

NATO chief arrives in Turkey for official talks

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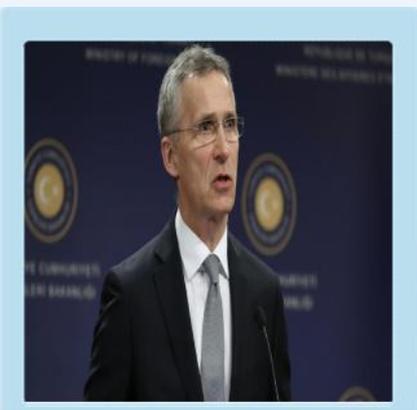
NATO chief arrived in capital Ankara on Monday for official talks in the wake of the U.S.-led airstrikes targeting the Assad regime in Syria.

Secretary General Jens Stoltenberg met President Recep Tayyip Erdogan at the presidential complex where both sides discussed regional issues, including the fight against terrorism, peace in Syria, Saturday's airstrikes targeting the Assad regime in Syria, according to presidential sources, who asked not to be named due to restrictions on talking to the media.

The meeting was closed to the media and lasted for over an hour. Earlier, Stoltenberg met Defense Minister Nurettin Canikli after being welcomed by a military ceremony at the Defense Ministry. The meeting focused on Syria, air and missile defense systems, and the upcoming NATO defense ministers' meeting to be held in June, Canikli tweeted. The U.S., U.K., and France early Saturday launched airstrikes on reported Assad regime chemical weapons facilities in Syria. The strikes followed the Assad regime allegedly carrying out a chemical attack in Douma, Syria which killed 78 civilians and injured hundreds of others.

Turkey set to take responsibility for NATO task force

Anadolu Agency, 17.04.2018



Turkey will be responsible for NATO's rapid response unit in a couple years, NATO chief told Anadolu Agency.

"I welcome the fact that for instance Turkey in a couple years will be responsible for VJTF, so-called Very High Readiness Joint Task Force," Secretary General Stoltenberg said. About the task force, he said: "NATO is ready to deploy on the short notice and that is part of our adaptation to more uncertain and unpredictable security environment." NATO created the VJTF during the 2014 Wales Summit as a "spearhead force" within the NATO Response Forces against risks and threats might arise in Russia, Middle East, and North Africa.

According to NATO's website, the VJTF comprises a multinational 5,000-troop brigade with up to five battalions, supported by air, maritime and Special Forces. "Only fully operational, the VJTF will be supplemented by two additional brigades, as a rapid-reinforcement capability, in case of a major crisis," according to NATO. "If activated, the force will be available to move immediately, following the first warnings and indicators of potential threats, before a crisis begins, to act as a potential deterrent to further escalation," it added. Stoltenberg was in capital Ankara for official talks in the wake of the U.S.-led airstrikes targeting the Assad regime in Syria. On Monday, Stoltenberg met President Recep Tayyip Erdogan at the presidential complex where both sides discussed regional issues, including the fight against terrorism, peace in Syria and Saturday's airstrikes targeting the Assad regime in Syria. Stoltenberg also met Foreign Minister Mevlut Cavusoglu as well as Defense Minister Nurettin Canikli, separately.

NATO welcomes Turkey's "transparency" in its ongoing Operation Olive Branch in Afrin, Syria, the alliance chief said on Monday after meeting Cavusoglu. "[Foreign] Minister Cavusoglu briefed me on Operation Olive Branch, and I am grateful for Turkey's continued transparency on this," Stoltenberg said. Turkey launched Operation Olive Branch on Jan. 20 to clear the terrorist groups YPG/PKK and Daesh from Afrin, northwestern Syria amid growing threats from the region. On March 18, Turkish-backed troops liberated Afrin town center, which had been a major hideout for the YPG/PKK since 2012. He said Turkey has been part of NATO since it joined in the 1950s. "Turkey has been a key in deterring the Soviet Union during the cold war," he said, adding the country has played an important role in managing crisis beyond the borders.

Turkey has expressed strong support for a training mission in Iraq that NATO plans to launch, Stoltenberg added. "We are now in the planning process. And hopefully will be able to launch that mission at our summit in July. The details are not yet fully decided but we are planning for a training mission which will help to train Iraqi forces and officers and soldiers," he added. "Turkey has a special role as a neighbor also knowing the region and already Turkey has worked close with the government in Baghdad and also with the Kurdish regional government." All these experience and knowledge will be useful for NATO's training mission, he added.

Turkey's external assets rose in February

Anadolu Agency, 18.04.2018



Turkey's external assets rose 2.4 percent as of February 2018 to reach \$233.6 billion compared to the end of 2017, the Turkish Central Bank revealed on April 18. Turkey's external assets rose 2.4 percent as of February 2018 to reach \$233.6 billion compared to the end of 2017.

The country's liabilities against non-residents also increased 2.9 percent to \$702.2 billion, the bank said. The net international investment position (NIIP) the gap between Turkey's assets abroad and liabilities amounted to minus \$468.7 billion at the end of this February.

