

Minister: Turkey's economic growth seen over 5 percent by end-2017

Hurriyet Daily News, 07.07.2017



Turkey's economic growth is expected to reach close to 6 percent in the second quarter of 2017 and exceed 5 percent by the end of the year, Turkish Science, Industry and Technology Minister Faruk Özlü has told Reuters.

"We expect growth of over 5 percent this year. There could also be strong growth in the second quarter; first indications lead us to this prediction. I expect close to 6 percent growth in the second quarter," Özlü said in an interview late on July 6.

Turkey's gross domestic product (GDP) growth rate increased by five percent in the first quarter of 2017 compared to figures in the same period last year, data from the Turkish Statistical Institute (TÜ K) showed on June 12. The growth forecast for the country was 4 percent. A rebound in domestic demand and exports played a key role in pushing up the economic growth, according to TÜ K.

Özlü said the government aimed for a sustainable growth rather than a temporary one. "In a bid to achieve this goal, we will realize structural reforms. Our production reform is one of the steps on the road to reaching this goal. We expect a 1.5 billion lira additional financial source to pour into the industries. Our industry should grow at least 7 percent," he added.

He also said current interest rates were too high for the industrial sector to grow, adding that he expected a fall in the unemployment rate in July. "We will see the positive results of our campaign to boost employment by this month," Özlü said.

Turkey's unemployment rate was announced at 11.7 percent in the February-April period, dipping further from a seven-year high at the start of the year but up from 10.1 percent a year earlier, official data showed on June 15. Through an "employment campaign," which was commenced in February, the government aims at decreasing unemployment rate to single-digit figures. Özlü also said the government aimed at creating the first indigenous car prototype by 2019, of which all intellectual property rights would be owned by Turkey.

Deputy PM Canikli: Turkey eager to implement new economic reforms

Anadolu Agency, 05.07.2017



Ankara is continuing efforts to implement further structural economic reforms, Deputy Prime Minister Nurettin Canikli said. “We will continue to implement reforms. As per instructions of our president, we have a 180-day action plan and efforts are underway to implement it,” Canikli said.

He also predicted that Turkey would witness a single-digit inflation rate by the end of 2017. “Amid high economic growth in Turkey, the recent decline in inflation is a very valuable development,” he said. The country’s inflation rate decreased to 10.90 percent year-on-year in June from 11.72 percent in May, data from TÜ K showed.

Canikli said Turkey would surpass its target of the 4.4 percent growth rate in its medium-term program. “Turkey’s economy must grow continuously in order to increase employment and national income,” he added, pointing out the needed contributions of “all economic actors to the country’s strong growth.” “Banks are valuable as long as they support production in the country,” Canikli said. Turkey’s economy grew by five percent in the first quarter of 2017, according to TÜ K data released on June 12.

Last year, Turkey’s economy grew 2.9 percent, down from 6.1 percent in 2015 and 5.2 percent in 2014. President Recep Tayyip Erdoğan asked all ministers to prepare a 180-day action plan by the end of 2017 in order for implementation before the 2019 parliamentary and presidential elections.

Also commenting on the high interest rates of banks, Canikli pointed to interest rates that exceed 15 percent and called for lower rates. “Charging high interest on deposits affects credit cost and thus production, the real sector and companies. This is not a realistic interest policy, it cannot be sustained and it is not correct as a method,” he said. Canikli claimed that the idea that raising interest rates hits deposits is “a deception and a fallacy,” while stressing that “interest rate competition” between banks should be avoided.

Turkey's economic confidence index slips in June

AFP, 01.07.2017



Confidence in Turkey's economy was lower month-on-month in June, according to official data released.

“Economic confidence index decreased by 1.6 percent compared to the previous month, falling from 100.5 to 98.9 in June,” the Turkish Statistical Institute (TÜ K) said in a report. The month-on-month fall was driven by deteriorations in consumer, services and retail trade confidence indices, according to the report. Sub-indices for real sector and construction showed improvements, however, compared to May, rose 3.8 percent and 0.4 percent respectively.

