

Turkey's industrial output goes up in April

Anadolu Agency, 13.06.2018



Turkey's calendar-adjusted industrial production rose by 6.2 percent year-on-year in April, the Turkish Statistical Institute (TÜ K) announced on June 13.

Industrial output is considered a vital indicator for the economy as it is seen as a preliminary gauge for gross domestic product (GDP). Among three main sub-indices, the mining and quarrying index saw the highest annual increase in the month, up 10.1 percent from the same month last year. The manufacturing index went up 6.3 percent while the electricity, gas, steam and air conditioning supply index rose 3.8 percent during the same period.

The term "calendar-adjusted" is used to refer to data without calendar and holiday-originated effects. The TÜ K data showed that industrial output also rose on a monthly basis in April, indicating a rise of 0.9 percent.

Carmakers lead Turkey's 2017 top exporters' list

Anadolu Agency, 12.06.2018



Carmakers were ranked as one of Turkey's largest three exporters in 2017, with Ford Otosan, a joint venture between Ford Motor and Turkey's Koç Holding, topping the list with an export volume of \$4.79 billion.

According to the "Top 1,000 Exporters in 2017" list by a sector association, Ford Otosan was followed by Toyota Motor Manufacturing Turkey with \$4.44 billion and Tofa , another joint venture of Koç with Fiat, by making an around \$3.2 billion worth of exports last year. Oyak-Renault, a joint venture between Oyak and France's Renault, ranked third in the list prepared by T M, with \$2.8 billion in exports.

Five of the top 10 export companies operate in the automotive sector — Ford Otosan, Toyota Motor Manufacturing Turkey, Tofa , Oyak-Renault and Mercedes-Benz Türk. Some 1,000 Turkish companies made nearly 60 percent — \$92.3 billion —all of the country's exports in 2017, according to T M data.

The automotive sector's share in the top 1,000 exporters was 27.2 percent (\$28.5 billion), followed by textile and steel sectors with 9.7 percent and 9.5 percent, respectively, the T M also announced on June 12. The top 1,000 companies' exports rose by 13.4 percent to reach \$92.3 billion in 2017, compared with the previous year, T M said. Ten companies climbed over the \$1 billion export mark during the year, while the first 500 companies made 50.3 percent of the country's total exports, it added.

"Considering Turkey's potential, 10 companies that made more than \$1 billion exports were not enough. Our target is 50 companies for 2023," T M chair Mehmet Büyükek i said in a press release. He added that for this target they need to export more value-added products and more investment needs to be made in research and development (R&D), innovation, design and branding. "Last year, some 202 of the top 1,000 companies had R&D centers and they spent \$6.2 billion on R&D," Büyükek i said. "By the end of 2018, we will hit a historical high in exports reaching over \$170 billion," he added. Turkey's share in world trade was 0.9 percent in 2017. This figure will increase in 2018, he added.

Şimşek: Turkish economy needs 'deep-rooted' transformation for sustainable growth

Reuters, 12.06.2018



Turkey needs "deep-rooted, sectoral transformation" in the economy for sustainable growth, Deputy Prime Minister Mehmet Simsek said.

"A sustainable high growth [rate], comprehensiveness of this growth, and fair income distribution are essential. We need to provide more deep-rooted, sectoral transformation to achieve a sustainable growth of over seven percent, which calls for limiting the side effects i.e. current account gap, inflation," Simsek told private Fox TV, as quoted by state-run Anadolu Agency.

His remarks came a day after the Turkish Statistical Institute (TÜ K) revealed that the country's economy expanded by 7.4 percent in the first quarter of this year compared with the same period last year. The three-month gross domestic product (GDP) at current prices climbed to around 792.7 billion Turkish liras (nearly \$207.5 billion), according to TÜ K data.

Simsek forecasted growth will be re-balanced after the second half of the year and the domestic demand will ease. "The Turkish economy has grown on domestic demand," he said, adding that it created a current account deficit problem.