The NIIP is the value of overseas assets owned by a nation, minus the value of domestic assets owned by foreigners, including overseas assets and liabilities held by a nation's government, the private sector and its citizens. "As regards to sub-items under assets, at the end of February 2018, reserve assets recorded \$114.6 billion indicating an increase of 6.3 percent, while other investment recorded \$74.6 billion, indicating a decrease of 3.1 percent compared to the end of 2017," the bank said. The banks' currency and deposits — one of the sub-items of other investments — slipped 4.8 percent to \$33.3 billion during the same period. On the liabilities side, direct investment — equity capital plus other capital — rose to \$181.4 billion at the end of the previous month, up 0.1 percent from the end of 2017 due to changes in the market value and foreign exchange rates, the Central Bank noted.

The average U.S. dollar/Turkish Lira rate was 3.7869 in February, while one dollar was exchanged for 3.6466 liras on average in 2017. The dollar traded at 4.1 liras on April 18. The bank added that banks' external loan stock totaled \$94.8 billion in the month, rising 1 percent from the end of 2017, and the total external loan stock of other sectors totaled \$112.6 billion, up 4.4 percent.

Turkish Foreign Ministry responds to Macron on Balkans

Anadolu Agency, 18.04.2018



The Turkish Foreign Ministry said Wednesday that French president's statement on the Balkans is "not constructive".

In a written statement, spokesman Hami Aksoy responded to a question regarding the remarks made by French President Emmanuel Macron about Turkey and the Balkans during a speech at the European Parliament on Tuesday. Aksoy said Macron, similarly to a speech he made last year, has "used expressions in the European Parliament about the Balkans being an area of rivalry for the EU, Turkey and the Russian Federation".

"This understanding that views the Balkans as a sphere of influence is not constructive," Aksoy stressed. Aksoy continued: "Being a Balkan country as well, Turkey's aim and priority in the region today, as it has been in the past, was the maintenance and strengthening of peace, stability and sustainable development." "With this objective, we continue to support membership of all countries in the region to European and Euro-Atlantic institutions," he added. Aksoy said Turkey hopes that France will contribute, at least as much as Turkey, to integration efforts of Turkey's friends in the Balkans to the EU and NATO. "Within this framework, we advise France to try to understand better the contribution efforts of Turkey for the stability of the Balkans," he added.

Turkish, German energy ministers vow to improve ties

Anadolu Agency, 17.04.2018



Turkish Energy Minister Berat Albayrak and his German counterpart Peter Altmaier have vowed to improve relations between their countries after months-long tensions.

Speaking at a joint news conference in Berlin, Albayrak voiced hope for a new era in relations after Chancellor Angela Merkel formed a new coalition government last month. “For Turkey, Germany is a very important, indispensable partner,” he said. “As the new government took office in Germany, Turkey aims to foster a new era in relations.”

Albayrak expressed hope that Turkey and Germany would further enhance their cooperation in economy, trade and energy sectors. Altmaier, a close ally of Merkel, underlined the importance of closer cooperation between both countries at a time of growing uncertainty in the Middle East. “Minister Albayrak and I agreed to deepen our cooperation,” he said and highlighted great opportunities for both countries in areas of environmental policy, climate protection, and renewable energy. Altmaier announced the Turkey-Germany Energy Forum, a major gathering of energy companies from both countries, will convene in the coming months. Political relations between Ankara and Berlin suffered several setbacks in recent years, but both sides took steps in the recent month towards normalization of ties. EU heavyweight Germany is Turkey’s main economic and trade partner. In 2017, the bilateral trade volume reached €37.6 billion (\$46.5 billion). Around 7,150 German companies are currently active in Turkey.

Geopolitical issues led to early elections decision: PM

Anadolu Agency, 18.04.2018



Decision was taken in light of geopolitical developments and security issues that Turkey faces,. Prime Minister Binali Yildirim said Wednesday the decision for early presidential and parliamentary elections in Turkey was made after taking into consideration the recent developments in geopolitical and security matters.

Speaking in a news conference in Ankara, Yildirim said the planned snap elections would also make the current situation compatible with the new Turkish constitution. Yildirim noted that there was a common expectation among Turkish citizens that constitutional changes.

“As you know, the parliamentary system has been amended with the popular vote on April 16, 2017, and the presidential system has taken its place in our constitution [...] After adaptation of the constitutional changes some chapters have entered into force immediately and some are expected to enter into force in the first elections [following the referendum]. “Our citizens hope that this change will take effect as soon as possible and that the current situation will become compatible with the constitution,” Yildirim said. Such a decision was made in consideration of the geopolitical developments and security issues that our country faces, he added. Earlier, President Recep Tayyip Erdogan announced plans to hold early presidential and parliamentary elections on June 24.

He said that as the crisis in Syria accelerates, the election issue should be taken off the table. “For this reason [...] we decided to hold elections on Sunday, June 24, 2018,” Erdogan said. The announcement came after opposition Nationalist Movement Party (MHP) leader Devlet Bahçeli -- whose party is set to enter the elections in an alliance with the AK Party -- called for early elections. A bill to that effect was submitted to parliament on Wednesday.