“Real sector confidence index increased to 108.8 and construction confidence index increased to 86.7 in June,” TÜ K said. TÜ K recalled that consumer confidence index was also down in June, going down 3.8 percent, as reported last week. Services and retail trade confidence indices were also down, falling 3.1 and 2.1 percent respectively, it said. “Consumer confidence index decreased to 70, whereas services confidence index was down to 98.8 and retail trade confidence index fell to 100.7 in June,” it added.

The consumer confidence index is seen as a vital gauge of the overall health of the economy, indicating people's sentiments about spending their money, which in turn gives clues about economic vitality.

Gov't to build three new airports in Anatolian provinces

Hurriyet Daily News, 03.07.2017



The government plans to build three more airports in the Anatolian provinces of Karaman, Yozgat and Bayburt-Gümü hane in the coming period, Transport, Maritime and Communication Minister Ahmet Arslan has said.

“We will hold tenders for the construction of airports to be built in Karaman, Yozgat and Bayburt-Gümü hane. By bringing planes to these cities, we will make 2017 the year of airports,” Arslan told state-run Anadolu Agency. He said transportation is one of the most important components of a powerful, prosperous and promising country.

“The greatest breakthroughs of republican history have been realized in transportation infrastructure under the leadership of President Recep Tayyip Erdoğan and Prime Minister Binali Yıldırım,” Arslan added.

Turkey is among the fastest growing countries in the aviation sector, he said, noting that while the international air transportation sector grew by 5.6 percent over the last decade, the sector grew by 14 percent in Turkey. The number of active airports rose over the last 14 years from 26 to 55, while existing airports are being renewed, he said. “We do not want any citizen in our country to have a problem like not being able to reach the airlines, so we are trying to combine all our cities with airways, roads and railways,” Arslan said. “We do not stop at the fact that we have doubled the number of active airports, we will be working on the construction of new airports, and the tender processes for three new airports will be completed this year,” he added.

Arslan said the tender for the Karaman and Yozgat airports are planned in July-September, while the tender process for the Bayburt-Gümü hane airport, which will be a regional one, is planned to be launched in November-December. Arslan noted that the three airports in question would be worth about 800 million liras (\$228 million), while the construction works for a total capacity of 2 million passengers will have been completed by 2021.

Turkey's crude steel production soars in 2017

Hurriyet Daily News, 04.07.2017



Turkey's crude steel production rose 11.5 percent on an annual basis in the first five months of 2017, reaching 15.1 million tons, the Turkish Steel Producers' Association (TCUD) said.

Turkey was listed as the world's eighth largest crude steel producer, contributing to about 2.2 percent of global crude steel output, according to TCUD data. Global crude steel production climbed 4.7 percent in the first five months of the year compared to the same period in 2016, reaching 694.9 million tons.

China kept the top spot among crude steel producers, with a total production of 347 million tons, a 49.9 percent share of world crude steel production. Turkey's steel export volume also surged 22.5 percent annually to reach 8.5 million tons in the first five months of 2017. The value of steel exports ballooned 33.7 percent to \$5.7 billion in the same period.

In the same period, steel imports to Turkey fell 20.3 percent to 6.4 million tons yearly, while the value of these imports dipped 0.2 percent to \$4.6 billion. Meanwhile, Turkey's steel consumption lost 10.3 percent year-on-year to 12.22 million tons in the same period, while output rose between January and May.

Microsoft vows to continue investments in Turkey

Anadolu Agency, 06.07.2017



Microsoft will continue to invest in retail sales operations in Turkey in order to establish direct contact with more local consumers, according to a Microsoft Turkey executive.

