

## In South Korea, Turkey's Erdogan agrees to boost ties

Anadolu Agency, 02.05.2018



Turkish President Recep Tayyip Erdogan agreed Wednesday to boost relations with South Korea in numerous areas ranging from trade to defense after an official welcoming ceremony and summit meeting with President Moon Jae-in.

Erdogan's two-day trip makes him Turkey's first leader to pay a state visit to the South since the countries upgraded bilateral relations to the level of a strategic partnership in 2012, a year before signing a free trade agreement. "The two leaders noted the South Korea-Turkey free trade agreement (FTA) has become an important foundation of mutually beneficial economic cooperation.

This cooperation maiden by ensuring balanced growth of trade between the two countries and agreed to quickly implement an agreement on the service industry and the investment sector within the framework of the South Korea-Turkey FTA," a joint press release stated following Wednesday's summit. Just days after North Korean leader Kim Jong-un took an unprecedented step onto South Korean soil, Erdogan also congratulated Moon on Friday's Seoul-Pyongyang agreement to seek peace and prosperity on the peninsula. The Turkish president also met National Assembly Speaker Chung Sye-kyun and termed the strong ties between Turkey and Korea as a "historical fact".

He announced that four agreements had been signed between Turkey and South Korea. "We discussed what we could do in the area of defense industry and many other areas in the future during our bilateral meeting and delegation meeting." He added: "It will be a distinguished pride for us to have Korea included in our Canal Istanbul Project." The Canal Istanbul Project is an artificial sea-level waterway that will connect the Black Sea with the Sea of Marmara. Erdogan also invited Sye-kyun to Turkey. "I believe that enhancing bilateral relations and communication between the parliaments will be greatly beneficial." Relations between Turkey and South Korea stretch back to the 1950s, when they forged a brotherhood during the Korean War. During the war, Turkish forces served under the UN Command, and 774 Turkish soldiers were martyred. But the primary focus of the Turkish president's trip appears to be economic cooperation. The Korea Chamber of Commerce and Industries hosted business leaders at an event in Seoul Wednesday morning for the 150-member Turkish delegation to develop contacts.

"The role of companies is becoming more important to cement economic relations between the two nations," Trade Minister Paik Un-gyu said during his opening remarks; he also promised government support in this regard. Bilateral trade volume rose over 17 percent between 2012 and 2017, reaching \$6.12 billion, based on Seoul's official data. Earlier, the Turkish president paid a visit to the Seoul National Cemetery where he placed a wreath and signed the journal at the cemetery. Erdogan is set to see more of Moon beyond Wednesday evening's state dinner, as they agreed to expand their MIKTA partnership. MIKTA is an informal partnership consisting of Mexico, Indonesia, South Korea, Turkey and Australia.

## Turkey's banking sector holding up reasonably: Fitch

Anadolu Agency, 25.04.2018



Turkey's banking sector performance is weathering challenging conditions reasonably well, Lindsey Liddell, director of financial institutions at Fitch Ratings, said Wednesday.

On the banking sector, Liddell told Anadolu Agency in an exclusive email interview: "Performance has held up reasonably to date despite slower loan growth due to the reduction in the Credit Guarantee Fund stimulus." "In the absence of further significant government stimulus, we expect sector profitability to normalize in 2018, resulting in more moderate internal capital generation capacity.

Although we expect this broadly to be sufficient to fund sector growth given banks' more moderate growth targets," she added. On the outlook for the sector, she said: "Banking sector performance has held up despite the challenging Turkish operating environment with average sector return on equity rising steadily over the past three years. ROE (return on equity) reached about 15 percent in 2017, albeit this partly reflected uplift from the Credit Guarantee Fund stimulus." Liddell said that Fitch expects Turkey's banking sector performance in 2018 to be slightly below that of 2017, but more significant risks remain given the volatile operating environment, loan seasoning, and higher funding costs. "Risks to sector asset quality, performance and capitalization remain, given high foreign currency lending (in light of Turkish lira depreciation), potential further asset quality weakening and rising funding costs," Liddell said.

'Turkish banks continue to access external funding markets' Saying that the refinancing risks, resulting from material short-term foreign currency wholesale funding liabilities, are also high, Liddell added: "However, Turkish banks have continued to access external funding markets despite operating environment pressures. Sector foreign currency liquidity also remains broadly adequate to cover maturing foreign currency wholesale funding falling due within a year." However, she said banks' foreign currency liquidity could come under pressure in the event of a prolonged market closure.

“Margins could also come under pressure as a result of higher funding costs,” she warned. Noting that Turkey’s banking sector total sector capital adequacy rose to 16.9 percent at end of 2017 boosted by solid returns, she said: “Nevertheless, we believe sector capitalization could come under pressure considering banks’ risk profiles, potential non-performing loan growth, the high share of foreign currency loans in the sector and significant single-name concentration risks. “However, if economic growth remains quite strong and banks do not suffer shocks to asset quality or funding access, then the sector should be able to continue earning ROE of 10-15 percent over the near to medium term while also expanding balance sheets and business volumes.”

## Turkey: Parties declare presidential candidates

Anadolu Agency, **02.05.2018**



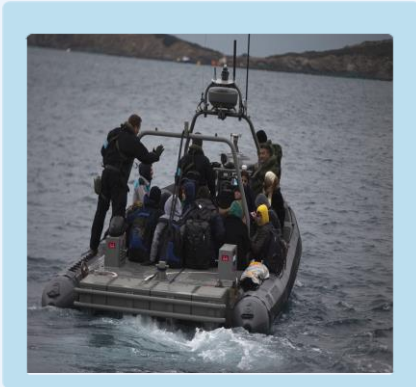
Wednesday it became official: President Recep Tayyip Erdogan is the opposition Nationalist Movement Party’s (MHP) choice in the June 24 presidential election.