GE İzmir plant exports its first wind blades to Australia six months after opening

Hurriyet Daily News, 19.04.2018



LM Wind Power, a GE Renewable Energy [GE] business in the Bergama district of the western Turkish province of İzmir, says it has exported its first blades to Australia less than six months after the factory's inauguration.

In a statement on April 19, the company said a total of 99 blades, each measuring more than 63.7 meters, would be manufactured in Turkey and exported to Australia for commissioning on GE's 3.43 MW wind turbines at the Bodangora Wind Farm, a 113.2 MW wind site developed by Infigen Energy and GE in South East Australia. GE's turbines, equipped with these LM Wind Power blades.

"The manufacture and export of these blades represents a significant milestone in the growth of the renewable energy industry in Turkey. To be able to accomplish this in such a short period of time is testament to commitment of our partners and local employee base, as well as a firm understanding of the growing importance of renewable energy within Turkey," said Manar al-Moneef, GE Renewable Energy's General Manager for the Middle East, North Africa and Turkey. The Bergama plant, which has more than 370 employees and began operations in July 2017, aims to meet the requirements of the rapidly growing Turkish wind industry, as well as provide rotor blades for wind turbines outside Turkey, read the statement.

Since 2010, new wind farms have continued to go into operation every year and sustainable growth is anticipated with a target of 20 GW by 2023, it added. Exports from LM Wind Power's Bergama facility to Australia play a crucial role in the diversification of Turkey's export markets, the company stated. Turkey realized exports worth \$538 million to Australia in 2017 and will be increasing this figure through the contribution of the exports that will be realized at LM Wind Power's Bergama facility this year, it added. The Bergama facility is the first new blade manufacturing site of LM Wind Power since it became a GE Renewable Energy business last year, according to the statement.

IMF ups 2018 growth forecast for Turkey, revises down 2019 figure

Hurriyet Daily News, 17.04.2018



The International Monetary Fund (IMF) has revised up its forecast for the 2018 Turkish economic growth to 4.4 percent, but its 2019 forecast was down to 4 percent for 2019.

Turkey's economy is projected to grow above potential, buoyed by improved external demand conditions and supportive policies on multiple fronts—expansionary fiscal policy, state loan guarantees, pro-cyclical macro-prudential policy, and an accommodative monetary stance, the IMF said in its outlook on April 17, which was released as thousands of global finance officials were gathering in Washington for the IMF and World Bank spring meetings this week.

“Growth is projected at 4.4 percent in 2018 and 4 percent in 2019,” it added. In its January upgrades, the IMF forecasted a 4.3 percent growth for Turkey in 2018 and 2019 for each. The IMF also highlighted some risks for the Turkish economy. In Turkey, limiting balance sheet currency mismatches and the high exposure to foreign exchange risk are urgent priorities, especially with monetary policy normalization under way in the United States and the United Kingdom (and the resulting possibility of a shift of capital flows away from emerging market economies), the IMF warned. Moreover, given that sudden re-pricing of term premiums remains a distinct possibility (as discussed in the “Risks” section) and that portfolio shifts could occur, it is important to mitigate rollover risk by avoiding excessive reliance on short-term borrowing, it added. The IMF kept its 2018 and 2019 global growth forecasts unchanged at 3.9 percent for both years after upgrades in January.

Iran says EU has ‘differing values’ but dialogue should continue

Agence France, 16.04.2018



Iran said April 16 that EU sanctions over its human rights record were due to “differing values” but that they should not derail dialogue with Europe.

“We have certain differences of opinion with European countries and the European Union,” Foreign Ministry Spokesman Bahram Ghasemi said at a press conference. “That is due in part to differing values between our region and the Islamic republic of Iran and the European Union, notably as concerns human rights,” he said. The EU on April 12 extended by a year sanctions against 82 individuals.

Ghasemi said long-running dialogue with the EU should continue, focusing on areas of agreement and in “a constructive atmosphere of good will.” “In the coming months, there will be several delegations to discuss different subjects and not just human rights,” he said. “I hope that this can happen in a more positive atmosphere.” The EU sanctions -- first imposed in the wake of the crackdown on the 2009 protest movement in Iran -- block exports of equipment “which might be used for internal repression and of equipment for monitoring telecommunications.” They are not linked to the 2015 nuclear deal, which lifted many other sanctions linked to Iran’s nuclear program. Britain, France and Germany, the three European parties to the deal, are working to head off U.S. President Donald Trump’s threat to tear it up and reimpose nuclear-related sanctions by May 12.

Russia is opposed to ‘sanction-swapping’ with the US

CNBC, 20.04.2018



Russian finance minister: Not in favor of sanction-swapping. Russia stands ready to retaliate against the latest round of U.S. sanctions, the country’s Finance Minister Anton Siluanov told CNBC.

The U.S. slapped sanctions on several Russian oligarchs, businesses and agencies thought to have ties to Russian President Vladimir Putin earlier this month. It prompted a dramatic market sell-off in Moscow, with investors seen dumping Russian assets amid elevated concerns over the country’s economic position.

