

Turkey, Iran top brass to discuss Syria, Iraq

Hurriyet Daily News, 15.08.2017



Iran's Chief of General Staff Maj Gen Mohamed Baqeri is due to hold talks in Ankara with top Turkish officials, in a rare visit in which all regional security issues, the fight against terrorism, and developments in Syria and Iraq, including the Iraqi Kurds' upcoming independence referendum, will be discussed.

"The Iranian Chief of General Staff will go to Turkey tomorrow [Aug. 15]. This is the first military visit at this level. The visit will take place upon the invitation of the Turkish side. Issues to be discussed are bilateral".

Defense cooperation, regional developments, and border issues are discussed, Bahram Qasimi, Iranian Foreign Ministry spokesman told reporters on Aug. 14 in Tehran. Baqeri's two-day visit will be a first of its kind since the Iranian Revolution in 1979, Qasimi noted, adding that "we need to increase our contacts at different levels."

He also referred to preparations for the upcoming Turkey-Iran high-level cooperation meeting, which will be held in Tehran under the leadership of the two countries' presidents, Recep Tayyip Erdoğan and Hassan Rouhani.

In Ankara, Baqeri will be hosted by his Turkish counterpart, Chief of General Staff Gen Hulusi Akar, and will meet with both President Recep Tayyip Erdoğan and Defense Minister Nurettin Canikli.

Sources say that one of the most important issues to be discussed in Ankara between two commanders will be enhancing cooperation on their shared joint border. Baqeri's visit comes only a week after Turkey started building a wall along its border with Iran with the objective of improving security, halting the infiltration of Kurdistan Workers' Party (PKK) militants, and illegal smugglers.

The Turkish authorities announced the construction of a 144-kilometer barrier in May as a means of blocking cross-border movements. The entire Turkish-Iranian frontier is around 500 kilometers long. Talks between military leaders will also focus on the fight against the PKK and its Iranian offshoot, the Party of Free Life of Kurdistan (PJAK), which is active in Iran's northwestern border region.

Another important issue the two countries' militaries will discuss is the ongoing work to establish de-conflict zones inside Syria, following a three-way agreement between Turkey, Russia and Iran in May as part of the Astana Process. Although Turkey and Iran have different policies on the future of Syria and on the role of President Bashar al-Assad, they are working to provide a lasting ceasefire and thus a political solution to the ongoing civil war.

Another key issue that concerns both Tehran and Ankara is the looming independence referendum due to be held in the Iraqi Kurdistan Regional Government (KRG). Iran and Turkey have loudly voiced their opposition to the idea of holding the referendum at such a sensitive time in the region, warning the KRG leadership that the move would be a “grave mistake with serious consequences.”

The fight against the Islamic State of Iraq and the Levant (ISIL) will also be addressed by Baqeri and Akar, especially following the liberation of Mosul by the Iraqi military.

Turkey runs \$6.7B budget deficit during January-July

Anadolu Agency, 15.08.2017



Turkey ran a budget deficit of 24.3 billion Turkish liras (nearly \$6.7 billion) in the first seven months of 2017, Finance Minister Naci Agbal said Tuesday.

In a written statement, Agbal said: “The budget deficit in this period was recorded due to government incentives and actions to support economic growth. This January to June, government revenues reached 351.6 billion Turkish liras (around \$96.8 billion), while expenditures were 375.9 billion liras (around \$103.5 billion), marking a \$6.7-billion deficit. “In the coming period;

The upward trend in budget deficit will diminish along with the end of supportive practices to stimulate economy,” he said. “Since the beginning of this year, economic indicators from the channels of production, consumption and foreign trade have been extremely positive.”

According to Turkish Statistical Institute, the economy grew 5 percent in the first quarter of this year, compared with the period of January-March 2016 while the government has targeted a growth rate of 4.4 percent by the end of the year. “Preliminary figures for the rest of this year show that the end-year economic growth will be higher than our targets,” the finance minister said. Over the past three years, the country’s economy expanded 5.2 percent in 2014, 6.1 percent in 2015 and 2.9 percent in 2016.

Government tax revenues reached 292.1 billion Turkish liras (around \$80.4 billion) between January and July in this year with a 15.6 percent year-on-year increase. Agbal said the recovery in economic activities had a positive effect on tax revenues. The seven-month interest expenditures stood at 32.7 billion Turkish liras (some \$9 billion), marking a 7.1 percent hike compared with same period of 2016.