The endorsement came in a group decision of MHP deputies in parliament. The MHP and the ruling Justice and Development (AK) Party have forged an alliance for the upcoming presidential and parliamentary elections. The AK Party was the first to unveil its candidate for presidency, namely party Chairman Erdogan, seeking a second term. Separately, Meral Aksener, the head of the IYI Party.

On Tuesday Felicity Party Chairman Temel Karamollaoglu did the same. This Friday, the main opposition Republican People’s Party (CHP) is expected to unveil its candidate. Parliament passed a bill calling for early presidential and parliamentary elections on April 20, cementing Turkey’s move to a presidential system.

# Number of migrants crossing from Turkey to Greece up by 17 percent: Frontex

Hurriyet Daily News, 02.05.2018



The percentage of migrants bound for Greece from Turkey has increased by 17 percent in the past 4-5 weeks, Fabrice Leggeri, Director of Europe's border protection agency Frontex told a German daily on May 1.

The reason for the increase in the number of migrants attempting to cross into Europe is because there are more people coming westwards from Syria, Iran and Iraq, Leggeri said. He also called for enhanced border protection for Europe and urged authorities to realize a consistent deportation system despite the heavy pressure of migrants.

According to the United Nations refugee agency, the UNHCR, 2,900 people have arrived in the eastern Greek province of Evros across from the Turkish border so far in April. Most of them were determined to be Syrian and Iraqi families. This is equivalent to half the estimated land arrivals recorded in all of 2017, outpacing arrivals by sea, the agency said. "It's too early to know the causes of the increase ... More time is needed to say if the flow really is shifting," said Izabella Cooper, a spokeswoman for Frontex, which has a staff of 26 officers in the area. From the border area, the refugees are taken to police facilities for identification and then forwarded to reception camps in the north. Some privately seek passage to Thessaloniki, or even Athens if they can afford it. The camps are already filling up, and this week, the UNHCR called on the government to urgently expand reception capacity to ease the strain. "Hundreds of people are at present being held in police detention facilities," the UNHCR said.

Some refugees actively seek out the police to get themselves indoors. Another senior officer, speaking on condition of anonymity, said they can barely keep up with arrivals. "The reception center is full to capacity ... There is a great increase in flows, but the situation is still under control," he told AFP. Frontex's Cooper said the agency is ready to divert additional resources to the area if requested. "Our operations are flexible and we are ready to increase our presence if necessary," she told the daily Ethnos on April 29. Most of the migrants illegally crossing to Europe are male, according to data provided by Frontex. While 40 percent of the migrants crossing to Europe from Turkey were determined to be families, almost all of the migrants illegally making their way to Europe from Morocco were determined to be young males.



# Turkish, Bulgarian energy exchanges to ink MOU

Anadolu Agency, 02.05.2018



Representatives of Bulgaria's energy exchange and Turkey's energy exchange agreed to sign a Memorandum of Understanding (MoU) to cooperate in developing a natural gas spot market, the Independent Bulgarian Energy Exchange (IBEX) EAD announced on April 30.

IBEX EAD, a subsidiary of BSE-Sofia AD, agreed to sign the MoU with the Turkish Energy Exchange EPIAS to collaborate on the development of an organized spot market for gas trading in Bulgaria, Turkey's state-run Anadolu Agency reported on May 2.

At the meeting between IBEX EAD and EPIAS, also known as the Energy Exchange Istanbul (EXIST) in Sofia, in which the agreement was discussed, the development of software solutions for a Centralized Market for Bilateral Contracts (CMBC), as well as exploring opportunities for market coupling of the Day Ahead Electricity Markets of Bulgaria and Turkey were also included. EPIAS board member Mustafa Karahan and deputy CEO Mustafa Kayırcı, along with other members of the company's management board, represented the Turkish delegation.

"The representatives of EPIAS shared their plans to start a spot market for gas trading in Turkey, scheduled for Sept. 1, 2018," the statement read. Commenting on the creation of a spot market for natural gas, Karahan said Turkey's strategic goal is to have market determined price for natural gas. In addition, representatives of IBEX EAD presented opportunities for market coupling between Bulgaria and Macedonia and with other western European countries. They also detailed specifics of the Bulgarian electricity market and the trading platforms operated by the Bulgarian electricity exchange.

# Turkey, Uzbekistan look to boost ties ‘in all areas’

Anadolu Agency, 02.05.2018



Turkey is working with Uzbekistan to enhance bilateral ties in all areas, President Recep Tayyip Erdoğan has said.

“We discussed all topics related to Turkey-Uzbekistan politics, military, economy, trade, culture, the defense industry - and what we can do in the process after this,” Erdoğan said at a joint news conference with his Uzbek counterpart Mirziyoyev in capital Tashkent. “We found the opportunity to discuss these,” he said. “We have taken steps to strengthen the infrastructure of our strategic partnership.”

The presidents signed agreements comprising 25 items, which Erdoğan regarded as “a beginning of a long journey for Turkey and Uzbekistan.” The meeting of the Turkey-Uzbekistan High-Level Strategic Cooperation Council will be held annually, the first of which will be held in Turkey, Erdoğan said. The Turkish president said Turkey remains determined to boost bilateral ties “from economy to the defense industry, education to culture, environment to energy, agriculture to tourism, in all areas.” He also “welcomed” the developments in economic relations, saying the trade volume between the two countries went up by 20 percent in the first quarter of the year. Erdoğan also said the Turkish Cooperation and Coordination Agency (TIKA) aims to invest \$60 million in Uzbekistan.