Speaking late Thursday on the sidelines of the International Monetary Fund's (IMF) spring meeting in Washington, Siluanov told CNBC: "We are not in favor of sanction-swapping. Nevertheless, our MPs (members of parliament) have drafted legislation that would allow us to introduce certain restrictions, both on exported goods and on goods imported into the country." "Still, I would reiterate, any sanctions have a negative effect on the state of economies ... I very much hope that these sanctions processes do not develop any further. We need to talk, we need to find agreements, we need to look for ways out in order to solve problems not by imposing sanctions but through political agreements," he added.

The U.S. added several Russian companies to a sanctions blacklist in response to Moscow's actions in Crimea and Syria, as well as its interference in the West — including suspected cyber activities. The Kremlin has since called these sanctions unlawful. One of the most prominent casualties from Russia's recent market slump was aluminum giant Rusal. The company, owned by billionaire Oleg Deripaska, was directly targeted by Washington on April 6 and, in reaction to the news, investors then wiped half the value of its Hong Kong-listed stock and almost a third from its London-listed EN+ firm. The Kremlin has since sought to try to manage the fallout by actively assisting large companies, such as Rusal, with additional liquidity, Siluanov said. He added that while market turmoil in the country would "no doubt negatively impact the companies that found themselves hit by the restrictions," the Kremlin would not be updating its economic and budgetary forecasts.

MEPs back EU elections voting dates for 2019

Anadolu Agency, 19.04.2018



The European Parliament on Wednesday voted to hold the next European elections on May 23-26, 2019. MEPs backed the European Council proposal by 492 votes to 14, with 24 abstentions, according to an EP statement. "The next elections to the European Parliament will be held on 23-26 May 2019. The time is short.

The citizens of the European Union will come together to elect and engage with the European Parliament already for the ninth time," said Parliament's rapporteur Danuta Hubner, After consulting the European Parliament.

"The Council is expected to finalize the procedure before the end of June 2018, to give EU countries sufficient time to organize next year's European elections." According to the EP's website, based on the 1976 Electoral Act, the 2019 EU elections were supposed to take place between June 6 and 9. However, provided that the Council acts unanimously, it has the right to propose new dates within a certain timeframe, after first having consulted MEPs.

UK government loses key votes on Brexit bill

Anadolu Agency, 19.04.2018



UK Prime Minister Theresa May suffered two major defeats Wednesday after a majority of the upper House of Parliament adopted an amendment supporting continued membership in the EU customs union after Brexit.

The amendment to the EU Withdrawal Bill, which passed by 348 votes to 225, forces the government to report to Parliament by Oct. 31 on what steps it has taken to remain in the customs union. May also suffered a costly rebellion from 24 Conservative MPs who broke party ranks and voted to support the amendment.

They included former cabinet ministers Lord Heseltine, Lord Willetts and Lord Patton, who are staunchly pro-EU. “The passing of this cross-party amendment is an important step forward. Theresa May must now listen to the growing chorus of voices who are urging her to drop her red line on a customs union and rethink her approach,” Keir Starmer, the shadow Brexit secretary, told the Guardian news site. “Looking further afield is well worth doing, but it will be very hard not to see a fall in overall exports if our trade with the EU is made more complicated, and it will be much more complicated if we leave the customs union. We must try to limit the damage of our nearest, because closest, market,” Starmer added. May had previously said that the UK will not remain in the customs union once Brexit takes effect.

The bill will now pass back to the House of Commons, where there is growing support for efforts to force May to reverse her position on the customs union. “We are disappointed that parliament has voted for this amendment. The fundamental purpose of this bill is to prepare our statute book for exit day. It is not about the terms of our exit. This amendment does not commit the UK to remaining in a customs union with the EU. It requires us to make a statement in parliament explaining the steps we’ve taken,” a spokesperson from the Department for Exiting the European Union told the Guardian. A separate amendment to guarantee that existing protections in areas including employment and consumer standards cannot be changed except through primary legislation also passed. The EU withdrawal bill is aimed at transferring EU law into UK law ahead of Brexit. It also grants the government sweeping powers to change it. UK and EU officials also met this week to discuss the UK’s future trading relationship with the EU. The trade talks began a little more than a year after May triggered Article 50, the clause that begins the process of exiting the EU.

China posts strong growth, hearty consumer demand buffers trade worries

Reuters, 17.04.2018



China's economy grew at a slightly faster-than-expected pace of 6.8 percent in the first quarter, buoyed by strong consumer demand, healthy exports and robust property investment. China's economy grew at a slightly faster-than-expected pace of 6.8 percent in the first quarter, buoyed by strong consumer demand, healthy exports and robust property investment.

Resilience in the world's second-largest economy will likely help keep a synchronized global recovery on track for a while longer, even as China faces rising trade tensions with the United States that could impact billions of dollars.