"Microsoft has been very active for many years in Turkey, where it has great faith in consumers. It will continue its investments," Deputy General Manager Halil Göko lu told. The leading software and technology company opened its first store in Ankara three weeks ago with the concept of a "store-within-a-store" and it started to give direct services to consumers through its retail business partner, MediaMarkt.

Göko lu said the new store would allow the company's latest products to be delivered to Turkish consumers at the same time as the rest of the world. "The store does not just sell Microsoft products. The newest products produced by our business partners for the Microsoft ecosystem are also offered to customers," he added. "The aim is to give our customers the best experience in technology shopping. We're focusing on solutions to provide maximum benefit for both our customers and business partners with minimum effort," Göko lu said. The company is planning to open more stores in Turkey but "it is early to give an exact date," he also said.

Turkish Airlines CEO, officials say US will lift laptop ban for Istanbul on July 5

Anadolu Agency, 06.07.2017



Turkey's transport minister and the Turkish Airlines chief executive have said they expect the ban on large electronic devices in the cabin of U.S.-bound flights from certain countries will be lifted.

Transport Minister Ahmet Arslan was quoted by state-run Anadolu Agency on July 4 as saying the ban would be lifted on July 5 following a visit by a U.S. delegation. Its removal would come after Turkey began using highly sophisticated tomography devices for X-ray and ultrasound at Istanbul's Atatürk International Airport, Arslan said.

U.S. officials are due to inspect the machines on July 5. "With this confirmation mission, the ban will be lifted from Atatürk Airport and from Turkish Airlines," Arslan stated. Late on July 3, Turkish Airlines CEO Bilal Ek i had also said on Twitter he expected the ban to be lifted on July 5. "We expect the electronic device ban applied to American flights to be lifted on Wednesday July 5," he tweeted without giving further details.

In an interview with private broadcaster NTV on July 2, Arslan had said security measures at Turkey's airports met international standards. "We have been in talks with both the U.S. and Britain regarding the issue. We have told them the security measures at our airports meet global standards. Following the laptop ban from these two countries, we had immediately ordered the required tomography devices, which are a must to meet their standards. A U.S. delegation will visit us next week," he said.

The U.S. on July 2 lifted a ban on passengers taking such devices on Etihad Airways flights from its base in the Emirati capital Abu Dhabi, the first airliner to benefit from a lift of the ban. The decision came after the airline implemented enhanced security measures, a spokesman for the U.S. Department of Homeland Security said.

In March, the United States banned laptops in cabins on flights to the United States originating at 10 airports in eight countries - Egypt, Morocco, Jordan, the United Arab Emirates, Saudi Arabia, Kuwait, Qatar and Turkey - to address fears that bombs could be concealed in electronic devices taken aboard aircraft. Britain quickly followed suit with a similar set of restrictions. Flag-carrier Turkish Airlines had responded to the ban by offering laptops to business-class travelers in May.

Saudi Arabia says Qatar boycott to remain in place

Reuters, 06.07.2017



Arab states that have cut ties with Qatar have vowed to maintain their boycott of the emirate, criticizing its “negative” response to their list of demands to end the diplomatic crisis.

Qatar appealed for “dialogue” to resolve the row while U.S. President Donald Trump spoke to Egyptian counterpart Abdel Fattah al-Sisi to urge all parties “to negotiate constructively.” The foreign ministers of Egypt, Saudi Arabia, Bahrain and the UAE, “regret the negative response from Qatar,” they said in a statement. Sameh Shoukry said Qatar’s response to the bloc’s conditions had “no substance” and “reflects a lack of understanding of the gravity of the situation”.

The talks in Cairo came a month after the four countries severed ties with Qatar, accusing Doha of supporting extremism. “The boycott will remain,” Saudi Foreign Minister Adel al-Jubeir said at the same news conference in the Egyptian capital. The four Arab states stopped short of announcing new sanctions but Jubeir said they would “take steps at the appropriate time”.

The UAE state minister for foreign affairs, Anwar Gargash, predicted more isolation for Qatar. “Next greater isolation, incremental measures & reputational damage stemming from Doha’s continued support for extremism & terrorism,” he tweeted.