Mirziyoyev said he was pleased their views were “the same.” He added that views to establish peace and stability in Afghanistan were also exchanged between the presidents; he also condemned international terror.

# Turkish lira weakens to another record low against dollar after poor inflation data

Hurriyet Daily News, 03.05.2018



Turkey's currency hit another record low against the dollar on the morning of May 3 after official data showed the inflation rose higher than expected in April.

The Turkish lira, one of the worst performing emerging market currencies this year, weakened to a record low of 4.2487 against the dollar, from the May 2 close of 4.1785. It was later eased to 4.1885 in the May 3 afternoon. Sentiment toward Turkish assets had already been hit this week, after Standard & Poor's cut Turkey's sovereign rating further into junk territory and a survey showed manufacturing contracted last month.

The S&P move and the government's announcement of a \$6 billion incentive package "reignited market concerns about the overheated economy at a time when inflation is rising," said Piotr Matys, a London-based Rabobank strategist, as quoted by Reuters. The consumer price index exceeded forecasts by climbing 1.87 percent month-on-month in April, the Turkish Statistical Institute (TÜİK) said, for a rise of 10.85 percent year-on-year, driven by significant increases in clothing and transportation prices. Core "C" CPI inflation was 12.24 percent year-on-year, up from 11.44 percent on a year-on-year basis. The highest monthly increase was 10.4 percent in clothing and footwear in April, according to TÜİK data.

In April, the indices rose by 3.54 percent for transportation and by 2.32 percent for miscellaneous goods and services. The highest monthly decrease was in food and non-alcoholic beverages, which fell by 0.21 percent. The highest annual increase was 16.75 percent in furnishing and household equipment. Transportation prices rose by 16.45 percent and clothing and footwear by 12.03 percent in the same period. The Central Bank on April 30 lifted its end-2018 inflation forecast to 8.4 percent, when it announced its quarterly inflation report. Its inflation target is 5 percent. Producer prices rose 2.6 percent month-on-month in April for an annual rise of 16.37 percent, a separate TÜİK report showed on May 3.

# New arrangements for Gaza Marine development license

PNN, 26.04.2018



Pursuant to the Palestinian Cabinet of Ministers Decision approving Shell's exit from Gaza Marine and the restructuring of the rights in the development license for the gas field, the Palestine Investment Fund (PIF) reached an agreement with BG Great Britain Limited, an affiliate of Royal Dutch Shell PLC on its divestment from the Gaza Marine development license offshore Palestine.

Following completion of this transaction with Shell, PIF received rights for 90% of the Gaza Marine license. Under the new structure approved by the Cabinet of Ministers.

PIF and CCC will each hold 27.5% of the development rights pursuant to existing options under the license agreement, and an international operator will hold 45% following its approval by the Government of Palestine. The new structure gives momentum to the development of one of Palestine's most vital, strategic assets. Gaza Marine's development is central to PIF, its development partner, and the State of Palestine's vision for domestic energy security backed by a thriving energy sector. Gaza Marine would satisfy Palestine's market demand for gas—fueling power plants in Gaza and Jenin—and enable Palestine to become an energy exporter. PIF, together with its investment partner CCC Oil and Gas Ltd., a subsidiary of the Consolidated Contractors Company (CCC), will focus their efforts on advancing gas sales agreements and preparing a field development plan with the selected operator. For PIF, Gaza Marine's development is part of a comprehensive energy program which includes upstream, gas transportation infrastructure, and power generation. The program is led by Massader, PIF's arm for energy and infrastructure, whose portfolio also includes investments in solar power and renewables, broadband, conventional power generation, and more.

The new arrangements for Gaza Marine were only made possible due to the commitment of the Government of Palestine to accelerate the development of the field as part of its development plan for Palestine's energy sector. PIF is Palestine's impact-focused sovereign fund. PIF seeks to maximize impact by investing and partnering in strategic projects in under-developed and vital sectors. The Gaza Marine field contains 1 TCF of natural gas and was discovered by BG Great Britain Limited in 2000. The field's development is feasible—Shell's divestment is related to their corporate strategy and global portfolio management priorities.



# New era in EU-Egypt energy cooperation

EU, 23.04.2018



In the context of Climate Action and Energy Commissioner Miguel Arias Cañete's visit to Egypt, the first ever EU-Egypt Sustainable Energy Forum took place today in Cairo. The Forum counted with the presence of Tarek Elmolla, Egyptian Minister of Petroleum and Mineral Resources, and Mohamed Shaker, Minister of Electricity and Renewable Energy.

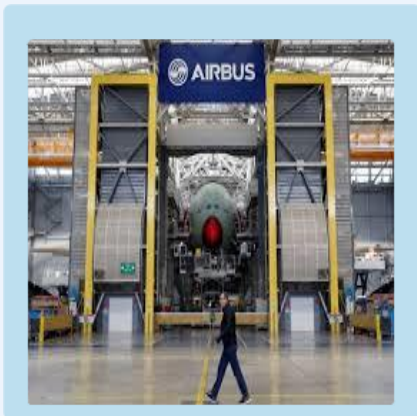
Organised by the Confederation of Egyptian European Business Associations, the meeting's discussions focused on Egypt's future as an energy hub, and its potential to boost renewable energy and energy efficiency. Commissioner Arias Cañete, speaking at the Energy Forum, said:

As a global leader in the clean energy transition, the EU is keen to support Egypt with sharing of experience, financial and technical assistance, and with the mobilisation of international finance. We need to not only public funds but in particular private investment to accelerate the Egyptian energy transition in order to scale up renewable and efficiency investment, modernise the gas sector, and turn Egypt again into an energy hub. Very ambitious energy sector reforms across the board have already been undertaken, but more are needed: this will create growth and jobs in the country and will enhance regional stability and prosperity, also benefiting the EU. With today's signing of our joint Memorandum, a new era in EU-Egypt relations has started, one which will tap into the immense potential in solar, wind and gas and open up huge investment opportunities.