But economists still expect China will lose some momentum in coming quarters as Beijing forces local governments to scale back infrastructure projects to contain their debt, and as property sales cool further due to strict government controls on purchases to fight speculation. Consumption, which accounted for almost 80 percent of economic growth in the first quarter, played a significant role in supporting the economy even as risks grew for Chinese exporters. March retail sales rose 10.1 percent from a year earlier, slightly more than expected and the strongest pace in four months, with consumers buying more of almost everything from cosmetics to furniture and home appliances. "The retail sales data tells you a lot about consumption. It is not seasonal - if you look at growth in cosmetics, spending on clothing, spending on automobiles, there has been a persistent trend for a few months," said Iris Pang, Greater China economist at ING in Hong Kong.

"Consumption is really strong, there is strong wage growth in urban areas. We underestimated the power of consumption in China." First-quarter gross domestic product (GDP) growth was also backed by robust exports, with shipments to the U.S. jumping 14.8 percent on-year. Some analysts have speculated Chinese firms may have rushed out deliveries to the U.S. as tariff threats loomed. "We don't expect (the U.S.-China tensions) will evolve into a full-scale trade war, but we also argue this uncertainty will not disappear and we expect a bumpy road of negotiations. In terms of the impact of potential tariffs, it is pretty limited, particularly this year," said Haibin Zhu, chief China economist at JP Morgan in Hong Kong.

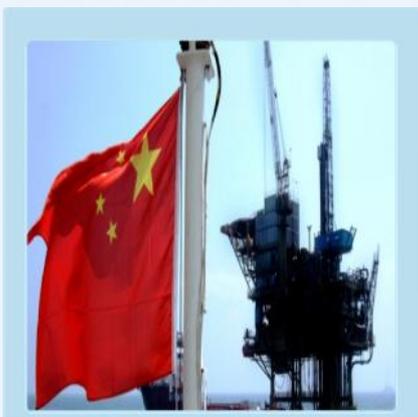
"Even in the worst scenario that both countries start to implement the \$50 billion tariffs, we're talking about a few tenths of a percentage point and most likely it will only start to affect the economy late this year and in 2019." Analysts polled by Reuters had expected January-March GDP to grow 6.7 percent from a year earlier, slowing marginally from 6.8 percent in the previous two quarters but remaining remarkably steady for such a large and dynamic economy. On a quarterly basis, GDP grew 1.4 percent, slightly less than expected and easing from 1.6 percent in October-December. Growth has remained comfortably above the government's target of around 6.5 percent for the full year, giving policymakers room to further reduce risks in China's financial system and rein in pollution without stalling economic growth.

Authorities have repeatedly pledged to reduce a mountain of corporate debt in the name of national security, though they have moved cautiously to avoid stunting business activity. Beijing has also stuck to its campaign of shuttering heavily polluting factories as it tries to encourage more sustainable and higher quality growth from sectors such as technology. Smokestack industries have been a key focus of that pivot in industrial policy, even though it is weighing on China's overall manufacturing outlook. Industrial output expanded 6.0 percent in March on-year, the slowest pace in seven months. Analysts had predicted output growth would cool to 6.2 percent from 7.2 percent in the first two months of the year. "Underneath the stable GDP growth is quite rapid rebalancing from industrial, investment and old economy sectors to consumption, services and new economy sectors like tech," said Robert Subbaraman, chief economist for Asia excluding Japan at Nomura in Singapore.

"The more timely March data, however, point to nascent signs of a growth slowdown underway, led by these old economy sectors." First-quarter readings on China's property sector, a key economic driver, were mixed but also appeared to reflect the growing influence of changing government policies. Real estate investment accelerated to 10.4 percent in the quarter - the fastest pace in three years - compared with a 9.9 percent rise in the first two months of this year. Analysts say a significant rise in land prices, as well as a government push to build more public housing, could have contributed to the unexpected strength in the headline figure and a jump in construction starts. Property sales, however, continued to slow amid a flurry of government measures to get soaring home prices under control. Sales by floor area rose 3.6 percent in the quarter, easing from earlier in the year.

The biggest hurdle to China's yuan-priced crude benchmark

Oil & Price, 15.04.2018



China finally launched last month its yuan-denominated crude oil futures that have been in the works for years, after several delays. The start of the new trading was successful, attracting interest from institutional and retail investors, and major commodity trading houses Glencore and Trafigura.

Yet, it's too soon to call the less-than-a-month-old contract a total success, because it still faces a long road toward building reputation and history, analysts say. They have also identified the single biggest risk factor for western investors - the extent to which China could meddle with government regulation in the yuan crude futures.



As Beijing is known for little tolerance toward wild price swings in its markets and has a history of intervening. This is also the conclusion of China's biggest crude oil supplier, OPEC. In its April Monthly Oil Market Report, the cartel—which accounts for close to 60 percent of China's crude oil imports—said that “the extent to which the INE contract is independent from government interference is currently the main risk factor facing western investors, which is in addition to a currency risk, given that the INE is settled in yuan.” According to Reuters' John Kemp, possible Chinese intervention on the yuan crude future market could be one of the three elements that could doom the new contract. Citing the paper ‘Why Some Futures Contracts Succeed and Others Fail’, Kemp argues that the third key element to a successful futures contract—public policy should not be too adverse to futures trading—could be the stumbling block to the Chinese crude futures, while the new contract could easily meet the other two criteria for success. These are 1) a commercial need for hedging and 2) a pool of speculators must be attracted to a market.