The demands include Doha ending support for the Muslim Brotherhood and closing broadcaster Al-Jazeera. Saudi Arabia and its allies have not said what steps they could take next, but there are fears of a wider embargo that would hurt the Qatari economy, with credit ratings agency Moody’s announcing it was changing Qatar’s outlook to negative over the crisis. The countries issued the 13-point list of demands on June 22, giving Qatar 10 days to respond.

The deadline was extended by 48 hours on Sunday at the request of Kuwait, which is mediating in the crisis, and Qatar handed in the response on July 3. The contents of the response have not been disclosed, but Qatari Foreign Minister Sheikh Mohammed bin Abdulrahman Al-Thani said the list of demands “is unrealistic and is not actionable.”

Qatar has denied any support for extremism and accused the countries of seeking to infringe on its sovereignty. The other demands include Qatar downgrading ties with Iran - Saudi Arabia's regional arch-rival - and shutting down a Turkish military base in the emirate. In his phone call with Sisi, Trump "reiterated the need for all countries to follow through on their commitments at the Riyadh summit (in May) to stop terrorist financing and discredit extremist ideology," the White House said.

U.S. Secretary of State Rex Tillerson spoke with the emir of Kuwait and stressed Washington's "support" for his efforts to mediate a solution to the crisis, Kuwait's KUNA news agency said. The U.N. meanwhile said its under-secretary general for political affairs, Jeffrey Feltman, was in Kuwait for talks on ending the dispute. Germany's Foreign Minister Sigmar Gabriel said in a statement that he was "pleased to see talks between (the US secretary of state) and the Kuwaitis." "It is now a matter of the parties entering into negotiations," he added.

Qatar has said repeatedly it is ready for talks on the crisis, and Sheikh Mohammed reiterated that on Wednesday. "We welcome any serious efforts to resolve our differences with our neighbors," he said. The minister accused Saudi Arabia and its regional allies of "demanding that we must surrender our sovereignty as the price for ending the siege." Riyadh and its supporters have severed air, sea and ground links with Qatar, cutting off vital routes for imports including food. They also ordered Qatari citizens to leave their territories and took various steps against Qatari firms and financial institutions.

US says Assad may be preparing chemical attack, warns 'heavy price'

AFP, 03.07.2017



Syrian President Bashar al-Assad may be preparing another chemical weapons attack, one that would result in the "mass murder" of civilians, the White House said, warning the regime would pay a "heavy price" if it went ahead with such an assault.

The White House said the preparations were similar to those undertaken by the Assad regime ahead of an apparent chemical attack on a rebel-held town in April. Washington launched a retaliatory cruise missile strike days later against a Syrian airbase from where it said the chemical weapons attack was launched.

That assault with 59 Tomahawk missiles marked the first direct U.S. attack on the Syrian regime and Trump's most dramatic military action since he took power in January. It also led to a quick downward spiral in ties between Washington and Moscow, which accused the U.S. of breaking international law.



Russia has supported the Syrian regime since 2015 with air strikes against what it says are Islamist extremists. "The United States has identified potential preparations for another chemical weapons attack by the Assad regime that would likely result in the mass murder of civilians, including innocent children," spokesman Sean Spicer said in a statement late on June 26.

The two-paragraph communique did not offer any evidence justifying the sternly worded warning. "The activities are similar to preparations the regime made before its April 4, 2017 chemical weapons attack." The suspected attack in April in the rebel held town of Khan Sheikhun killed at least 87 people, including many children, and images of the dead and of suffering victims provoked global outrage. The U.S. State Department said it amounted to a war crime.