Meanwhile, the budget had a surplus of 926 million Turkish liras (nearly \$260 million) last month, compared with a deficit of 13.7 billion Turkish liras (around \$3.9 billion) in June. “In the coming period, however, we will continue to demonstrate our commitment to fiscal discipline by controlling rise in expenditures and keeping the budget deficit to a reasonable level,” Agbal added.

Turkey ran a 29.3 billion Turkish lira (some \$9.7 billion) budget deficit last year while the government is aiming for a budget deficit of 46.9 billion Turkish liras (nearly \$12.9 billion) at the end of 2017, according to the Finance Ministry.

Turkish banks’ profits surge in first half of 2017

Hurriyet Daily News, 17.08.2017



The profits of nine top Turkish lenders traded on Borsa Istanbul rose by 32.9 percent in the first half of the year from the same period in 2016, according to data from the Public Disclosure Platform (KAP).

The deposit banks, traded on the country’s main stock exchange, boasted 16.96 billion Turkish Liras (\$4.81 billion) in net profits in the first half of 2017, up from 12.8 billion liras (\$3.63 billion) in the same period of 2016. The Turkish lenders’ total assets rose over 9 percent to 1.96 trillion liras (\$556.7 billion) through June compared to the first half of 2016.

According to the Banking Regulation and Supervision Agency (BDDK), the net profits of the Turkish banking sector increased by 33.2 percent in the first half of this year to 25.35 billion liras (\$7.19 billion) year-on-year. In total, banks’ profits reached 19.33 billion liras (\$5.49 billion).

Foreign debts of Turkish private sector on the rise

Hurriyet Daily News, 16.08.2017



The short-term foreign debt held by Turkey's private sector increased by \$2 billion at the end of June from the end of 2016, the country's central bank announced on Aug. 16.

Short-term loans – which must be paid within 12 months - reached \$16.3 billion in the sector as of June, the Central Bank said in a statement. The sector's long-term foreign debt also increased by \$8.7 billion to \$210.9 billion during the same period, the Bank added. "By the end of June, of the total long-term loans amounting to \$210.9 billion, 52.1 percent consists of liabilities of financial institutions and 47.9 percent consists of liabilities of non-financial institutions," it said.

The Central Bank also revealed that liabilities of financial institutions and non-financial institutions accounted for 81.6 percent and 18.4 percent of the private sector's short-term foreign debt, respectively.

"From the borrower's side, regarding long-term loans, banks' loan liabilities decreased by \$308 million while bond liabilities amounted to \$29.8 billion, increasing by \$5.4 billion in comparison to the end of 2016," it added.

More than 60 percent of Turkey's private sector long-term debt was held in U.S. dollars, 33.8 percent was in euros, 4.3 percent was in Turkish Liras, and 1.8 percent was in other currencies. Almost half of short-term debt was in dollars, 49.1 percent, followed by 30 percent in euros, 20.7 percent in liras and 0.2 percent in other currencies.

German Chancellor Merkel: No update to Turkey-EU customs deal for now

Hurriyet Daily News, 16.08.2017



Ankara and Berlin remain split on many subjects and an expansion of the customs union deal between the European Union and Turkey will not be on the agenda in the near future, German Chancellor Angela Merkel has stated.

“We are not opening new chapters in Turkey’s [EU] accession bid and we have lowered membership preparation aid to a minimum. Also, for the time being the customs union deal with Turkey will not be changed or updated,” Merkel said on Aug. 16 when asked about ties with Turkey during a live interview on YouTube.

The Customs Union between Turkey and the bloc entered into force on Dec. 31, 1995. It covers all industrial goods but does not address agriculture (except processed agricultural products), services or public procurement right now. The European Commission had stated on Dec. 21, 2016 that it had asked the European Council for a mandate to launch talks with Turkey to modernize the existing EU-Turkey Customs Union.

The upgrade of the agreement forms a central part of efforts to deepen relations in key areas of joint interest identified at the EU-Turkey Summit of Nov. 29, 2015 and in the EU-Turkey statement of March 18, 2016. Merkel’s remarks came one day after German Foreign Minister Sigmar Gabriel suggested that economic pressure on Turkey “is working.” “We have differing opinions on various subjects and we do not shy away from voicing these differences in our continuing dialogues,” Merkel said at the event, which aimed to woo young voters ahead of the Sept. 24 general election in Germany.