OPEC, especially its Middle Eastern producers, will be closely watching the futures contract because once established, the Chinese reference crude price could act as a regional benchmark for negotiations of spot or term crude oil prices. The contract is made up of seven medium-sour crudes prevalent in the Chinese market—six freely traded Middle East grades (Basrah Light, Dubai, Masila, Oman, Qatar Marine, and Upper Zakum), and China's Shengli crude. “At this level of imports from OPEC, Middle Eastern producing nations will be watching closely as they could, in time, face pressure from their Chinese buyers to adopt this benchmark for pricing their physical crude contracts,” the cartel said in its monthly report. The fact that OPEC dedicated a special article on the Chinese yuan crude futures in its closely watched report shows that the cartel is taking seriously the possibility that at some point in the future, its Middle Eastern members may have to price the oil they sell to China versus a Chinese crude benchmark. While the official goal of the new futures contract is to establish a regional benchmark for more useful pricing of the crude grades prevalent on the Chinese market, analysts see the yuan oil futures as a step toward China seeking wider acceptance of its currency in global trade, including the oil trade, and establishing a petroyuan that could challenge, in the future, the dominance of the petrodollar.

China is now the biggest crude oil importer in the world, and the pace of its oil demand growth is capable of influencing the oil market and the trade in the two most traded crude futures in the world, Brent and WTI. So it makes sense for the top crude importer to want to use oil as a means to promote its own currency on international markets. According to Dr Mohamed Ramady, an energy economist and geopolitical expert on the GCC, the launch of the yuan crude futures contract has two key rationales—politics and pragmatism. On the practical side, such a contract would better reflect the crude grades on the Chinese market that often differ from the grades underpinning the Brent and WTI benchmarks. On the political front, “Denominating oil contracts in yuan would promote the use of China's currency in global trade, one of the country's key long-term goals as an alternative to the dollar – making this even more appealing to sanctions-threatened countries relying on the dollar,” Ramady writes in *The National*. The yuan is still used in less than 3 percent of global trade, but the yuan crude futures contract and China's push to assert its currency internationally “could perceptibly change in the near future and create the conditions for a respectable challenge to the US dollar,” Ramady says.

Hayden Briscoe, Head of Fixed Income, Asia Pacific, at UBS Asset Management, said in a report just before the Chinese futures launched that “We believe that in the long term this will change how oil is traded globally, create a Petroyuan currency flow, increase the role of the RMB as a global trading currency, and compel investors to up their allocations to Chinese financial assets.” In the longer term, yuan oil trading could shift the structure of the global oil market, but two things need to happen first, Briscoe says. One is that China needs to remove, or substantially reduce, capital controls. The other is that China’s oil suppliers such as Saudi Arabia, Russia, and Iran to agree to accept yuan for their oil exports to China. “This is also taking shape because Russia already accepts RMB for oil exports, as does Iran, and we expect Saudi Arabia to soon begin invoicing China in RMB,” Briscoe wrote. The yuan crude futures launch is as much practicality as it is politics, but many analysts and OPEC itself see Chinas’ domestic capital market policies as the biggest threat to the contract’s success.

UK unemployment hits 40-year low

Anadolu Agency, 17.04.2018



Unemployment in the U.K. fell 16,000 to 1.42 million, hitting 4.2 percent last December through this February, the lowest rate in 40 years, the government announced Tuesday.

The unemployment rate fell from 4.7 percent a year earlier to its lowest level since 1975, according to the Office of National Statistics (ONS). Unemployment was 4.3 percent in November through January. There were 1.42 million unemployed people (people not employed but seeking and available to work), 16,000 fewer than in September-November 2017, and 136,000 fewer than a year earlier.

The latest estimates show that average weekly earnings for employees in the country in nominal terms rose 2.8 percent, both excluding and including bonuses, compared to a year earlier.

IMF sees solid near-term global growth but risks beyond

Agence France, 17.04.2018



The global economy is expected to grow at a solid pace through next year, boosted by faster expansion in the United States and Europe but after that risks will build, the International Monetary Fund said on April 17.

In the latest update to its World Economic Outlook, the IMF still predicts world growth of 3.9 percent in 2018 and 2019, despite raising its estimates for US and EU growth compared to the January edition. That is an improvement on the 3.8 percent global growth seen last year but is unchanged from the forecasts in January.

However, the Fund cautions that the growth “momentum is not assured,” given trade tensions between the United States and China and the expected reversal of the positive effects from the U.S. tax cuts. “Despite the good near-term news, longer-term prospects are more sobering,” IMF Chief Economist Maurice Obstfeld said. The sweeping U.S. tax cuts approved in December will fuel higher growth only through next year, the IMF said. It raised its forecast by two tenths for both years, to 2.9 percent for 2018 and 2.7 percent for 2019, which follows big upward revisions in the October report. However, Obstfeld warned the stimulus was “largely temporary.” And because the U.S. boost accounts for most of the higher world expansion, beyond 2019 “global growth is projected to gradually decline to 3.7 percent by the end of the forecast horizon,” the report said. “U.S. tax reform will subtract momentum starting in 2020, and then more strongly” in 2023 as some of the investment provisions kick in. The risks to the outlook “clearly lean to the downside” beyond the next few quarters, the IMF warns. Like other advanced economies, the United States will max out growth and return to a more sluggish pace, “held back by aging populations and lackluster productivity.”