State Department officials who would normally be involved in a big announcement such as Monday's warning to Syria said they were caught by surprise, the Los Angeles Times reported. British Foreign Minister Michael Fallon told the BBC on June 27 that he would support U.S. military action in case of a Syria chemical attack. "As always in war, the military action you use must be justified, it must be legal, it must proportionate, it must be necessary. In the last case it was," Fallon said. "If the Americans take similar action again, I want to be very clear -- we will support it."

In early reaction from Moscow, Franz Klintsevich, deputy chairman of the defense commission of the upper house of the Russian parliament, said the U.S. warning heralded a new attack on Syrian forces under the pretext of the alleged preparations for a chemical attack. "This is clear. A cynical and unprecedented provocation is under way," he said in Moscow.

Assad, backed by Russia, has strongly denied the allegation that his forces used chemical weapons against the town in April, describing it as a "100 percent fabrication." He has said repeatedly that his forces turned over all chemical weapons stockpiles in 2013, under a deal brokered by Russia to avoid threatened U.S. military action. The agreement was later enshrined in a United Nations Security Council resolution. But U.S. Defense Secretary Jim Mattis previously warned that there was "no doubt" that Syria had in fact retained some chemical weapons. An Israeli military assessment also found that Assad's regime was still in possession of "a few tonnes" of chemical weapons. "As we have previously stated, the United States is in Syria to eliminate the Islamic State of Iraq and the Levant (ISIL)," Spicer added in his statement on June 26. "If, however, Mr Assad conducts another mass murder attack using chemical weapons, he and his military will pay a heavy price."

Syria's war began in March 2011 with anti-government protests that spiraled into a complex and devastating conflict that has killed more than 320,000 people. Russia is flying a bombing campaign in Syria in support of Assad, while the U.S. is heading a coalition mainly targeting ISIL. Neither Washington nor Moscow have managed to find a solution to the conflict. Rebels are now on the back foot after regime advances with support from allies Russia and Iran. The U.S.-led coalition and allied fighters are battling to oust the ISIL group from its Syrian bastion Raqqa. The coalition is also backing a major assault on the last IS-held pockets of Mosul in neighboring Iraq.

Russia steps up spying efforts after election

CNN, 06.07.2017



Russian spies are ramping up their intelligence-gathering efforts in the US, according to current and former US intelligence officials who say they have noticed an increase since the election.

The officials say they believe one of the biggest US adversaries feels emboldened by the lack of a significant retaliatory response from both the Trump and Obama administrations. "Russians have maintained an aggressive collection posture in the US, and their success in election meddling has not deterred them," said a former senior intelligence official familiar with Trump administration efforts.

Russians could also be seeking more information on Trump's administration, which is new and still unpredictable to Moscow, according to Steve Hall, retired CIA chief of operations. "Whenever there is a deterioration of relations between countries — the espionage and intelligence collection part becomes that much more important as they try to determine the plans and intentions of the adversarial government," Hall said.

Since the November election, US intelligence and law enforcement agencies have detected an increase in suspected Russian intelligence officers entering the US under the guise of other business, according to multiple current and former senior US intelligence officials. The Russians are believed to now have nearly 150 suspected intelligence operatives in the US, these sources said. Officials who spoke to CNN say the Russians are replenishing their ranks after the US in December expelled 35 Russian diplomats suspected of spying in retaliation for election-meddling.

"The concerning point with Russia is the volume of people that are coming to the US. They have a lot more intelligence officers in the US" compared to what they have in other countries, one of the former intelligence officials says. The FBI, which is responsible for counterintelligence efforts in the US, would not comment for the story. Fueling law enforcement officials' concern is that the Russians are targeting people in the US who can provide access to classified information, in addition to ongoing efforts to hack the US government for intelligence, according to several of the officials. In some cases, Russian spies have tried to gain employment at places with sensitive information as part of their intelligence-gathering efforts, the sources say.

But that hasn't stopped the State Department from issuing the temporary duty visas — also known as TDY — to the suspected Russian intelligence officers. US intelligence officials who spoke to CNN expressed concerns about the number of temporary visas the State Department has issued to Russian travelers. The issue is not a new one between State and intelligence but has continued even after the intelligence findings of Russia meddling in the US election.