“We have not been able to convince each other on many issues and other problems have been added on top of those. Our relations are going through a tough period but we should continue dialogue,” she added.

Merkel said the warnings issued by her government on investing in Turkey and traveling to the country “had gotten Turkey thinking, but these are not enough.”

“We cannot ignore the fact that Turkey is not only [President Recep Tayyip] Erdoğan and his government. Almost 50 percent said ‘No’ to the recent constitutional changes and they have expectations from us. We must continue the hard bargaining and not engage in wrong deals. But we cannot also send wrong signals to that 50 percent that have their hopes in us and want to be in dialogue with us,” she added.

Erdoğan claimed on Aug. 12 that tension with Europe was due to “European domestic politics” and Ankara’s relations with Berlin would improve after Germany’s parliamentary election. “France and Austria did this before. Now we see that Germany is following the same strategy. I believe this situation will improve after the election,” he said.

Relations between the two countries have been severely strained due to a number of reasons since last year. Germany had to withdraw its Tornado aircrafts and troops from the Incirlik air base in the southern province of Adana after Ankara refused permission for a visit to the base by German lawmakers.

In a reconciliatory move, Ankara said a visit to a Konya military base would be possible, as German troops deployed there are operating under a NATO mission. However, this was also later blocked by Turkey in protest against Berlin’s ban on a visit by President Recep Tayyip Erdoğan to hold a rally with Turks living in Germany when he attended the G20 summit in July. The row over Konya was averted after an intervention from NATO Secretary-General Jens Stoltenberg.

Time to think outside of the box on the Cyprus issue

Hurriyet Daily News, 15.08.2017



In 2004, the UN negotiated the Annan Plan for Cyprus. The Turkish side had accepted the return of the Güzelyurt (Morphu) region which was almost entirely inhabited by Greek Cypriots before the division of the island.

Interestingly, the majority of the Turks living in Güzelyurt had voted “yes” even though they knew that would mean their displacement if the plan were to be accepted by both sides, which was not the case as the Greek Cypriots said “no.” In the last round of negotiations in Switzerland, Morphu was one of the most contentious issues since the Turkish side was not willing to let Güzelyurt go back under Greek Cypriot.

With the collapse of the talks, Greek Cypriots are expected to resume negotiations after next year’s presidential elections.

Let’s imagine a scenario in which Turkish Cypriots were to accept to resume talks next year and at one stage the issue of Güzelyurt came to the agenda. “There is no longer the need to talk about Güzelyurt because there is no need for its return,” Turkish Cypriot negotiators could tell their Greek counterparts. “All of the Greek Cypriots who had property in Güzelyurt have been compensated. This is not an issue. There are now very few left [those who have not accepted to apply to us because of your threats] who still have property in Güzelyurt, but their numbers are so few that Güzelyurt’s return can no longer be justified.” And thus, you take Güzelyurt out of the equation.



Can this imaginary scenario become real? “Yes, it can,” say the experts. “And it can happen under European Union law,” they add, recalling the decisions of the European Court of Human Rights (ECHR). Indeed, the ECHR’s 2010 decision that recognized the property claims process set up in Turkish Cyprus as an effective domestic remedy provided an immense opportunity to the Turkish side to solve the property issue.

The Immovable Property Commission established in the mid-2000’s to evaluate the Greek Cypriots’ claims had initially been met with skepticism in the southern part of the island and in fact, the Greek Cypriot administration had tried to discourage its citizens from applying to the commission by labelling those who did as “traitors.” Yet, with its initial decisions the commission earned the recognition of the Euro court in 2010 as an effective remedy which told all the Greek Cypriot applicants to Strasbourg to first apply to the commission in Turkish Cyprus and come back only after exhausting this remedy.

That actually destroyed Greek Cypriot plans to make Turkey kneel following the European court’s 1996 decision sentencing Turkey to pay compensation to a Greek Cypriot who had property in the north. After that decision called the Loizidou case, thousands of Greek Cypriots with properties in the north applied to the court in Strasbourg which would have resulted with billions of Euros in compensation paid by Turkey.

The immovable property commission had been set up in order to precisely prevent that storm from coming and the court’s 2010 Demopoulos decision was a turning point as it accepted the workings of the commission as an effective remedy.

