consumer market. JPMorgan Chase’s managing director and vice chairman of Asia Pacific. On innovation, the Chinese government is not only encouraging technology companies to go abroad, but also urging old industries such as manufacturing to adopt new ways of doing business.

That will lift the country’s growth prospects, added Ulrich, who is a well-known expert on the world’s second-largest economy. Speaking from the sidelines of the Fortune Global Forum in Guangzhou, China, Ulrich highlighted China’s newest inventions: “China’s payments system is number one in the world in terms of size and sophistication, and also the sharing economy. So we’re really seeing innovation taking hold in the whole economy.”

Many Chinese tech companies are “planting seeds” in Southeast Asia and North Asia, and Ulrich said she expects more to venture abroad. China’s economic growth has largely surpassed expectations this year, helped by a global recovery in exports. That has boosted corporate earnings and allowed the country to cut financial leverage, which has been a key source of concern among investors. An increasing number companies in the troubled steel industry, a major source of risky debt in the Chinese economy, are profitable now, Ulrich said. She noted that 85 percent of steel companies are making money today, compared to just 5 percent two years ago.

“For the first time since the financial crisis, financial leverage in China is coming down because corporates, the heavy borrowers from banks, are finally making a lot of money,” she said. “So they’re paying down some of their debt, and, as a result, we’re seeing leverage ratio coming down. Having said that, many Chinese banks have grown so rapidly therefore as you grow, as you lend, you need more capital. So I think for the smaller banks, in particular, they need to replenish their capital position before they can grow into the new year,” added Ulrich. The International Monetary Fund on Thursday morning released its assessment of the Chinese financial system. It said a stress test of 33 banks, which account for three quarters of total banking assets, revealed that 27 of them were under-capitalized.

A dangerous choice looms for Trump on North Korea

CNN International, 08.12.2017



Only President Donald Trump and his closest advisers may truly know how close the US is to war with North Korea as the administration’s standoff with Pyongyang continues to escalate.

Trump’s National Security Adviser H.R. McMaster said last week that the threat of war with North Korea is “increasing every day” -- a stark warning that is raising new questions about whether the administration has a predetermined “red line” for military action after the rogue regime’s latest -- and most successful -- intercontinental ballistic missile test to date.

While Trump has been eager to confront North Korean leader Kim Jong Un both verbally and via Twitter, his threats of “fire and fury” have largely been tempered by assurances from top advisers who insist the US remains committed to prioritizing a peaceful resolution to tensions with Pyongyang.

But Trump’s provocative rhetoric and suggestions of considering a “preventative war” have raised concerns that he may be more willing to engage in a conflict on the Korean peninsula than past presidents. One former senior defense official told CNN that Trump could ultimately decide on his own whether or not the US makes the first move. “The only reason we will have war is if President Trump wants war,” the source said. “He is the wild card in this ... he can order us to start a war via a preemptive strike.”



But any decision involving military force would likely be made with input from Trump's national security team including McMaster, Secretary of State Rex Tillerson, Defense Secretary James Mattis, CIA Director Mike Pompeo and Chief of Staff John Kelly. Most of Trump's top national security advisers have said that military options should be reserved pending an imminent threat to the US or allies, but McMaster has repeatedly suggested otherwise -- even hinting that conflict is a real possibility and one that could come soon. In addition to his comments last week, McMaster has previously ruled out any diplomatic scenario short of denuclearization -- a demand that Pyongyang has consistently said it will not meet.

"Accept and deter is unacceptable. So this puts us in a situation where we are in a race to resolve this, short of military action," he said last month, adding the President has made it clear "he is not going to accept this regime threatening the United States with a nuclear weapon." McMaster's rhetoric could indicate that he views the threat of a military option as a viable tool to forcibly denuclearize North Korea -- making him a part of, what one expert called, the administration's "talking is futile" camp. A strategy pursuing forcible denuclearization does not necessarily indicate support for preemptive military action but could use provocative rhetoric in an attempt to bait Kim into a miscalculation or a scenario in which North Korea initiates a US response, according to Vipin Narang, an associate professor of political science at MIT and a member of MIT's Security Studies Program.