Previously during the day, a new Memorandum of Understanding for a Strategic Cooperation in Energy between Egypt and the European Union was signed, with Commissioner Arias Cañete signing on behalf of the European Commission. This new agreement updates the energy sector cooperation between both sides and fully reflects the EU's priority of implementing a clean energy transition. In order to help diversify Europe's energy suppliers and routes, the EU is actively engaged in an energy dialogue at political level with North African and Eastern Mediterranean partners, in particular with Egypt. The visit is a key element of the external dimension of the Energy Union, a political priority of the Juncker Commission.

## French trade deficit widens in March as aircraft sales slump

Reuters, 04.05.2018



France's trade deficit widened unexpectedly in March as import growth outpaced that of exports amid a dearth of aircraft sales, seasonally-adjusted data published on Friday.

The trade balance showed a deficit of 5.3 billion euros (\$6.34 billion) in March after a gap of 5.0 billion euros in February, the customs office said. Economists had forecast on average a deficit of 4.9 billion euros. Imports bounced back 0.8 percent in March after slumping in February while exports grew only 0.4 percent despite the sale of a cruise ship and a spike in pharmaceuticals sales to the United States and Switzerland.

The customs office said that aircraft and satellite sales had fallen to the lowest level since August 2014 as Airbus deliveries fell due to temporary production difficulties. Separately, the central bank said that current account deficit widened in March to 1.3 billion euros from a revised shortfall of 900 million in February, citing in particular a drop in the surplus for services.

## France launches plan to renovate homes and buildings to curb energy waste

Reuters, 26.04.2018



The French government on Thursday launched a plan to renovate some 500,000 homes every year to make them energy efficient, and cut heat loss, power consumption and carbon emissions - a key pledge among President Emmanuel Macron's electoral promises.

The government will disburse 200 million euros (\$244 million) which will help accelerate the plan by training building professionals on new energy efficiency standards and providing aid to families who need to do home renovations, the energy ministry said in a statement.

The government also plans to set aside some 4.8 billion euros to renovate public-sector buildings, including schools and hospitals, to make them energy efficient. It said the building sector accounts for 45 percent of energy consumption and 27 percent of greenhouse gas emissions, adding that some 7 million homes were not adequately insulated.

## Sudan produces 36.5 tons of gold in first quarter 2018

Sudan Tribune, 23.04.2018



Sudan's gold production has reached 36.5 tons during the first quarter of this year, said a report released Sunday by the Sudanese Minerals Resources Company (SMRC), the monitoring arm of the Sudan Minerals Ministry.

The SMRC performance report revealed that the "production of gold for the first quarter reached (36.5) tons with a performance rate of (162%) while the revenues during the first quarter reached 778.548 million Sudanese pounds (\$43 million) with a performance rate of 104%," said a statement released by the minerals ministry.

During a meeting chaired by the Minister of Minerals Hashem Ali Salem, SMRC Director General, Mujahid Bilal, said that the production of traditional mining represents 88% of production during the first quarter of 2018. Gold production is now Sudan's main source of hard currency after the secession of South Sudan where are the two third of its oil reserves before 2011. However, restrictions on the hard currency by the Central represents a big challenge impeding the development of the mining industry but also encourage traditional minors to smuggle their production to neighbouring countries. Sudanese officials said they hope to increase gold production to more than 140 tons during this year and make Sudan the first gold producer in Africa by 2018.

# Japan won't move embassy from Tel Aviv to Jerusalem

Anadolu Agency, 02.05.2018



Japanese Prime Minister Shinzo Abe said Tuesday his country has no plans to move its embassy in Israel from Tel Aviv to Jerusalem, according to Palestine's official news agency.

The statement came during Abe's official meeting with Palestinian President Mahmoud Abbas in Ramallah, WAFA reported. The Japanese leader affirmed his country's support for a political process based on the principle of a two-state solution and its readiness to contribute to any effort to achieve peace, WAFA said. He stressed the continued support of Japan for projects.

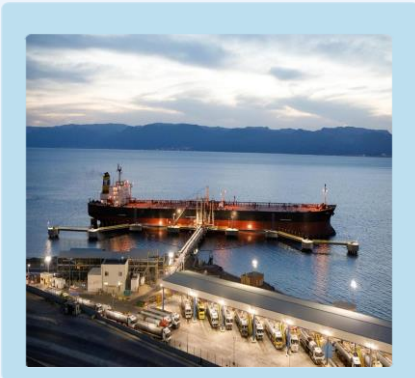
Abbas also stressed that the Palestinian side was and is ready to cooperate for the success of any international effort aimed at coming up with a political process based on United Nations resolutions and the principle of the two-state solution for the establishment of an independent Palestinian state with East Jerusalem as its capital based on the 1967 borders. He reiterated his call on the UN Security Council to hold "an international peace conference this year that would establish an international multilateral mechanism to oversee the political process" while noting that the U.S. has abandoned its role as "an honest peace broker" by recognizing Jerusalem as the capital of Israel and deciding to move its embassy there.