Turkey's current account deficit hit \$5.43 billion in April, marking an increase of \$1.7 billion, year-on-year, the Turkish Central Bank announced on June 11. "Our primary priority is to fight against inflation and decrease current account deficit," **im ek** said. The minister added the inflation stemmed from the loss in the value of the lira against other currencies and the increase in the oil prices. The country's annual inflation rate was 12.15 percent in May, up from 10.85 percent in April, according to TÜ K on June 4.

im ek also vowed that the public sector would undertake a comprehensive saving policy. "We will sincerely examine the spending items, prioritize in which sectors we will limit spending and apply a comprehensive saving strategy. This is the most ideal step," he added. **im ek** noted Turkey has a \$453.2 billion of gross external debt stock and more than two-thirds of it belongs to the private sector and less than one third belongs to the public sector. "Turkey's foreign debt is 53.3 percent of its GDP. When we compare this ratio globally, it is not really high," he added.

Turkish private sector's loans from abroad rise further

Reuters, 13.06.2018



The total amount of the Turkish private sector's outstanding long-term loans from abroad rose by \$3.6 billion to reach at \$225.1 billion as of April, the Central Bank stated.

The private sector's pending short-term loans from abroad also climbed to \$20.1 billion, up \$1.8 billion compared to the end of 2017. By definition, short-term loans have an original maturity of one year or less, while long-term loans have an original maturity of more than one year. The Central Bank said financial institutions constituted more than half of long-term loans, at 50.7 percent.

"In the same period, of the total short-term loans in the amount of \$20.1 billion, 76 percent consists of liabilities of the financial institutions and 24.0 percent consists of liabilities of non-financial institutions," the Bank added. Regarding currency composition, 59 percent of the total long-term loans were U.S. dollar loans, 34.6 percent consisted of euros, 4.7 percent were in Turkish Liras and 1.7 percent were from other currencies, it said. "And of the total short-term loans, 45.2 percent consists of dollars, 31.0 percent consists of euros, 23.7 percent consists of Turkish Liras and 0.1 percent consists of other currencies," it said.

The Bank also noted that principal repayments for the next 12 months by the end of April amounted to \$70.3 billion. The Central Bank periodically releases data for the private sector's long and short-term loans from abroad by gathering details from credit based forms submitted by resident financial institutions and companies

Iraq's Sadr announces alliance with pro-Iranian leader

Rferl, 13.06.2018



Nationalist cleric Moqtada Sadr announced on June 12 a surprise political alliance with pro-Iranian Hadi al-Ameri in a bid to lead Iraq over the next four years.

The two blocs won first and second place in the war-scarred country's May 12 parliamentary election. The move by Sadr, who is staunchly opposed to Iranian involvement in the country, was unexpected by much of the political class as he had suggested unwillingness to work with Ameri and his bloc of pro-Iranian former fighters.

But at a joint press conference with Ameri in the Shiite holy city of Najaf, Sadr hailed the formation of "a true alliance to accelerate the formation of a national government away from any dogmatism". Confusion has gripped Iraq since Sadr's electoral alliance with communists won the vote. Last week Iraq's parliament ordered a manual vote recount and sacked the commission which oversaw the polls amid mounting claims of electoral fraud. "This is a call to all those who care about national interests... we will set up committees to discuss with all ways to accelerate the drafting of a government program," said Ameri, whose group played a key role last year in the defeat of the Islamic State group.

The May election saw a record number of abstentions as many Iraqis snubbed the corruption-tainted elite that had dominated the country since the 2003 US-led invasion that toppled Saddam Hussein. Many of Iraq's longtime political figures -- seemingly irremovable since the dictator's fall -- were pushed out of their seats by new faces.

Sadr, a former militia leader who led two uprisings against the US-led invasion of Iraq, has called for his country to be more independent from both Iran and the US. By forming a coalition with Ameri, Sadr moves a step closer to getting enough seats to generate a majority in the 329 seat parliament.

UK annual inflation held at 14-month low

AFP, 13.06.2018



Britain's annual inflation rate held in May at 2.4 percent, the lowest level since March 2017 despite high oil prices, official data showed on June 13.