A State Department official would not comment specifically on the visas that have been issued, citing confidentiality under the Immigration and Nationality Act, but said "the United States is open to working with Russia where we can find areas of practical cooperation that will benefit the American people." The official adds, "Where we do not see eye to eye with Russia, the United States will continue to stand up for the interests and values of America, our allies and our partners."

DHS would not comment on the Russia visas specifically but said there is an extensive process for granting visas. "The visa process involves multiple security checks, including screening of applicants against a wide array of criminal and terrorist databases to verify the individual's identity and to detect derogatory information that might lead to an inadmissibility determination, as well as an in-person interview with the applicant," according to a statement explaining the process.

In some cases, the FBI uses surveillance to track the suspected Russian intelligence officers as part of a counterintelligence effort. That's how the US was able to identify and expel the 35 Russian diplomats last December, officials explained. US law enforcement officials say some of the Russian diplomats have violated protocol by leaving the Washington, DC, area without notifying the State Department. Russia has similar rules in place for US diplomats in Russia.

The issue was alluded to in a recent exchange between Republican Sen. Tom Cotton of Arkansas and Bill Priestap, the FBI's Assistant Director of the Counterintelligence Division, during a hearing about Russia on Capitol Hill. "Does it complicate you and your agent's efforts to conduct your counterintelligence mission, to have Russian nationals wandering around the country more than 25 miles outside their duty assignment?" Cotton asked. Priestap responded, "Sure. If that were to happen, that would absolutely complicate our efforts."

A spokesperson for the Russian embassy in Washington did not respond to requests for comment. Even after the meddling in the US elections in 2016, the US has been slow to take measures to respond to the intelligence threat, current and former US officials say. Partisan political disagreements over the Russian activity -- and President Donald Trump's reluctance to accept intelligence conclusions about Russia's meddling in the election -- has slowed efforts to counter the threat, current and former officials say.

US intelligence is also uneasy about ongoing Russian efforts to infiltrate US infrastructure. At a May Senate hearing on national security threats, top intelligence officials expressed concerns that the widespread use of cyber-security software in the US made by Kaspersky Labs based in Moscow could be used as a tool to accomplish that. The Russian-based company's anti-virus products have become popular in the US consumer market. But now US government agencies are concerned that Russian security services may be able to use the software for espionage or to help access otherwise secure networks, according to US officials briefed on the matter. Kaspersky products are also commonly used in equipment bought by US government agencies. The top officials from the FBI, CIA, Defense Intelligence Agency and the National Security Agency all testified at the May hearing that they wouldn't allow Kaspersky software in their computer networks. But US government contractors may still use the products. The officials would not detail their concerns in an open hearing, citing the classified nature of the information.

Kaspersky has denied any ties to the Russian government and says it has never helped, and wouldn't assist, with any government's espionage efforts. In a statement to CNN, Kaspersky Lab says, "As a private company, Kaspersky Lab has no ties to any government, and the company has never helped, nor will help, any government in the world with its cyberespionage efforts."

Spain PM urges calm in face of 'authoritarian delusions' in Catalonia

Reuters, 06.07.2017



Mariano Rajoy called for calm in the face of "authoritarian delusions" in Catalonia, as tensions between Madrid and separatists in the northeastern region surged over an independence drive.

"To all Catalans, to all Spaniards, I want to tell you to maintain confidence in the future as authoritarian delusions... will never defeat the serenity and harmony of our democratic state," Rajoy said. His comments came a day after the separatist coalition that governs Catalonia unveiled a bill aimed at ensuring an independence referendum takes place despite Madrid's refusal.