Last December, U.S. President Donald Trump sparked an outcry across the Arab and Muslim world by recognizing Jerusalem as Israel's capital and vowing to relocate Washington's embassy to the city. Jerusalem remains at the heart of the Palestine-Israel conflict, with Palestinians hoping that East Jerusalem -- occupied by Israel since 1967 -- might eventually serve as the capital of an independent Palestinian state.



# Abu Dhabi development fund finances 105MW Jordanian solar plant

The National, 26.04.2018



Abu Dhabi Fund for Development (ADFD) has contributed Dh550 million towards a 105 megawatt project in southern Jordan, the UAE-Government backed aid agency said on Thursday.

The Quweira solar power plant, inaugurated on Thursday, will generate 227 gigawatt hours of power annually over a period of 20 years, with the capacity to illuminate 50,000 homes, ADFD said. Energy-scarce Jordan has embarked on an ambitious programme to generate 20 per cent of its power requirements from renewables by early-2020.

The kingdom currently imports oil and products to meet around 98 per cent of its energy demand, making it particularly susceptible to volatility in the oil markets. Jordan's public debt reached 95.3 per cent of GDP at the end of last year, according to the country's ministry of finance. The Abu Dhabi fund's involvement in the Quweira project includes provision of electrical switches, a medium voltage and signal cable system, transformers and all equipment needed connect the plant to the national grid. The assistance also covered covers civil construction works, roads and safety systems as well as overall project operation and management, ADFD said.

The scheme forms part of a wider effort by Jordan to find alternative sources of energy to lower its import bill, which reached \$3 billion last year. As part of its pivot away from imported fossil fuels, Jordan has looked at developing Russian-backed nuclear reactors. The Jordanian government has approved a strategy that will see nuclear energy fuelling 30 per cent of the country's power requirements by 2030. The kingdom, which also sits atop some of the world's largest reserves of shale oil, awarded 40-year concession rights to a consortium of Amman-based Karak International Oil as well as the Saudi Arabian Corporation for Oil Shale earlier this year to develop the oil-rich sedimentary rock formations, which it hopes will transform the country into a net exporter for crude.

# UK local government elections: Key results and ones to watch

Reuters, 04.05.2018



Prime Minister Theresa May's Conservative Party avoided a wipeout in London local elections and eked out gains in Brexit-supporting regions elsewhere, results showed, denting the opposition Labour Party's hopes of a big win.

Below is a list of some facts about the elections and five council results that set the tone for the overall outcome. Councils are the local government authorities with responsibility for providing public services that affect residents' day-to-day lives. They are made up of varying numbers of seats, and run by the party that has an overall majority of those seats.

More than 4,000 council seats are being contested, determining the make-up of 150 councils. More than 40 percent of the seats are in London. All 32 London boroughs are electing their whole councils. Some councils outside London are only electing one-third of their councillors this time around. Unlike national elections that decide seats in parliament, or the 2016 EU referendum, Thursday's elections are open to EU nationals registered and resident in electing boroughs. The Conservatives won the single extra seat they needed to take overall control of this council which represents an eastern area that voted 61 percent to leave the EU. The anti-EU UK Independence Party lost its only seat on the council as part of a broader collapse in the party's vote.

A council in the northern city of Manchester which had been the Conservatives' highly prized foothold in a region dominated by the opposition Labour Party. The Conservatives lost five seats, while Labour gained four, leaving the council without a single party in overall control. A hotly contested Conservative borough in southwest London with a tradition of low taxes dating back to former prime minister Margaret Thatcher. Labour gained seats on the council, but the Conservatives held enough to keep control. The Conservatives lost three seats on this symbolic council at the heart of London's political district but retained overall control by a wide margin. It has been run by the Conservatives since its creation in 1964.

The Conservatives regained overall control of Barnet council, having previously been the largest party there, but just short of a majority. The borough was a big target for the Labour Party but a row between Labour and the Jewish community over the handling of anti-Semitism in the party looks to have hit their vote. Barnet has the highest proportion of Jewish residents in England at 15.5 percent, according to the latest census data.

# Giuliani wants limits for Trump interview in Russia probe

Reuters, 04.05.2018



Colombia's U.S. President Donald Trump's new chief lawyer said on Thursday that if his client agrees to an interview with Special Counsel Robert Mueller, it should be limited to a few hours and focus on Russian tampering in the 2016 election.

Asked what questions might be appropriate, the lawyer Rudy Giuliani, a former New York mayor, suggested two to Reuters: "Was there some agreement with the Russians? Was there any meeting of Trump with the Russians?" A former federal prosecutor, Giuliani said he was the president's new chief counsel in the Russia investigation but that he would also keep an eye on a U.S. inquiry into a \$130,000 hush payment.

It was by longtime Trump attorney Michael Cohen to a porn star who said she had a 2006 sexual encounter with Trump. Giuliani said he wanted any Trump interview with Mueller to be limited in time and scope, suggesting for only 2-1/2 hours and not under oath. In addition to the Russia questions, Giuliani said investigators could ask about possible obstruction of justice related to Trump's firing a year ago of then-FBI Director James Comey. The two sides have been negotiating the terms of a possible interview for months, including topics Mueller might pursue as part of a nearly year-old inquiry into possible collusion between Moscow and Trump's presidential campaign. The Kremlin has denied assertions by U.S. intelligence agencies that it meddled in the election. Trump has denied any collusion and has described the investigation as a political witch hunt.