The Consumer Prices Index 12-month rate had stood at the same level in April, the Office for National Statistics (ONS) added in a statement. The news was in line with market expectations but weighed on the pound against the dollar. The rate was unchanged despite the higher cost of motor fuel, which rose with the stronger global oil market. Petrol, or gasoline, is refined from crude.

World oil prices have rallied in recent months owing partly to simmering geopolitical tensions in the oil-rich Middle East region. "Recent large rises in the cost of crude oil have fed through to prices paid by consumers at the pump," said ONS inflation chief Mike Hardie, noting that air fares and ferry tickets also increased. This was offset partly by price falls for computer games, the ONS said.

Rolls-Royce preparing to cut thousands of jobs

Reuters, 11.06.2018



Rolls-Royce said a costly compressor problem that had grounded Boeing planes had now been found in a different type of engine, compounding pressures on a group that is due to cut more than 4,000 jobs this week.

Britain's best known engineering company has been hit by a problem with a compressor in the Trent 1000 package C engine that is not lasting as long as expected, grounding planes, forcing inspections and angering airline clients. It said it had now found the same issue on a "small number of high life Package B engines", requiring a one-off inspection of the B fleet and sending its shares down 1 percent.

The news, which will not affect Rolls' full-year free cash flow target, comes as the group embarks on the latest stage of a major restructuring program under Chief Executive Warren East that is designed to boost profitability.

On June 8 the group will host a capital markets day where, according to a person familiar with the situation, it will announce more than 4,000 job cuts, mostly in Britain and affecting support and management roles.

The group, which employs 50,000 people in 50 countries, is also expected to set out how it will make a return on the investment made in recent years and the expected drivers of cash flow beyond its medium-term horizon. The news about the compressor issue will not help however as Rolls has been fighting to show it has a lid on a problem which has forced airline customers to lease alternative planes to fly in the busy summer holiday period. The existing package C issue had led to about 30 of the affected aircraft being grounded at any one time for checks. They were flown by airlines including British Airways, Virgin Atlantic and Air New Zealand.

Air New Zealand said earlier this month it would lease two Boeing 777s to cover for 787-9s that are affected by the Rolls engine issue. Airlines that use the package C engine tend to also take the package B engine. According to Rolls some 380 package C engines are in service while there are 166 package B engines in service. Rolls said that while this new problem would incur some additional cost, it did not expect it to affect its free cash flow guidance for 2018. Analysts welcomed the fact the group did not revise the target and noted the comment that the package B issue only affected a “small number” of engines.

Economic growth rate of 6.6% expected for China in 2018

The Hill, 14.06.2018



China’s economic growth rate is expected to be 6.6 percent in 2018. About 55 percent of the economists surveyed believe the economic growth rate of the second quarter of this year will remain the same as the first quarter of 2018, according to the investigation published on the China Economist.

The predictions for the average growth rates of China’s economy in 2018 are 6.6 percent from economists in eastern China, 6.7 percent from those in central China, and 6.5 percent from those in western China, with the average prediction nationwide being 6.6 percent, the report said.

About 55 percent of economists participating in the investigation believe commodity price levels will increase compared with the same period last year and 25 percent of them believe they will remain the same.

The China Economist commodity price index of the second quarter of this year is 135, 9 percentage points lower than last quarter, indicating that the increasing trend of commodity price levels will slow.

Meanwhile, about 70 percent of the economists believe the pressure of overcapacity will be relieved but it will still exist for a long time in the next decade, revealed by the investigation published Tuesday. Economists believe the primary reason for the country's overcapacity is the lack of innovative abilities among manufacturers, while the second reason is government control.

Nearly 80 percent of the economists surveyed think the lack of innovation and advanced technology means production companies cannot manufacture products that meet diversified needs, which leads to an overcapacity of low-end products and shortage of high-end products. About 88.3 percent of the economists believe that overcapacity should be reduced by the government's proper guidance and full usage of market mechanism effects.