That led to a rapid hike in the number of applications to the commission in Turkish Cyprus. But with the prospect of peace talks the commission’s work has slowed down and that suited Turkish governments which did not want to earmark such a budget for Cyprus. The commission’s work actually came to a standstill a few years ago as Turkey completely stopped the flow of money leading to a sharp drop in the number of applications from South Cyprus.

Following the collapse of the peace talks in Switzerland, the three political parties present in the Turkish Cypriot parliament decided to revive the commission, according to the press reports from the island.

Instead of solving the property issue via negotiations with the Greek Cypriots, they seem set to solve it according to European law.

There are more than 5,000 applications in front of the commission. In contrast to its initial stages when the commission did not have a specific priority, why not give precedence to the hundreds of applications coming from Güzelyurt’s former Greek Cypriot residents? Once you compensate them and there are no longer any claims from the Greek Cypriot side, the above scenario can become real.

“You want Güzelyurt?” would ask Turkish Cypriot negotiators to their Greek counterparts. “But the property structure has changed in Güzelyurt. You are asking ‘how so?’ Well, by the will of your own citizens. They were compensated and they no longer have any claim to property in the region; so, there are no justifiable grounds on discussing its return.” Wouldn’t that be an “easy fix?” To say so would be an exaggeration. But this could be a very expensive, yet very legal fix to the decades old problem.

Russia, Turkey set to discuss key economic issues at İzmir fair on Aug 18

Hurriyet Daily News, 15.08.2017



Top Turkish and Russian economy officials are set to discuss key economic, political, technical and trade issues at an international fair in the Aegean city of zmir, which will start on Aug. 18 and last until Aug. 27.

The main theme of the zmir International Fair, which is organized for the 86th time by the zmir Metropolitan Municipality’s event company ZFA , is energy this year. The partner country of this year’s fair is Russia. Tatarstan President Rustam Minnikhanov and dozens of ministries from 23 countries will be hosted at the fair.

Partner country Russia will participate in the fair with a large delegation of top officials and business representatives from key sectors, including agriculture, energy, finance and tourism, to boost cooperation with their Turkish counterparts.

Five cooperation sessions will be held between Turkey and Russia on the topics of energy, industry, contracting, special economic zones and tourism, according to officials. Top economy and energy officials from Turkey and Russia are expected to discuss bilateral economy issues during a breakfast on the first day of the zmir fair.

Turkish Economy Minister Nihat Zeybekci and Russian Energy Minister Alexander Novak are expected to attend the breakfast event, according to news agencies. In a follow-up press meeting on Aug. 18, Zeybekci and Novak are scheduled to give speeches.

A Turkish-Russian business council meeting will also be held afterwards. Minnikhanov, Zeybekci, Novak, Turkish Science, Industry and Technology Minister Faruk Özlü and his Russian counterpart, Deniz Manturov, are expected to attend the business forum, according to a Foreign Economic Relations Board of Turkey (DE K) statement.

The heads of Turkish and Russian business councils will also participate in the meeting, the statement said. On June 2, Russian Prime Minister Dmitry Medvedev signed a decree lifting the ban on some agricultural produce and Turkish companies involved in construction, engineering and tourism in the aftermath of the downing of a Russian fighter jet in 2015.

Following the lifting of the sanctions, only two restrictions are left for Ankara: the issue of visa-free travel for Turkish citizens and tomatoes.

Russian, German diplomats discuss North Korea

Anadolu Agency, 18.08.2017



Russian Foreign Minister Sergey Lavrov and his German counterpart Sigmar Gabriel on Friday discussed the North Korea crisis.

“The ministers discussed the situation around North Korea and ways to overcome the crisis,” the Russian Foreign Ministry said in a statement. Lavrov and Gabriel said there was “no alternative” to a political and diplomatic solution to the Korean peninsula issues, the statement added. It said Moscow and Berlin confirmed their commitment to comply with UN Security Council resolutions.

Following the North’s tests of intercontinental ballistic missiles on July 4 and July 28, the UN in early August imposed new sanctions on Pyongyang with a sweeping ban on exports of coal, iron, lead and seafood that could eliminate \$1 billion in annual revenues.

German GDP growth slows but remains robust

Hurriyet Daily News, 15.08.2017



Strong household spending, rising state expenditure and higher company investments consolidated Germany's role as the eurozone growth engine in the second quarter, although accelerating imports meant growth came in just below expectations.