Giuliani, who joined Trump's legal team last month, said they were trying to figure out whether it was a good idea for Trump to voluntarily submit to an interview. "Are they trying to trap him?" Giuliani asked. He said Trump's legal team expected to make a decision in two or three weeks. "We want to get it over with," he said. Giuliani said Trump had used retainer fees starting in 2017 to reimburse Cohen for the \$130,000 Cohen paid the porn star, Stormy Daniels, in the closing weeks of the November 2016 election. Trump wrote in a tweet on Thursday that Cohen was not paid using campaign funds. The payment was part of a "private agreement" that involved money that had "nothing to do with the campaign," Trump said. He said the payment was aimed at stopping "false and extortionist accusations" Daniels made about a sexual encounter with Trump. Trump acknowledged a non-disclosure agreement with her to secure her silence. He denied they had an affair.

The president had previously told reporters he did not know about the payment Cohen made to Daniels. The claim of repayment is significant because a payment by Cohen could be seen as an illegal campaign contribution. Trump as candidate would have been permitted to make unlimited personal contributions to his own campaign. But several experts pointed out an undisclosed campaign loan is also a violation of federal election law. "It is hardly an improvement to claim that what was claimed as a gift is now a secret loan from your lawyer to pay hush money to a porn star," said Jonathan Turley, a George Washington University Law School Professor who has frequently expressed skepticism about the legal case against the president. But legal watchdog group Citizens for Responsibility and Ethics in Washington (CREW) said it was asking the Department of Justice and Office of Government Ethics to investigate whether Trump made an illegal false statement by not including the \$130,000 payment in his personal financial disclosures.

The group said Trump was legally required to disclose any liability in excess of \$10,000. Other legal experts said the payment may not qualify as the sort of financial obligation Trump would have been required to disclose. Peter Henning, a law professor at Wayne State University, said that while prosecutions for making false statements to the government are common, they are rarely based on an omission on a financial disclosure form. "I don't see this becoming a case," he said.

## US blames 'typo' for claim about Iran's nuclear program

Washington Post, 02.05.2018



The U.S. on Tuesday blamed a "typo" for a controversial statement on Iran's nuclear program published by the White House, a conclusion that would have had major implications for the Iran nuclear deal.

In a statement sent to reporters late Monday by White House press secretary Sarah Sanders, the White House said that newly unveiled information gathered by Israeli intelligence proved that Iran "has a robust, clandestine nuclear weapons program". The statement was later changed on the White House's website to clarify that Iran 'had' a robust nuclear weapons program, without acknowledging the error.

"We think the biggest mistake that was made was under the Obama administration by ever entering the deal in the first place," Sanders told reporters at a press briefing. "The typo that you referenced was noticed, immediately corrected. And we are focused on moving forward on the safety and security of our country," said Sanders in response to a reporter's question. The declaration flew in the face of American intelligence determinations which found that Tehran had frozen its program following the Obama-era agreement to lift sanctions in exchange for curtailing its nuclear ambitions. Describing Iran as a 'dishonest actor' in the nuclear agreement, Sanders said "Iran lied on the front end" and the deal was made on a completely false pretense.



She also claimed that Iran's nuclear capability was “far more advanced and far further along than they have ever indicated” and if the nuclear deal is maintained as it is right now, “when the sunset provision hits in seven years, they will be much further along in the process and be able to make a nuclear weapon much quicker than they’ve ever indicated before”. “And that is a big problem,” Sanders added. In a statement Monday, Israeli Prime Minister Benjamin Netanyahu claimed that Israeli intelligence services had obtained 55,000 pages of Iranian documents revealing how Tehran allegedly lied to the world after signing the landmark deal in 2015 to curb its nuclear program. President Donald Trump is expected to announce his decision May 12 on whether the U.S. will pull out of the deal.

## Despite warmth, Merkel and Trump still differ on trade and NATO

Reuters, 27.04.2018



**German Chancellor Angela Merkel and U.S. President Donald Trump aired differences over trade and NATO on Friday at a White House meeting where they tried to put on a show of warmth and friendship despite tensions between the two allies.**

**With Trump poised to impose tariffs on steel and aluminum soon that will impact European exports, Merkel said the decision is now in Trump’s hands on whether to grant exemptions to European Union nations. “We had an exchange of views.**

The decision lies with the president,” Merkel told a joint press conference after Trump complained about the U.S.-European trade imbalance, particularly in regards to automobiles. Merkel’s quick trip came the same week as a three-day state visit by French President Emmanuel Macron, who, like Merkel, pressed Trump on trade and urged him to keep the United States in a multi-national nuclear deal with Iran. Neither leader appeared to make significant progress convincing Trump on either issue. Merkel said she could see negotiating a bilateral trade deal between the EU and the United States, saying the World Trade Organization has been unable to deliver multilateral agreements.

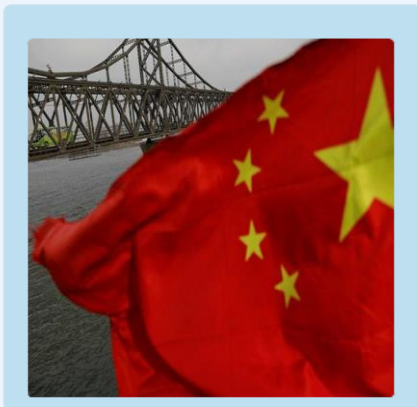
Trump said he wanted a “reciprocal” trade relationship with Germany and other European nations and wanted Germany and other NATO allies to pay more for their common defense, an issue he has raised repeatedly. “We need a reciprocal relationship, which we don’t have... We’re working on it and we want to make it more fair and the chancellor wants to make it more fair,” Trump said. After their last White House meeting drew attention when the two leaders did not shake hands in the Oval Office, Trump made a point of doing just that, twice, while congratulating the German chancellor on her recent election win. They exchanged kisses on the cheek when she first arrived at the White House. “We have a really great relationship, and we actually have had a great relationship right from the beginning, but some people didn’t understand that,” Trump said in the Oval Office, calling Merkel a “very extraordinary woman.”