Most of the economists believe the role government should play in overcapacity reduction ought to include setting standards for capacity withdrawal, guiding companies in upgrades and perfecting the legal system for enterprise bankruptcy.

\$85 billion AT&T-Time Warner merger cleared

AFP, 12.06.2018



U.S. judge has approved the \$85 billion merger of wireless and broadband giant AT&T with media-entertainment conglomerate Time Warner, delivering a stinging rebuke to Donald Trump's administration in its first major antitrust court case.

Federal Judge Richard Leon said the government had failed to meet its burden of proof that the tie-up between the largest U.S. pay-TV operator and the media entertainment giant would harm competition. The case had been closely watched as setting a benchmark for other big corporate mergers, especially in the media and communications sector.

Leon said the case fell short on all counts and warned the government against seeking to hold up the deal with an appeal, saying that would cause "irreparable" harm to the two companies whose tie-up has been delayed for a year and a half. "There would be no irreparable harm to the government [with a delay], only to the companies," Leon told the packed courtroom in an unusual session to announce his opinion. "The government has taken its best shot and lost." Leon's 172-page ruling was a total victory for the companies, saying the government failed to back up its three theories of harm to consumers from the mega-merger. He maintained that the government's claim that pay TV costs would rise from the tie-up was based on "speculative" logic and that its study from an expert witness was contradicted by other evidence from the government.



Daniel Petrocelli, who led the legal team for the two companies, told reporters outside the courthouse that the decision marked a “sound and proper” repudiation of the government’s case. “We’re disappointed that it has taken 18 months to get here but we’re relieved that it’s finally behind us,” Petrocelli told reporters. He said the ruling “stands as a testament to the wisdom of the combination of these two great companies and how it will benefit consumers for generations to come.”

AT&T general counsel David McAtee said in a statement he was pleased with the outcome and expected the deal would be closed by June 20. The deal brings together AT&T’s wireless and broadband networks and its DirecTV subscription service with the media assets of Time Warner, which include CNN and other Turner cable channels, Cartoon Network, premium channel HBO and the Warner Bros studios.

Makan Delrahim, head of the Justice Department’s Antitrust Division, said the government was considering its next steps. “We are disappointed with the court’s decision today,” he said in a statement. “We continue to believe that the pay-TV market will be less competitive and less innovative as a result of the proposed merger between AT&T and Time Warner.”

John Bergmayer of the consumer group Public Knowledge said he expected the government would appeal. “In the meantime, not only may consumers be harmed directly by the anticompetitive harms that this merger will cause, such as higher bills and fewer choices of programming and provider, but also by the many other mergers it will encourage,” Bergmayer said.

Some analysts say the court approval offers an effective green light to other major deals, including the Walt Disney offer to buy key film and television assets of 21st Century Fox and the T-Mobile/Sprint agreement in wireless. AT&T and Time Warner argue they need more scale to compete with online rivals like Netflix and Amazon and with Silicon Valley giants like Google, Facebook and Apple, which are expanding in the rapidly evolving sector. Independent media analyst Alan Wolk said the clear approval opens the door to AT&T offering new kinds of services and packages that can tie into 5G, or fifth-generation wireless networks.

US imposing metals tariffs on EU, Canada, Mexico

Bloomberg, 13.06.2018



The U.S. announced Thursday it will impose sweeping tariffs on steel and aluminum imports coming from the European Union, Canada and Mexico after the Trump administration failed to secure concessions from close trading partners.

Commerce Secretary Wilbur Ross told reporters on a conference call that the U.S. would begin instituting a 10 percent aluminum tariff on imports and a 25 percent tariff on steel beginning Friday. Canada, Mexico and the EU had initially been granted temporary exemptions to the import penalties after President Donald Trump announced them in March.