A spokesman for North Korea's foreign ministry said Wednesday that Pyongyang does not want war, but if a conflict should occur, it will be initiated by the US. "Should the US miscalculate our patience and light the fuse for a nuclear war, we will surely make the US dearly pay the consequences" an unnamed spokesman said, according to the state run Korean Central News Agency (KCNA). Both sides have avoided a severe miscalculation to date, but the situation has evolved dramatically in recent weeks. US Sen. Lindsey Graham, a Republican hawk who sits on the Senate Armed Services Committee, recently said that North Korea's advancing military technology makes the possibility of preemptive war more likely. "I think we're really running out of time," he said. While Graham believes time is running out for the US to prevent Pyongyang from developing that capability, some say the clock has already hit zero.

"A North Korean missile with a nuclear payload capable of striking an American city is no longer a distant hypothetical, but an imminent danger -- one that poses a real and rising risk of conflict," according to Sen. John McCain, chairman of the Senate Armed Services Committee. While the situation with North Korea demands urgency, the former defense official told CNN that the rhetoric used by both McMaster and Graham is "damn scary" and potentially dangerous. "I'm surprised people are talking so openly about starting a war with a nuclear power," the former official said, noting that Kim is "reckless but not irrational" and is pursuing long range nuclear weapons for deterrence -- a conclusion that is also shared by the CIA. The Trump administration publicly insists that its "all-options-on-the-table" strategy has not changed, but McMaster seemed to undermine the effectiveness of that very policy when he warned that the risk of war increases by the day.



North Korea continues to demonstrate unprecedented success in its nuclear weapon development despite a US-led “maximum pressure campaign” utilizing a combination of sanctions, threats of military force and diplomatic isolation. While diplomatic channels of communication remain open, neither side has indicated it is willing to concede an inch showing that -- at least for the moment -- the prospect of serious negotiations remains unlikely.

The administration has avoided drawing a “red line” when it comes to the use of military force and specific details related to circumstances that might prompt such a response have been kept secret for strategic purposes, according to officials. Publicly, the US remains committed to pursuing “a peaceful path to denuclearization and to ending belligerent actions by North Korea,” according to Aaron Tarver, a State Department spokesperson, but the situation is complicated by the administration’s murky position on whether the successful development of a nuclear weapon capable of hitting the US could justify a military response. “The White House hasn’t been entirely precise about what they mean by a North Korean capability to strike the United States or what specifically would trigger action,” according to Kingston Reif, director for disarmament and threat reduction policy at the Arms Control Association.

“The risks associated with drawing such a red line are considerable. It creates a “commitment trap,” or significant pressure to carry out a threat lest a bluff be called,” Reif said, adding that “North Korea’s possession of the capability to range the United States with a nuke-armed ICBM does not constitute an imminent threat.” But indications of an internal split within the administration may highlight an emerging ideological conflict within Trump’s national security team, according to Narang. Two distinct groups with differing views on the role of military force have begun to emerge within Trump’s inner circle, he said, a split that could put McMaster and Mattis on opposite sides of the debate in the near future.

Both Mattis and Tillerson have consistently said they prefer a diplomatic resolution to the situation and see the threat of military action as one of several coercive tools they hope can ultimately help bring Kim to the negotiating table. But for those threats to have the desired effect, Mattis and Tillerson believe the US must continue to “amp up” its military strength as a viable option, Narang said. The former defense official who is familiar with Mattis’ way of thinking also noted that it is unlikely that he would push for preventative war or a military option unless the US was truly out of diplomatic options.

But the recent comments from McMaster and Graham have sparked fresh fears over the fact that Trump could unilaterally initiate a large-scale conflict if the administration supports a decision to preemptively attack North Korea. “I can’t speak to what is exactly in McMaster’s (or Trump’s) head. But his rhetoric clearly suggests that the White House believes preventative war to stop North Korea from further perfecting its capability to strike the US homeland is a real, live option,” Reif told CNN. “Preventative war is not a viable, rational, or constitutional (in the absence of approval from Congress) option.” Congressional lawmakers -- including Graham -- have also refrained from clearly defining a “red line” for military action, but officials on both sides of the aisle have urged Trump to weigh the potential consequences of a military strike before acting.

