

Turkish inflation rate jumps to 15.4 percent in June

Hurriyet Daily News, 03.07.2018



The consumer price index climbed 15.4 percent in June from the same month in 2017 on an annual basis, up from 12.2 percent in May, which was higher than estimates, official data has shown.

The highest year-on-year price increase was in transportation costs, which were up 24.3 percent, data from the Turkish Statistics Institute (TÜ K) showed on July 3. Furnishing and household equipment rose 18.91 percent, while food and non-alcoholic beverage prices rose 18.9 percent.

Consumer prices in June recorded a change of 2.61 percent on a monthly basis and a rise from 1.62 percent in May. The dollar-lira parity rose sharply after the data was released, rising from 4.6225 to 4.69 according to Reuters data. According to a separate TÜ K announcement, producer prices (PPI) were up 23.7 percent on yearly basis.

Turkey's foreign trade gap regresses to \$5.5 bln in June: Ministry

Hurriyet Daily News, 02.07.2018



Turkey's foreign trade deficit declined to \$5.5 billion in June with a nearly 8.9 percent year-on-year decrease, preliminary data from the Customs and Trade Ministry has shown.

While Turkey's exports were nearly \$13 billion in June with a 1.2 percent decline compared to the same month of 2017, its imports stood at \$18.5 billion with a 3.6 percent y0y decline, according to the ministry data, as reported by Reuters on July 2. In the first six months, Turkey's foreign trade deficit, however, rose to \$40.7 billion with a 31.6 percent increase compared to the same period of 2017. Turkey's exports were \$82 billion with a 6.3 percent year-on-year increase.

Its imports were \$123 billion with a 13.5 percent year-on-year increase. In June, Turkey's main export item was composed of motorized vehicles worth \$2.1 billion, followed by machineries worth \$1.2 billion and iron and steel products worth \$880 million. In the same month, Turkey's top import item was composed of mineral fuels worth \$3.5 billion, followed by machineries worth \$2.2 billion and iron and steel products worth \$1.6 billion. In June, the largest amount of exports was made to Germany with \$1.3 billion, followed by the United Kingdom with \$891 million and Italy with \$817 million. In the first half of the year, motorized vehicle exports again topped the export list with \$13.8 billion.

Turkey's external debt stock reaches \$466.7 billion in first quarter

Hurriyet Daily News, 29.06.2018



Turkey's gross external debt stock stood at \$466.67 billion, more than half of its gross domestic product (GDP) - 52.9 percent - at the end of March 2018, the Treasury announced on June 29.

According to the Treasury, the private sector's share in the country's gross external debt stock was 69.7 percent. Nearly 75 percent of the total gross external debt of the country consisted of long-term debts -- with a maturity of more than one year. Official data showed that Turkey's net foreign debt reached \$303.2 billion as of end of the first quarter of 2018.

"For quarterly terms, ratios are calculated using gross domestic products (GDP) in the U.S. dollar amounts on a four quarter moving basis," the Treasury said. Turkey's GDP from April 2017 to March 2018 period - over the last four quarters - was \$882.16 billion.

Turkey's EU exports, imports grow in first five months of 2018

Hurriyet Daily News, 29.06.2018



Turkey's exports to the European Union in January-May 2018 surged 21 percent year-on-year, the Turkish Statistical Institute (TÜ K) announced on June 29.

However the country's overall trade gap kept growing. According to TÜ K, exports to the 28-member EU bloc account for some 51.4 percent of Turkey's overall exports in the five-month period — totaling \$35.6 billion — while imports from the EU were \$39 billion, up 22 percent on a yearly basis. Over the same period, Turkey's overall exports totaled \$69.3 billion.

A 7.9 percent annual hike, and imports reached \$104.5 billion with a 17.2 percent increase. The country's foreign trade balance ran a \$35.2 billion deficit from January to May, marking a year-on-year rise of 41.4 percent. Turkey's largest export markets were Germany with \$6.9 billion, the United Kingdom (\$4.3 billion) and Italy (\$4.2 billion) in the same period. China (\$9.9 billion), Russia (\$9.6 billion), and Germany (\$9.4 billion) stood as Turkey's top three import sources. The country's top export item was vehicles and their parts — excluding railway or tramway rolling-stock — valuing some \$11.6 billion. Mineral fuels, mineral oils, and their derivative products topped the list of imported items, amounting to \$17.1 billion. The institute also said that the share of manufacturing industries products in overall exports was 93.8 — some \$65 billion — in January-May 2018, and intermediate goods claimed the top spot with 76.1 percent in Turkey's overall imports.