The exemptions were made in the hopes of gaining other economic benefits for the U.S., but Ross reportedly said not enough progress had been made to warrant an extension. The White House later said talks would continue even as the penalties loomed for the U.S.'s closest allies. During an interview with the CNBC television network, Ross sought to downplay the effects of the import duties, saying: "If the market, to the degree it was surprised, it will have to adjust to that. But markets adjust to facts." But beyond markets, the economic penalties are likely to further rattle relations with some of the U.S.'s closest allies, some of whom are already facing the prospects of U.S. sanctions for seeking to abide by an agreement the U.S. and world powers brokered with Iran but which Trump pulled the U.S. out of despite stiff opposition from Europe. When Trump initially made the decision to institute steel and aluminum tariffs, he did so under the pretext of national security. But the rationale has been balked at by the U.S.'s closest security partners in Europe and Canada.

Canada quickly responded by slapping duties on CA\$16.6 billion of products imported from the United States while slamming the U.S. action as "totally unacceptable". Canadian Prime Minister Justin Trudeau said the national security argument used by Trump to enact the duties is "inconceivable". Foreign Affairs Minister Chrystia Freeland, who stood beside Trudeau at a news conference in Ottawa, said Canada would enforce dollar-for-dollar "countermeasures" on U.S. imports with tariffs varying from 10 to 25 percent on a list of products beginning July 1. Products will include steel and aluminum -- Canada is the biggest supplier of the two metals to the U.S. market -- as well as mundane items like playing cards and felt pens. "This is the strongest trade action Canada has taken in the post-war era. This is a very strong response, it is a proportionate response, it is perfectly reciprocal. This is a very strong Canadian action in response to a very bad U.S. decision," Freeland told reporters.

The full list will be put online and Canadians will have 15 days to study and suggest changes. Freeland said Canada has gone to great lengths to ensure the U.S. products to be subjected to tariffs are readily available from other countries so that the price of the goods to Canadians will not be increased. According to the Office of the United States Trade Representative, Canada was the second-largest trading partner of the U.S. in 2017, with \$582.4 billion in two-way trade, just a bit behind China. The United States does not produce enough steel and aluminum to satisfy its domestic needs for everything from airplanes to beer cans. In 2017, Canada supplied \$7.2 billion of aluminum and \$4.3 billion of steel to the United States. Across the Atlantic, European Commission President Jean-Claude Juncker vowed the bloc would respond to the measures and said they are incompatible with World Trade Organization (WTO) rules. "This is protectionism, pure and simple," Juncker said. "It's a bad day for world trade."

"The U.S. leaves us no choice but to proceed with a WTO dispute settlement case and the imposition of additional duties on a number of U.S. imports." French Finance Minister Bruno Le Maire went a step further, warning the EU would have no choice but to "enter a trade war" with Washington over the matter. "Our U.S. friends must know that if they were to take aggressive actions against Europe, Europe would not be without reaction," he warned. The European Parliament also condemned the U.S. decision, calling on the EU to react "immediately with a firm but proportionate" response. "I am very disappointed with the U.S. decision to impose duties on steel and aluminum imports from Europe. These are unilateral and unjustified measures that will do serious harm to workers, industry and consumers on both sides of the Atlantic," EP head Antonio Tajani said in a statement. Germany also slammed Trump's decision and argued that the tariffs were "illegal" and could not be justified with "national security" concerns. "This measure rather bears the danger of an escalation spiral, which would harm everyone," Chancellor Angela Merkel's spokesman Steffen Seibert said. German Foreign Minister Heiko Maas said the European Union member states will retaliate with a firm joint response. "Our response to 'America First' can only be: 'Europe united'," he said in a press release.

IMF's Lagarde says global economic outlook darkening by the day

Reuters, 12.06.2018



International Monetary Fund chief Christine Lagarde led an attack by global economic organizations on U.S. President Donald Trump's "America First" trade policy on June 11, warning that clouds over the global economy "are getting darker by the day."

Trump backed out of a joint communique agreed by Group of Seven leaders in Canada at the weekend that mentioned the need for "free, fair and mutually beneficial trade" and the importance of fighting protectionism.



The U.S. president, who has imposed import tariffs on metals, is furious about the United States' large trade deficit with key allies. "Fair trade is now to be called fool trade if it is not reciprocal," he tweeted on June 11. In response, Lagarde unleashed a thinly veiled attack on Trump's trade policy, saying challenges to the way trade is conducted were damaging business confidence, which had soured even since the weekend G-7 summit.