Merkel acknowledged that it took a while to form a government after heavy election losses to the far-right, but she said it was important to her to make her first trip out of Europe since establishing her administration to Washington. The cautious Merkel has not established a particularly strong personal rapport with the brash Trump, and the mood of her one-day working visit contrasted sharply with the tactile “bromance” between Trump and Macron. Chemistry aside, Merkel was careful to praise Trump’s progress on North Korea while addressing some of his concerns point by point on defense spending, which she said Berlin was increasing, and German cars, many of which she noted were produced in the United States.

On the Iran nuclear deal, Merkel said it was a first step that had helped reduce nuclear activities and better monitor them but added: “We Germans think it’s not enough to really ensure Iran takes on a role founded in reliability so more is necessary.” Macron made the European position on the Iran nuclear deal clear ahead of Merkel’s visit. On Wednesday, he called on the United States not to abandon the Iran deal as Western envoys said Britain, France and Germany were nearing agreeing a package they hope could persuade Trump to save the pact. Trump will decide by May 12 whether to revive U.S. sanctions on Iran. Doing so would be a serious blow to the nuclear deal, which many Western countries sees as essential for stopping Tehran developing a nuclear bomb.

## U.S. says will be consequences for China's South China Sea militarization

Reuters, 03.05.2018



The United States has raised concerns with China about its latest militarization of the South China Sea and there will be near-term and long-term consequences, the White House said on Thursday.

U.S. news network CNBC reported on Wednesday that China had installed anti-ship cruise missiles and surface-to-air missile systems on three outposts in the South China Sea. It cited sources with direct knowledge of U.S. intelligence. Asked about the report, White House spokeswoman Sarah Sanders told a regular news briefing: “We’re well aware of China’s militarization of the South China Sea.

We’ve raised concerns directly with the Chinese about this and there will be near-term and long-term consequences.” Sanders did not say what the consequences might be. A U.S. official, speaking on condition of anonymity, said U.S. intelligence had seen some signs that China had moved some weapons systems to the Spratly Islands in the past month or so, but offered no details. CNBC quoted unnamed sources as saying that according to U.S. intelligence assessments, the missiles were moved to Fiery Cross Reef, Subi Reef and Mischief Reef in the Spratly Islands within the past 30 days. They would be the first Chinese missile deployments in the Spratlys, where several Asian countries including Vietnam and Taiwan have rival claims.

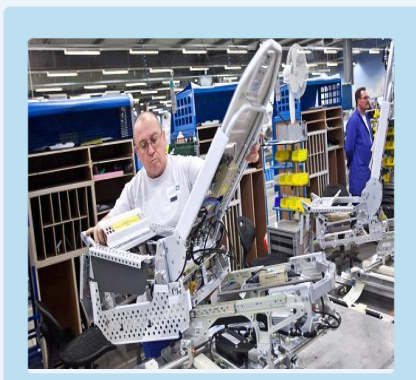
China's defense ministry did not respond to a request for comment. Its foreign ministry said China has irrefutable sovereignty over the Spratlys and that necessary defensive deployments were for national security needs and not aimed at any country. "Those who do not intend to be aggressive have no need to be worried or scared," ministry spokeswoman Hua Chunying said.

Julie Bishop, the foreign minister of U.S. ally Australia, said the reports, if accurate, would be a concern as the actions would be contrary to China's stated aspiration not to militarize the features. "China, of course, has a unique responsibility as a permanent member of the Security Council, to uphold peace and security around the world," Bishop told reporters in Queensland. "Any action to militarize unilaterally features in the South China Sea would go against that responsibility and that role." CNBC said the YJ-12B anti-ship cruise missiles allowed China to strike vessels within 295 nautical miles. It said the HQ-9B long-range, surface-to-air missiles could target aircraft, drones and cruise missiles within 160 nautical miles. Eric Sayers, a former consultant to the commander of the U.S. Pacific Command, called the missile deployment "a major escalation" and said one immediate U.S. response could be to rescind Beijing's invitation to this year's RIMPAC multilateral naval exercises beginning in Hawaii in July.

"When China sees that it can get away with these types of actions with little cost - as they did all through 2015 and 2016 - it only makes it more likely they will keep pressing," said Sayers, currently an adjunct fellow at Washington's Center for Strategic and International Studies. "China sees its participation in the exercise as a sign of its acceptance among the world's maritime powers but Beijing should not be allowed to militarize this open maritime domain and still be honored as a welcomed member of the maritime community." Last month, U.S. Admiral Philip Davidson, nominated to head U.S. Pacific Command, said China could use its "forward operating bases" in the South China Sea to challenge the U.S. regional presence and "would easily overwhelm the military forces of any other South China Sea claimants."

## US productivity rose 0.7% in the first quarter, vs 0.9% increase expected

NBC, 04.05.2018



U.S. worker productivity increased modestly in the first quarter, and a jump in compensation supported views that inflation pressures were building up.

The Labor Department said on Thursday nonfarm productivity, which measures hourly output per worker, rose at a 0.7 percent annualized rate in the January-March quarter. Fourth-quarter productivity was revised to show it increasing at a pace 0.3 percent instead of being unchanged as previously reported. Compared to the first quarter of 2017, productivity increased at a rate of 1.3 percent.