Seasonally and calendar-adjusted gross domestic product (GDP) rose by 0.6 percent on the quarter, the Federal Statistics Office said yesterday. This was slightly weaker than the consensus forecast of 0.7 percent in a Reuters poll. But the growth rate for the first quarter was revised up to 0.7.

"The German economy is proving its staying power, the upswing continues," Bankhaus Lampe economist Alexander Krueger said, adding that the European Central Bank's low interest rates were boosting the economy.

The Statistics Office said that growth in the April-June period was mainly driven by domestic demand as households and state authorities increased their spending and companies boosted investment in buildings and equipment.

But overall growth was dampened by net foreign trade since exports rose less strongly than imports, which the vibrant domestic economy sucked in at a higher rate. "Germany's economic success story goes on and on and on," ING Bank analyst Carsten Brzeski said, adding there was very little reason to fear a sudden end to the current performance.

He cautioned, however, that the main drivers supporting the domestic economy, such as rising employment, rising wages and increased government spending, could lose some momentum in the coming quarters.

IMF warns China over ‘dangerous’ growth in debt

The Guardian, 15.08.2017



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.

UK unemployment rate hits lowest level since 1975

Hurriyet Daily News, 15.08.2017



The United Kingdom stands by Turkey a year on from the coup attempt and understands the extraordinary challenges Turkey is facing, but urges it to signal a return to normality by lifting the state of emergency rule issued after the July 15, 2016, coup attempt.

Minister of State for Foreign and Commonwealth Affairs, Alan Duncan stating that British authorities have concerns about “human rights, arrests and the workings of democracy and judicial processes.” He also restated the U.K.’s continued solidarity with the Turkish government and its people.

That it showed so clearly on the night of the coup attempt and during the challenging times that followed. “I think the first thing to understand is just how extensive and a total threat this was to the country and its entire government and its working as a state. So, if you understand that, then you have to understand that extraordinary steps needed to be taken to stabilize the country and to make sure this could not happen again,” he said in an interview with the daily on Aug. 17.

“I think it would be good if the country could get to the position where it can end the state of emergency and prove that the steps that have been taken against threats are on an individual basis, just, proper and fair,” Duncan said, voicing concerns about the prolonged state of emergency rule in Turkey.

“There are tens of thousands of people who have been labelled as a threat. I think that is a challenge for the country and there are concerns,” he added. “It would be very good to signal that there can be a return to normality. I think a permanent or a prolonged state of emergency does not signal that,” he said.



Duncan said the U.K. acknowledged the gravity of the threat that the July 15 coup attempt posed to the Turkish government, and to face such a threat, extraordinary steps had to be taken to stabilize the country.

“There is clear evidence of the Gülenists’ involvement. But it is also important to uphold the principles of democracy and the proper judicial process so that across the world, people can retain their faith in Turkey as a stable country, good for business and with its proper principles of democracy and justice,” he said.

He added that in the U.K. the arrest of Amnesty International members had also resonated since the organization has a “strong support in the country,” and that such issues “are causing a little bit of difficulty.” “I very much hope that the principles of an independent judiciary, dispensing justice in a fair and proper way can be what we see here in Turkey,” he said. “The United Kingdom is determined to understand what is going on in Turkey and work very closely with you now and in the years ahead. Our bilateral relations are very strong,” he said.

Responding to a question concerning the latest speculations over the possibility of the arrest of main opposition Republican People’s Party (CHP) leader Kemal Kılıçdaro lu, whom President Recep Tayyip Erdoğan suggested may be linked to an espionage case which led to the imprisonment of CHP lawmaker Enis Berbero lu, Duncan said “concerns inevitably grow when elected politicians are arrested.”

“It is difficult to reconcile that with the proper workings of democracy. So, we would certainly urge caution in doing such things,” he said. “If someone is proven to threaten the state and be plotting against the government and to be participating in plans for a coup or an actual coup attempt, then, of course, there is a reason to arrest them. MPs should not be exempt in such circumstances. But one should not arrest people for having a point of view or an opinion. Because the difference of opinion is an essential part of a properly working democracy,” he said.

Duncan also stressed on the growing relations between Turkey and the U.K. as Britain prepares to leave the European Union. “As we leave [the EU] the business, cultural, technological and all other relations between Turkey and Britain can actually now go forward because we are really making a big effort,” Duncan said.