The Washington-based IMF is sticking to its forecast for global growth of 3.9 percent both this year and next, she said, before adding: "But the clouds on the horizon that we have signaled about six months ago are getting darker by the day, and I was going to say by the weekend." "The biggest and darkest cloud that we see is the deterioration in confidence that is prompted by (an) attempt to challenge the way in which trade has been conducted, in which relationships have been handled and in which multilateral organizations have been operating," Lagarde said.

The IMF managing director spoke after a meeting in Berlin with German Chancellor Angela Merkel and the chiefs of the World Trade Organisation (WTO), the World Bank, the Organization for Economic Cooperation and Development (OECD), the International Labour Organization and the African Development Bank. Merkel said on June 10 the EU would implement counter-measures against U.S. tariffs and described Trump's rejection of the G-7 communique as "sobering and a bit depressing". Investors are fearful of a tit-for-tat trade war, though markets were relatively calm on Monday after an early wobble.

WTO Director-General Roberto Azevedo told the Berlin news conference: "We must ... stop this escalation of tensions. A tit-for-tat process is not going to be helpful." He also criticized the United States' conduct at the WTO. "The U.S. has been focusing much more on bilateral -- unilateral even sometimes -- measures, which is not something that is support of the rules-based trading system. "They have been complaining about the system, they say that they want to improve the system, but we would expect a more constructive approach on their part," Azevedo said.

Earlier, Germany's economy minister said Berlin saw no immediate solution to the trade row between the United States and other major economies but remained open to talks "among friends", seeking to head off a full-blown global trade war. As Europe's biggest exporter to the United States, and with more than one million German jobs at stake, Germany is desperate to avoid an EU trade war with the United States. "I believe a win-win situation is still possible," Economy Minister Peter Altmaier, one of Merkel's closest lieutenants, told broadcaster Deutschlandfunk. "At the moment, however, it seems that no solution is in sight, at least not in the short term."

Particularly concerning for Germany, a major car exporter to the United States, is Trump's weekend tweet that Washington is looking at tariffs on automobiles. The European Commission, which coordinates trade policy for the 28-member EU, aims to target 2.8 billion euros worth of U.S. imports, including bourbon and jeans, with additional 25 percent duties from early July.

It already has broad backing from EU member states, but needs to consult with them in the next couple of weeks. European Commission President Jean-Claude Juncker, while questioning whether the United States was truly an ally, said the bloc did not want to stop talking with Washington. "We do not want to cut off discussions and further talks will of course need to address the automobile sector," he said.



Announcements & Reports

Global Metro Monitor 2018

Source : Brookings
Weblink : <https://www.brookings.edu/research/global-metro-monitor-2018/>

Feed the Future in Ghana

Source : CSIS
Weblink : <https://www.csis.org/analysis/feed-future-ghana>

Upcoming Events

The US-North Korea Summit: The Road to Denuclearization or Disappointment?

Date : 11 June 2018
Place : London
Website : <https://www.chathamhouse.org/event/us-north-korea-summit-road-denuclearization-or-disappointment>

The Western Balkans Before the Berlin Process Summit

Date : 13 June 2018
Place : London
Website : <https://www.chathamhouse.org/event/argentina-political-change-and-g20-presidency>

Global Trade Landscape Series: US Trade in an Age of Protectionism

Date : 15 June 2018
Place : London
Website : <https://www.chathamhouse.org/event/global-trade-landscape-series-us-trade-age-protectionism>



Cyber 2018

Date : 28 June 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/cyber-2018>

Fighting Financial Crime 2018

Date : 10 September 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/fighting-financial-crime-2018>

Illicit Financial Flows 2018

Date : 01 October 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/illlicit-financial-flows-2018>

Climate Change 2018

Date : 15 October 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/climate-change-2018>

Climate Change 2018

Date : 15 October 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/climate-change-2018>

Global Trade 2018

Date : 01 November 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/global-trade-2018>