Lawmakers who form the coalition said Catalonia would declare independence "immediately" if the region's voters opt to separate from Spain in the vote planned for October 1. If the "no" side wins, new regional elections will be called, they added. The bill aims to extract the region from Spain's legal system - a step aimed at preventing the central authorities from throwing up any legal and practical challenges to organizing a referendum. It will be submitted to a vote in the Catalan regional parliament, where separatists hold a majority, at the end of August.

For years separatist politicians in the region have tried to win approval from Spain's central government to hold a vote similar to Scotland's 2014 independence referendum from Britain -- which was approved by London, though it resulted in a "no" vote. But Madrid has remained steadfast in its opposition to such a vote, considering it a threat to Spain's unity. The Constitutional Court has already quashed a resolution approved by Catalonia's parliament calling for the referendum to take place. It has also warned Catalonia's elected officials that they would face legal consequences if they took any steps towards holding such a vote. And while not mentioning Catalonia directly, Defence Minister Maria Dolores de Cospedal issued a thinly-veiled threat on Tuesday, recalling that the army was there to defend democracy and the Constitution, and the "integrity and sovereignty of our country."

In his speech, Rajoy said "Spain is a great country because it counts on the energy of many Spaniards, and many Catalans too who are sensible, democratic and moderate, and increasingly forgotten by a... radical and divisive change of direction."

Catalans are divided on the issue of independence. Some 48.5 percent are against independence and 44.3 percent are in favor, according to a recent regional government poll -- although a large majority wants a referendum to take place to settle the matter once and for all. On top of this, the Catalan executive has been wracked by internal debate over the issue, unable to find a way to guarantee the credibility of such a vote, if it ever manages to hold it faced with Madrid's refusal. It has no regional election authority to oversee the vote, for instance, and has not found any reliable companies willing to provide ballot boxes. Aside from the legal bans of the Constitutional Court, the central government has also threatened civil servants with sanctions if they help organize the referendum, and has warned companies against any involvement.

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

Reuters, 27.06.2017



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

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

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

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

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

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

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

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

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

AFP, 28.06.2017



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

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

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

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

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

At least 19 killed in hotel attack in Somali capital

AFP, 30.06.2017



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

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

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

China 'outraged' by \$1.42 bln planned US arms sales to Taiwan

AFP, 30.06.2017



China urged the United States to revoke immediately its “wrong decision” to sell Taiwan \$1.42 billion worth of arms, saying it contradicted a “consensus” President Xi Jinping reached with his counterpart, Donald Trump, in talks in April in Florida.

The sales would send a very wrong message to “Taiwan independence” forces, China’s embassy in Washington said in a statement. A U.S. State Department spokeswoman said the administration had told Congress of seven proposed sales to Taiwan, the first under the Trump administration.

“The Chinese government and Chinese people have every right to be outraged,” the embassy said. China regards self-ruled Taiwan as a wayward province and has never renounced the use of force to bring it under its control. China’s Nationalists fled to the island after losing the civil war with China’s Communists in 1949.

The United States is the sole arms supplier to Taiwan. “The wrong move of the U.S. side runs counter to the consensus reached by the two presidents in and the positive development momentum of the China-U.S. relationship,” the embassy said. China’s Defense Ministry said Taiwan was the “most important, most sensitive core issue in Sino-U.S. ties”, warning the United States to end such sales to avoid further damaging peace and stability in the Taiwan Strait.

Trump was critical of China during his successful 2016 presidential campaign but his meeting at his Mar-a-Lago resort in Florida with Xi raised hopes for warmer relations. Trump later played up his personal relationship with Xi, calling him a “good man”, and stressed the need for China’s help in reining in a defiant North Korea’s development of nuclear weapons and missiles. China’s anger over the U.S. plan to supply Taiwan with weapons risks undermining Trump’s attempts to press China to help on North Korea.

The proposed U.S. package for Taiwan includes technical support for early warning radar, high speed anti-radiation missiles, torpedoes and missile components. Beijing’s relationship with Taiwan has been frosty since President Tsai Ing-wen took power in Taipei last year. Tsai leads an independence-leaning party that refuses to recognise Beijing’s “one China” policy. Tsai’s office said on June 30 that the planned sales increased Taiwan’s confidence and ability to maintain peace and stability across the Taiwan Strait.