In 2014, Turkey's exports hit an all-time high of \$157.6 billion while the figure was nearly \$157 billion last year. Over the past five years, the highest export-to-import ratio was recorded in 2016 with 71.8 percent, while the country's foreign trade deficit has fallen from \$99.8 billion in 2013 to \$76.8 billion in 2017. In May 2018, exports were \$14.3 billion — up 5.3 percent — and imports were \$22.6 billion — up 5.5 percent — over the same month last year, the institute noted. The foreign trade deficit reached \$7.7 billion, with a 5.7 percent yearly increase. It said export to import ratio was 64.8 percent, while it was 64.9 percent in May 2017. Exports of intermediate goods surged 8.2 percent annually — the biggest rise among broad economic categories — while the country's imports for consumption goods fell 9.6 percent over May 2017. In terms of economic activity fields, exports in agriculture, hunting and forestry recorded the best performance in May — a 35 percent yearly hike — while imports in the manufacturing sector saw the biggest increase, up 6.9 percent year-on-year. "As compared with the same month last year, exports to the EU-28 increased by 19.3 percent from \$6.1 billion to \$7.3 billion," TÜ K said. "The proportion of the EU countries was 50.9 percent in May 2018 while it was 45 percent in May 2017."

Turkey, Sudan sign agreement to boost trade ties

Hurriyet Daily News, 05.07.2018



Turkish Economy Minister Nihat Zeybekci and Sudanese Trade Minister Hatim el-Sir Ali on July 4 signed an association agreement in order to boost trade.

“The aim of this agreement is to increase the bilateral trade volume between the two countries to \$2 billion,” Zeybekci said after the signing ceremony of the Arabic version of the deal. He added that Ankara will soon launch the ratification process in the Turkish Parliament. Late December, Turkish President Recep Tayyip Erdoğan visited Khartoum and called for greater Turkish investment in Sudan.

The countries then voiced their hope gradually to increase bilateral trade ties to \$10 billion a year from the current \$500 million, and signed 12 agreements on military, economic and agricultural cooperation. The main export items of Turkey to Sudan are electrical machines, steel plant, automotive byproducts, boilers, steel equipment, plastic products, textiles and paper, according to data from the Turkish Foreign Ministry. Turkey’s main imports from Sudan are oilseed and fruits, sugar and sugar products, unfinished leather, lac, Arabic gum, resin, volatile oils and cotton.

Ankara to have minimum dialogue with new EU president Austria

Hurriyet Daily News, 03.07.2018



As Austria has taken over the rotating six-month presidency of the European Union in July, Ankara does not expect a considerable agenda with the new term president, even at refugee issue, given tensions between Ankara and Vienna.

Ankara will likely have “minimum dialogue” with the new term president Austria, a Turkish official told Hürriyet Daily News. Turkey will focus on legislations to meet remaining benchmarks in order to start visa liberalization process, but the Turkish government will first conclude necessary arrangements for restructure of its bureaucracy, said the official.

Turkey's EU ministry will be closed down, its will be fully transferred to the Foreign Ministry and the former will preserve its organizational chart but without a minister. After the structural transformation finalized, then the necessary law amendments for visa liberalization will wait opening of new legislation year of the parliament. EU expects Turkey to change its anti-terrorism legislation among the six remaining benchmarks in order to launch visa liberalization dialogue. Even for the visa liberalization, the necessary dialogue will be conducted with the commission, not with the term presidency, the official added. Turkish-EU relations have already been purely transactional, covering only a few areas of mutual interest such as the refugee deal and counterterrorism cooperation,

Austria will have an important say in setting the agenda at the many meetings between member states and it already has said it plans to use its presidency to shift toward preventing further waves of migrant arrivals. Ankara not eager for cooperation with Austria on issue of refugees. The cooperation regarding refugees is a crucial topic for both the EU and Turkey, but Ankara is not eager to have mutual work with Austria, another Turkish diplomat told Daily News. Relations between Turkey and Austria have been strained in recent months over a host of issues, including Vienna's stance towards migrants and its opposition to Ankara's technically ongoing, but effectively all but collapsed, EU membership bid. Austrian Chancellor Sebastian Kurz's conservatives are in a coalition government with the anti-Islam Freedom Party, making Austria the only western European country to have a far-right party in government. Both parties believe the European Union should break off Turkish accession talks. The diplomat recalled efforts by Austria for further critical declaration of the Union towards Turkey at a recent meeting. Last week EU ministers said this week Brussels could not open any more chapters or modernize the EU-Turkey customs union due to Ankara's failure to meet European standards in various areas.