And despite the fact increasing world trade helped boost growth in recent years, there has been a rise in public skepticism about the benefits, leading to a renegotiation of trade deals and increasing friction. “That major economies are flirting with trade war at a time of widespread economic expansion may seem paradoxical -- especially when the expansion is so reliant on investment and trade,” Obstfeld said. He warned that “the prospect of trade restrictions and counter-restrictions threatens to undermine confidence and derail global growth prematurely.” U.S. President Donald Trump last month imposed steep tariffs on steel and aluminum imports and threatened to impose more on tens of billions of Chinese goods, prompting Beijing to respond in an escalating series of threats. IMF chief Christine Lagarde last week warned governments to “steer clear of protectionism in all its forms,” saying the trade frictions hurt poor consumers the most as costs increase, and that they also undermined a system that had broadened prosperity worldwide.

Instead, the IMF argues that the United States and others should respond to anxiety about globalization and technological advances by “strengthening growth, spreading its benefits more widely, (and) broadening economic opportunity through investments in people,” Obstfeld said. Rather than lower the trade deficit, as Trump has called for, the US trade actions could expand it by \$150 billion by 2019, he said. And the fund warns that a worsening of trade conflict could have broader implications for global growth as well as market confidence. The report cites the market turbulence in early February and into March amid the US-China trade dispute, when US stocks stumbled in after surging to repeat records in the first weeks of 2018. The Dow had lost almost 10 percent of its value by the end of March, down from the record 26,616.71 reached on January 26.

The rapid decline should “serve as a cautionary reminder that asset prices can correct rapidly and trigger potentially disruptive portfolio adjustments.” The IMF upgraded the forecast for the euro area to 2.4 percent for 2018, an upward revision of two tenths compared to the January estimate, with growth for its key members upgraded, especially Spain. But the forecast for 2019 was unchanged at 2.0 percent. Japan’s growth is still seen at a sluggish 1.2 percent this year, after a rare and large upgrade of five tenths in January, slowing to 0.9 percent in 2019. The forecasts for China and India, key drivers of global growth, were unchanged from January. China is expected to expand 6.6 percent and 6.4 percent, while India should rise 7.4 percent and 7.8 percent.

Trade tensions are just one of the three biggest challenges for the global economy, IMF says

CNBC, 20.04.2018



While the “sun is still shining” on the global economy, clouds could be looming over the horizon, warned Tao Zhang, a deputy managing director for the IMF.

Speaking with CNBC’s Joumana Bercetche on Thursday, Zhang said there are currently three big challenges facing the global economy: tensions on the trade front, fiscal and financial risk, and the ongoing struggle to attain inclusive growth. As trade tensions mount between the U.S. and China, Zhang said there are numerous models attempting to assess both the impacts of a potential trade war as well as the effectiveness of possible mitigation measures.

Zhang acknowledged, however, that the reality of the situation could be “much more complicated” than predicted by models, adding that the fundamentals all point to the resolution of trade disagreements through a cooperative approach. Otherwise, he said, any escalations in trade tensions would result in a loss for the global economy “one way or the other.” Zhang has worked as the IMF’s executive director for China, and as a deputy governor at the People’s Bank of China.

‘That, by itself, is alarming to all of us’. Speaking about the risk of global debt — the total debt level for the world came in at a record \$164 trillion in 2016, according to the IMF — Zhang noted he’s seeing levels “higher than the levels seen” during the 2008 financial crisis. “That, by itself, is alarming to all of us,” he said. Countries have to be aware of their fiscal conditions, particularly in the public sector, to ascertain sustainability or determine if fiscal expansion remains a viable option to support economic growth, Zhang said. As some economies approach full employment, further government expenditure could wind up imposing risks to the sustainability of their fiscal health, he warned. Finally, on the topic of innovation, Zhang said there is “great” potential for financial technology to bring efficiency gains and wider coverage of financial services for the masses. The caveat with technology, however, remains the risk of cybercrime proliferating, Zhang said, and that will require “very close attention,” with the IMF working together with countries and concerned industries to find solutions to the problem.

Trump says Russia, China playing ‘currency devaluation game’

Washington Post, 17.04.2018



U.S. President Donald Trump accused Russia and China on April 16 of devaluing their currencies while the United States raises interest rates, prompting China to accuse the United States of sending confusing messages.

“Russia and China are playing the Currency Devaluation game as the U.S. keeps raising interest rates. Not acceptable!” Trump said in a Twitter post. Speaking in Beijing on April 17, Foreign Ministry spokeswoman Hua Chunying noted that what Trump said seemed to contradict the U.S. Treasury’s report that refrained from naming any major trading partners as currency manipulators.