Asked about the sales at an event on Thursday evening in Washington, Chinese Ambassador Cui Tiankai said the United States was “incorrigible” when it came to Taiwan, the official Chinese Communist Party People’s Daily newspaper reported on its website. “But we should still continue to instruct (them) and continue advancing on the right track of China-U.S. relations because this is what truly fits for both countries’ long term interests,” the paper quoted Cui as saying.

The sales, which require congressional approval, would be the first since a \$1.83 billion sale that former President Barack Obama announced in December 2015, also to China’s dismay. The previous package included two navy frigates in addition to anti-tank missiles and amphibious attack vehicles.

Panama cuts ties with Taiwan, switches to China

AFP, 28.06.2017



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

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

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

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



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

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

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

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

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

IMF cuts US growth forecasts, cites Trump fiscal plan uncertainty

AFP, 30.06.2017



The International Monetary Fund on June 27 cut its growth forecasts for the U.S. economy to 2.1 percent for both 2017 and 2018, dropping its assumption that President Donald Trump's tax cut and fiscal spending plans would boost growth.

The IMF, after a review of U.S. economic policy, said the Trump administration was unlikely to achieve its goal of annual GDP growth of 3 percent over a sustained period, partly because the labor market is at a level consistent with full employment. The U.S. economy grew 1.6 percent last year.

The assumed stimulus from expected tax cuts and new federal spending spurred the IMF earlier this year to bump up its U.S. growth forecasts to 2.3 percent in 2017 and 2.5 percent in 2018. The assumptions for those forecasts appeared to have evaporated in the face of a lack of details over the Trump tax plan and the \$3.6 trillion in government spending cuts proposed in the administration's budget plan in late May. "We are removing that fiscal stimulus because now we have in front of Congress a budget that assumes an important fiscal consolidation in the next few years," Alejandro Werner, head of the IMF's Western Hemisphere Department, said in a press conference. "Looking at the U.S. data, it is unlikely that these set of policies can generate an acceleration of economic growth of a magnitude of let's say approximately 1 percentage point."

Trump, a Republican, campaigned last year on a pledge to swiftly cut taxes, roll back regulations and lift infrastructure spending, prompting many economists and investors to increase their U.S. growth forecasts. But details of the White House's tax plan remain sparse as Trump advisers attempt to win over fiscally conservative Republicans in Congress who want any changes to ultimately be revenue-neutral.

The IMF said the Trump budget plan put a disproportionate share of spending cuts onto low- and middle-income households, adding that it "would appear counter to the budget's goals of promoting safety and prosperity for all Americans." Instead, the Fund suggested a tax policy that would improve the federal revenue-to-GDP ratio, more balanced cuts that strengthen the social safety net's efficiency, and efforts to contain healthcare cost inflation.



Announcements & Reports

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

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

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

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

Actualising East: India in a Multipolar Asia

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

Upcoming Events

13th Asia Europe Economic Forum (AEEF)

Date : 26 July 2017
Place : Beijing - China
Website : <http://bruegel.org/events/13th-asia-europe-economic-forum/>

Emerging Markets and Europe: Time for Different Relationships?

Date : 27 July 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/524-emerging-markets-and-europe-time-for-different-relationships/>

What future for Europe's Social Models?

Date : 27 July 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/526-what-future-for-europes-social-models/>

Challenges for Growth in Europe

Date : 27 July 2017
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/521-challenges-for-growth-in-europe/>



Global Governance of Public Goods: Asian and European Perspectives

Date : 28 July 2017
Place : Paris - France
Website : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

The Future of the Welfare State

Date : 28 July 2017
Place : Berlin - Germany
Website : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>

Vision Europe Summit 2016

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