Economists polled by Reuters had forecast productivity rising at a 0.9 percent pace in the first quarter. Hourly compensation accelerated at a 3.4 percent rate in the January-March quarter after rising at 2.4 percent pace in the fourth quarter. It increased at a 2.5 percent rate compared to the first quarter of 2017. Unit labor costs, the price of labor per single unit of output, rose at a 2.7 percent pace in the first three months of the year after rising at a rate of 2.1 percent in the fourth quarter. Compared to the first quarter of 2017, unit labor costs rose at a 1.1 percent rate.

## The Fed is looking clueless about economic growth that is in the late innings

CNBC, 03.05.2018



**It appears Goldilocks has returned to both Main Street and Wall Street, at least from the Federal Reserve's point of view.**

**The three bears of slowing growth, inflation and tighter financial conditions may have been scared off by the Fed's relatively benign description of an economy that is growing moderately, inflation reaching the Fed's 2 percent target and risks that are "balanced" at the moment. However, the Fed's careful wording belies what is happening on the ground in the economy, which smacks more of late-stage business cycle behavior than a perfectly balanced environment.**

There has been a raft of stories in the financial press about specific labor shortages driving up wages at an accelerating pace. From railroad engineers obtaining \$25,000-\$30,000 bonus payouts to sign on, to small towns offering relocation payments, tuition reimbursement and bigger paychecks, labor slack has been reduced to near zero. As mentioned in prior columns, there are 6.1 million open jobs in the U.S., just off a record, and 6.6 million unemployed individuals. The nearly 1:1 ratio has never been seen before. Further, there are shortages of welders, construction workers, agricultural workers and a critical shortage of nurses, while nursing schools are oddly turning away applicants. Tuesday's manufacturing data also show demand exceeding supply of goods produced, with production bottlenecks crimping the ability of producers to keep up with consumer demand. That is something that in past business cycles has pushed up prices of consumer goods.

This is garden-variety late-stage business cycle behavior. The Fed, Wednesday's statement notwithstanding, will likely have to get more, rather than less, aggressive in its efforts to "normalize" interest rate policy. That could mean four, rather than three, rate hikes this year. That's something the markets are not yet anticipating, and may explain the sudden surge in the U.S. dollar, the one place that is reflecting accelerating growth and widening interest rate differentials between the U.S. bond market and other rate markets around the world. It is altogether possible that we can have a cyclical downturn in the U.S. economy by early 2019, and a cyclical bear market in stocks this year, anticipating such a development. This is not a crisis warning.





This is the recognition that this business cycle may be long in the tooth. The tax cut and excess federal spending may boost some areas of the economy, but thus far, it has not produced anything more than a modest boost in capital spending (most of it from capital intensive technology companies) but a surge in stock buybacks and dividend increases, Apple being a case in point. The associated increase in budget deficit may also set the stage for a more complex response to the next downturn when fiscal stimulus will have already worked through the economy and monetary options may be fewer and less impactful than in other slowdowns. Still, this is, for now, just an observation that the current environment looks like the final inning of a nine-year economic recovery. It could go extra innings, if the bulk of the stimulus has yet to deliver some extra base hits. I think raising cash on stock market rallies and shepherding corporate cash for a coming slowdown is the best way to play this game. Of course, holding on to winners like Apple and McDonald's is also a smart way to bet on your best players while waiting for new team leaders to emerge when the second game of this double-header begins.

# Announcements & Reports

## ► *Exploring Transatlantic Responses to Far-right Populism in Europe:*

**Source** : Chatham House

**Weblink** : <https://www.chathamhouse.org/publication/exploring-transatlantic-responses-far-right-populism-europe-simulation-exercise>

## ► *Turkish NPL Purchasing Market*

**Source** : PWC

**Weblink** : <https://www.pwc.com.tr/en/sectorler/varlik-servet-yonetimi/yayinlar/turkiye-tga-pazari.html>

## ► *The Importance of the Fuel Distribution Industry in Turkey's Economy*

**Source** : PWC

**Weblink** : <https://www.pwc.com.tr/tr/sectorler/enerji/akaryakit-dagitim-sektorunun-gundemi/akaryakit-dagitim-sektorundeki-fiyat-gelismelerine-iliskin-degerlendirmeler-nisan-en.pdf>

# Upcoming Events

## ► *HR Dbriefs webcast: 2018 Global Human Capital Trends*

**Date** : 9 May 2018

**Place** : London

**Website** : <https://www2.deloitte.com/us/en/pages/dbriefs-webcasts/series/hr-executives.html>

## ► *Iranian Foreign Policy: Prospects for Change*

**Date** : 09 May 2018

**Place** : London

**Website** : <https://www.chathamhouse.org/event/iranian-foreign-policy-prospects-change>

## ► *Russian Media and Journalism in Putin's Fourth Term*

**Date** : 10 May 2018

**Place** : London

**Website** : <https://www.chathamhouse.org/event/russian-media-and-journalism-putin-s-fourth-term>

► *Africa and Europe: From Common Interests to Transformative Cooperation on Governance*

**Date** : 14 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/africa-and-europe-common-interests-transformative-cooperation-governance>

► *Equality by 2030: The Press for Progress*

**Date** : 16 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/equality-2030-press-progress>

► *Assessing the Impact of Sanctions on the Russian Defence Sector*

**Date** : 23 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/assessing-impact-sanctions-russian-defence-sector>

► *Future of Work 2018*

**Date** : 24 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/assessing-impact-sanctions-russian-defence-sector>