Asked about the deteriorating relations between Ankara and Brussels concerning the accession talks with Turkey, Duncan said, “Whatever the current tensions, countries have still got to cooperate and work together to serve the interests they have in common.”

“One of the main reasons that the U.K. is taking such interest in Turkey is that you are the most important country and you matter for counter-terrorism. You are next door to Syria and you are located where there is a migration challenge,” he said. “If the world is to tackle these challenges, countries have to work together and therefore it is important that we, the EU and Turkey do work together whatever political differences there may be,” he said.

“I would signal very strongly that the U.K. will continue to work very closely with Turkey on all of our common interests on security, peace, migration, trade and so on,” he added.

Britain says will not stay in EU via ‘back door’

Hurriyet Daily News, 13.08.2017



After weeks of feuding, two key figures in Britain’s cabinet came together to say any post-Brexit transition would not be a “back door” to continued European Union membership.

Finance minister Philip Hammond, who favors a softer, pro-business Brexit, and International Trade Secretary Liam Fox, a hardline supporter of Britain leaving the EU, have clashed over the U.K.’s future outside the bloc. But in a joint article for The Sunday Telegraph newspaper, they agreed there should not be a “cliff-edge” when Britain leaves in March 2019.

They said any transition period would be “time-limited” and that Brexit would mean Britain pulling out of both the European single market and the customs union. “We want our economy to remain strong and vibrant through this period of change. That means businesses need to have confidence that there will not be a cliff-edge when we leave the EU in just over 20 months’ time,” they wrote.

“That is why we believe a time-limited interim period will be important to further our national interest and give business greater certainty -- but it cannot be indefinite; it cannot be a back door to staying in the EU. “We are both clear that during this period the UK will be outside the customs union and will be a ‘third country’, not a party to EU treaties.”

Meanwhile British government ministers were this week due to start publishing detailed papers setting out their aims for the Brexit talks, with Prime Minister Theresa May’s Conservative government facing criticism over a perceived lack of clarity about its negotiating position. The papers will include one covering the difficult issue of the border between Northern Ireland and the Republic of Ireland once Britain has left the EU.

Another batch, to be released ahead of the October meeting of the European Council in Brussels, will examine future arrangements including Britain’s proposals for a customs agreement with the EU. Britain’s Brexit Secretary David Davis is due to hold a third round of talks with the EU’s chief negotiator Michel Barnier in Brussels at the end of August.

UK exports to the EU surge on weaker pound

Telegraph, 18.08.2017



Britain's factories benefited from a surge in sales to the EU in the first half of this year as export growth outstripped import growth.

The UK still imports far more than it exports leaving the country with a goods deficit amounting to €3bn (£48bn) for the six months to June in its trade with the EU, but that is down from €7.8bn in the same period of 2016. A weaker pound means British-made goods are more competitive abroad, while imports are more expensive to UK companies and consumers.

Britain exports €104bn of goods to the rest of the world, outweighing the €94.7bn of goods it sends to EU customers. But UK imports from the EU amount to €147.7bn, while those from elsewhere come in at €134.7bn.

The UK's total trade deficit has shrunk from €102.2bn in the first half of 2016 to €83.7bn this year. The annual snapshot of international trade, published by Eurostat, lends weight to arguments that the EU depends heavily on Britain's market for its products but also showed that British business relies on trade with the bloc.

The British trade deficit could give leverage to British Brexit negotiators who travel to Brussels for the third round of talks next month. This week the government published a position paper calling for UK-EU trade to remain as frictionless as possible.

In June Germany exported almost twice as much to Britain as it imported - €6.8bn to €3.6bn - leaving the UK with a €3.2bn deficit in the month. France, the other member state with the most influence on the Brexit talks, sold €2.9bn-worth of goods to Britain and imported just over €2.7bn, leaving a more modest gap of €178m.

But Britain sold more goods to Ireland (€1.9bn) than it imported (€1.2bn). Preserving the "invisible border" between Northern Ireland and Ireland will be discussed by British and EU Brexit negotiators in the week of August 28. At the same time the Food and Drinks Federation said exports from Britain soared 8.5pc to a record high of £10.2bn in the first half of the year.

"It is great to see such strong growth in our exports to EU Member States," said the group's director general Ian Wright. "The EU remains an essential market for UK exports as well as for supplies of key ingredients and raw materials used by our industry. We believe there are significant opportunities to grow our sector's exports further still."