“I just want us to understand what all the options and courses of actions -- and what the cost of all those courses of actions are and for people to understand what a war with North Korea truly, truly means in terms of causality numbers, costs, and what are we committing American troops to,” said Sen. Tammy Duckworth, an Illinois Democrat and US military veteran. “While all options should remain on the table, the President must prioritize working with our allies and other countries to achieve a diplomatic solution,” she added, noting that she does not believe Trump “fully aware of the cost of war” based on his rhetoric in recent months. Duckworth and Sen. Chris Murphy recently proposed legislation to reaffirm that “no president can take preemptive military action against North Korea with congressional approval.”

Tax reform will fill shareholders’ pockets but hit the middle classes

CNBC, 07.12.2017



The United States’ proposed tax reform is projected to boost corporate earnings — and most of those savings are likely to go into shareholders’ pockets, said former U.S. Commerce Secretary Penny Pritzker. If the tax plan is passed, as many are expecting, the U.S. will see corporate taxes fall from current rates of 35 percent to as low as 20 percent.

But the benefits accrued will be distributed unevenly among Americans, creating winners and losers, according to billionaire Pritzker. “I think there will be some that will go to wage increase, and some that may go to investment,

But I think a lot of it is going to go frankly to corporate share buybacks or dividends,” Pritzker told CNBC. Buybacks occur when firms purchase their own shares, reducing the proportion in the hands of investors. Like dividend payments, buybacks offer a way to return cash to shareholders, and usually see a company’s stock push higher as shares get scarcer. According to the ex-commerce secretary, corporate tax reform is crucial to increasing the competitiveness of U.S. businesses, but the current plan fails to create inclusive growth.

“You can’t do it on the backs of raising taxes on the middle class,” Pritzker said, adding that it was unacceptable that the current bill accepts, as part of its design, an expanding budget deficit. Senate Majority Leader Mitch McConnell has said the Senate tax bill is a “revenue-neutral tax reform bill” but analysis of the bill has suggested it would add at least \$1 trillion to the deficit. “I hope that in the conference committees that will go on, that there will be an effort to say ‘How do we bring down those deficit projections and still achieve significantly lower corporate tax rates?’” she said. House Republicans are set to go to a conference committee with the Senate to reach an agreement on tax reform Pritzker is not the first to have voiced concern over the possible impact of the bill on the middle class Senator Ron Wyden of Oregon has said that one study showed “middle-class Americans will ultimately see a tax hike under Republicans’ plan while corporate sponsors line their own pockets with multi-trillion-dollar giveaways.”



President Donald Trump and his administration have labored to sell the reform package as a win for the group. “I view it more than anything else as it’s a tremendous bill for jobs and for the middle class,” the president told reporters at the White House Tuesday. However, a recent poll found that sixty-one percent of Americans said they thought the plan favors the rich at the expense of the middle class



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

Project TERRE open stakeholder meeting

Date : 08 December 2017
Place : Brussels - Belgium
Website : <https://www.entsoe.eu/news-events/events/Pages/Events/Project-TERRE-open-stakeholder-meeting.aspx?EventWorkshopId=345>

Connecting the Dots Annual Conference '17

Date : 09 December 2017
Place : Brussels
Website : <https://conference.entsoe.eu/>

ENTSOG Workshop on the Supply Potentials and Renewable Gases for TYNDP 2018

Date : 10 December 2017
Place : Brussels
Website : <https://www.entsoe.eu/events/entsoe-workshop-on-the-supply-potentials-and-renewable-gases-for-tyndp-2018#welcome>



Market EU Stakeholder Committee

Date : 11 December 2017
Place : Brussels - CEER
Website : <https://www.entsoe.eu/news-events/events/Pages/Events/mesc-2017-12-11-aspx.aspx?EventWorkshopId=330>

Grid Connection EU Stakeholder Committee

Date : 14 December 2017
Place : Brussels – Martin's Brussels EU Hotel
Website : <https://www.entsoe.eu/news-events/events/Pages/Events/GESC-2017-12-14-aspx.aspx?EventWorkshopId=331>