“So it seems like the information being released by the U.S. side is a bit chaotic,” she told a daily news briefing. Hua said it reminded her of a poem by the founder of modern China, Mao Zedong, about remaining calm in the midst of chaos. “No matter what others say we will continue to steadily promote the reform of the renminbi exchange rate mechanism,” she added, without elaborating, using the currency’s formal name. Trump’s tweet referred to what he sees as unfair trading advantages: If a country’s currency is artificially low, its exports are more competitive. Higher U.S. interest rates would generally increase the value of the dollar, making U.S. exports more expensive. Since Trump took office in January 2017, the dollar has weakened substantially against most currencies, including the Chinese yuan and, until the United States imposed sanctions on Russia in the last few weeks, the ruble.

Against the yuan, the dollar has fallen by 8.6 percent since Jan. 20, 2017, while it has appreciated 4.5 percent against the ruble. Until the United States announced sanctions on Russian oligarchs this month, however, the dollar had weakened by nearly 4 percent against the Russian currency. That gain was entirely erased by a two-day drop of 8.4 percent in the ruble on April 9 and 10. More widely, the U.S. dollar index, which measures the greenback's value against a basket of major trading partner currencies, has declined by 11.2 percent since Trump became president.

The U.S. Treasury, in a semiannual report on April 13, again refrained from naming any major trading partners as currency manipulators. The report came as the Trump administration pursues potential tariffs, negotiations and other restrictions to try to cut a massive trade deficit with China. The report did not mention Trump's recent threats to impose billions of dollars worth of tariffs on Chinese goods over Beijing's intellectual property practices, or pending Treasury restrictions on Chinese investment in the United States. White House spokeswoman Sarah Sanders later told reporters aboard Air Force One on a trip by the president to Miami that China is on a U.S. Treasury Department watch list for being potentially labeled a currency manipulator.

Colombia to find alternate venue for talks with ELN

Reuters, 19.04.2018



Colombia said late Wednesday that negotiations between the government and the National Liberation Army (ELN) guerrilla group will be transferred to an alternate country. The announcement by Foreign Affairs Minister Maria Angela Holguin came after Ecuador's President Lenin Moreno said earlier in the day that his country will no longer host peace talks between Bogota and the rebel group.

The Colombian government immediately activated a backup plan after Moreno suspended his country's role as host, which began in February last year. "President [Juan Manuel] Santos completely understands the reasons.

The reason is why President Moreno decided to suspend his nation's role as guarantor and host of these negotiations," Holguin said at a press conference. She said peace talks with the ELN would be moved to one of the pre-agreed locations of Brazil, Chile, Cuba, Venezuela or Norway. Moreno's decision came after the kidnapping and murder of two journalists and their driver from the Ecuadorian newspaper El Comercio at the end of March and the subsequent kidnapping of two more Ecuadorian citizens by a FARC guerrilla dissident group. "I have asked Ecuador's foreign affairs minister to end these talks and our role as guarantor for as long as the ELN is not committed to ending their terrorist acts," Moreno said in an interview with Colombian broadcaster RCN.



The terrorist acts took place along the Colombia-Ecuador border where the FARC rebel group, formerly the Revolutionary Armed Forces of Colombia, had a significant presence. Since they signed a peace agreement with the government in November 2016 and disarmed, bringing to an end a conflict which began in 1964, a power vacuum has permitted dissident splinter groups to control the transshipment of narcotics and weapons in the area. The events have strained relations between the two countries. The ELN is the last remaining guerrilla group in Colombia which has yet to reach a peace deal with the government and has been locked in a conflict since 1964.



Announcements & Reports

Annual Turkish M&A Review 2017

Source : Deloitte

Weblink : <file:///C:/Users/Beril%20S%C3%B6kal/Downloads/annual-turkish-ma-review-january-2018.pdf>

Global powers of retailing 2018

Source : Deloitte

Weblink : <file:///C:/Users/Beril%20S%C3%B6kal/Downloads/cip-2018-global-powers-retailing.pdf>

Upcoming Events

Switzerland and the EU: Lessons for a Post-Brexit UK?

Date : 20 April 2018

Place : London

Website : <https://www.chathamhouse.org/event/switzerland-and-eu-lessons-post-brexit-uk>

Zimbabwe's International Re-engagement and Socio-economic Recovery

Date : 23 April 2018

Place : London

Website : <https://www.chathamhouse.org/event/zimbabwe-s-international-re-engagement-and-socio-economic-recovery>

Genes, Germs and Geography: The Future of Medicine

Date : 24 April 2018

Place : London

Website : <https://www.chathamhouse.org/event/genes-germs-and-geography-future-medicine>

The State of the UN Security Council

Date : 02 May 2018

Place : London

Website : <https://www.chathamhouse.org/event/state-un-security-council>



HR Dbriefs webcast: 2018 Global Human Capital Trends

Date : 9 May 2018
Place : London
Website : <https://www2.deloitte.com/us/en/pages/dbriefs-webcasts/series/hr-executives.html>

Iranian Foreign Policy: Prospects for Change

Date : 09 May 2018
Place : London
Website : <https://www.chathamhouse.org/event/iranian-foreign-policy-prospects-change>