Donald Trump's 7th-grade reaction to the country's CEOs quitting his council

CNN, 16.08.2017



“Rather than putting pressure on the businesspeople of the Manufacturing Council & Strategy & Policy Forum, I am ending both. Thank you all!”

Falling On Wednesday afternoon, President Donald Trump tweeted this. Left unsaid in Trump's tweet was the fact that CEOs for some of the largest companies in the country -- Intel, Merck, UnderArmour -- had already resigned from these executive councils in the wake of Trump's unwillingness to lay blame solely at the feet of white supremacists and neo-Nazis for the violence over the weekend in Charlottesville.

Or the fact that just 24 hours ago, Trump had tweeted this: “For every CEO that drops out of the Manufacturing Council, I have many to take their place. Grandstanders should not have gone on. JOBS!”

The truth? These councils, which were formed as proof that Trump was making good on a campaign promise to bring the best and the brightest in the business world into his inner circle, were already collapsing. Within days, the pressure on the CEOs who remained on them would have become too great -- and they, too, would have resigned their roles.

Knowing that, Trump pulled a tactic familiar to anyone who has ever been a 7th grader before. Back in the 1980s, when I was 13, I remember distinctly getting word via the grapevine that my girlfriend of several weeks -- it was very serious between us -- was planning to end things with me. I quickly rushed to her locker to give her the news: “I'm breaking up with you!”

Boom! You can't break up with someone who has already broken up with you! That tried and true 7th-grade tactic is what Trump is doing here. You can't resign in protest from these councils, because these councils don't even exist anymore! It's something Trump has done his entire life. Faced with certain defeat -- or bankruptcy or some other business setback -- he simply declares victory and moves on. He seeks to set the narrative surrounding his shortcomings and, in so doing, turn them into strengths.

But here's what you should remember: Trump ran on the promise that, as a businessman, he could take advantage of the smarts of the business world in a way that President Barack Obama -- and, really, no past president -- has or could. He knew all of these people personally. They were itching to be consulted and tired of being ignored by politicians. Just you wait and see what he and they would do, Trump promised.

In announcing the Manufacturing Jobs Initiative back in late January, the White House crowed: “The President will be meeting with some of the world’s most successful and creative business leaders to share their experiences and gain their insights. President Trump plans to continually seek information and perspectives from a diverse range of business leaders.”

This is a failure for Trump. He was forced to disband this group of business leaders because they were all going to eventually abandon him over the firestorm caused by his Charlottesville comments. That is the fact. And no matter how hard Trump spins, he can’t change it.

Interest rate hike in doubt as falling petrol prices keep inflation under control

Telegraph, 15.08.2017



Falling petrol prices are keeping a lid on inflation, and economists believe that means Mark Carney at the Bank of England is less likely to put up interest rates.

Consumer prices rose by 2.6pc in the 12 months to July, the Office for National Statistics (ONS) said, the same rate as in June because falling petrol prices offset rising food and clothing costs to keep inflation steady. That is still above the Bank of England’s 2pc target, but is unlikely to be high enough to scare the monetary policy committee into raising rates.

Analysts had predicted inflation would rise to a level a little above 3pc by the end of this year. But prices have not spiralled as quickly as feared, so economists are trimming back their forecasts. ING, for example, expects inflation will peak at 2.9pc in the final quarter of 2017, down from 3pc in its July forecast.

“Although we expect CPI inflation to rise a bit further over the months ahead, the end of inflation’s ascent now looks in sight,” said economist Victoria Clarke at Investec. The average economist expects inflation will hit 3pc in the last three months of 2017 but go no further, with price pressures building more slowly and dropping more quickly from that peak, reducing pressure on the Bank.

“Inflation in July remaining below May’s peak level facilitates the Bank of England holding off from raising interest rates any time soon,” said Howard Archer, chief economic adviser to the EY Item Club. “We believe it is highly unlikely that the Bank will raise interest rates in 2017, with growth likely to remain lacklustre over the second half and with inflation looking close to peaking and likely to fall back appreciably in 2018. We certainly would not be surprised if interest rates remained at 0.25pc going into 2019.”



Announcements & Reports

Towards EU-MENA Shared Prosperity

Source : Bruegel
Weblink : <http://bruegel.org/2017/08/towards-eu-mena-shared-prosperity/>

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

Emerging Markets and Europe: Time for Different Relationships?

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