This prompted an angry response from Ankara. "There are areas where we can work together, but opening chapters or not is a political issue. We expect better cooperation in the next term, once Austria's presidency is over," Foreign Minister Mevlüt Çavuşoğlu earlier said. Romania takes the helm next. Çavuşoğlu said he did not expect positive steps on opening new chapters, or policy areas, in Turkey's accession bid in the coming term, but added that the issue of visa liberalization and updating Turkey's Customs Union agreement with the bloc would be discussed with EU officials. "I don't think there will be positive steps taken during Austria's term presidency. We spoke at length with the Austrian foreign minister, but unfortunately, the current chancellor is even more extreme than the far-right party," he said. EU monitors state of emergency, administrative transition for new system. An EU diplomat expressed the Union's expectation from Ankara for the upcoming term in order to keep the relations on its track. "The state of emergency should be lifted and normalization should be maintained," the diplomat told Daily News noting that Brussels also monitors new administrative changes for the new "Presidential Government System" will be "in line to the proposals of Venice Commission under the Council of Europe." The report of the Venice Commission adopted on 10 March 2017 warned about the new system removes necessary checks and balances. The commission stated that the proposed system is "further weakening the already inadequate system of judicial oversight of the executive, and further weakening the independence of the judiciary.

Gov't to issue last decree law for post-state of emergency period: Turkish PM

Hurriyet Daily News, 05.07.2018



The Turkish government will issue a final decree law on July 6 as precaution for the post-state of emergency period, Prime Minister Binali Yıldırım has said, heralding the end of the state of emergency.

“We will issue a final decree law tomorrow. The last decree law will include necessary regulations in order to avoid weakness in the fight against terrorism in the period when the state of emergency is lifted,” Yıldırım told state-run Anadolu Agency on July 5. He recalled that the state of emergency will end on July 18, and the government has to submit a motion to the parliament for its lifting before then.

If the government does not initiate the motion, the state of emergency will be lifted naturally on July 18, he added. President Recep Tayyip Erdoğan and his ally, Nationalist Movement Party (MHP) leader Devlet Bahçeli, agreed not to extend the state of emergency, local media reported last week. Erdoğan and Bahçeli discussed the issue on June 27 during their first face-to-face meeting after the June 24 election in which the “People’s Alliance,” formed by Erdoğan’s Justice and Development Party (AKP) and the MHP, won a parliamentary majority. Bahçeli and Erdoğan discussed a formula of making amendments in relevant laws for the struggle against terror, such as the anti-terror law and the penal code, so that lifting of the state of emergency will not cause “weakness” in fight against FETÖ and the PKK. The state of emergency was first imposed on July 20, 2016, five days after a bloody coup attempt in Turkey. It has been extended every three months since then. Emergency rule was most recently extended with the votes of the AKP and the MHP in parliament on April 18. During his campaign for the country’s twin presidential and parliamentary elections, Erdoğan vowed to lift the implementation after the polls.

US begins implementing tariffs on China

Washington Post, 05.07.2018



The U.S. government has officially begun implementing tariffs worth \$34 billion on Chinese imports signaling the start of a trade war.

Tariffs worth \$34 billion on Chinese goods took effect at 12:01 a.m. The White House initially announced in April that it was planning to slap China with \$50 billion in tariffs, and added in June they could “contain industrially significant technologies”. The new tariffs come “in light of China’s theft of intellectual property and technology and its other unfair trade practices,” the White House said in a statement.

As a response, Beijing is expected to impose retaliatory tariffs on Friday against the U.S., which could escalate the trade war between the world’s two biggest economies and have a spillover effect on other regions. On Thursday, Gao Feng, Chinese Commerce Ministry spokesman said China would not “fire the first shot”. “However, if the United States adopts taxation measures, China will be forced to fight back to defend the core interests of the nation and the interests of the people,” Gao said. Tariffs on other \$16 billion of products are scheduled for a later date. After the Trump administration announced imposing tariffs of 25 percent on steel and 10 percent on aluminum imports in March, China said it would impose \$3 billion worth of tariffs, between 15 to 25 percent, on 128 American goods. After Washington’s plan to impose 25 percent tariffs on 1,300 Chinese goods that are worth \$50 billion in April, Beijing immediately said it will place 25 percent tariffs on 106 American goods worth \$50 billion. The U.S.’s trade deficit with China was \$347 billion in 2016.

Strong US economy may lead to downturn: Fed

Anadolu Agency, 05.07.2018



The American economy running too strong may increase inflationary pressure and lead to a downturn.

“A prolonged period in which the economy operated beyond potential could give rise to heightened inflationary pressures or to financial imbalances that could lead eventually to a significant economic downturn,” according to the minutes from the Fed’s June 12-13 meeting. Most members of the Federal Open Market Committee (FOMC) agreed to continue raising interest rates gradually in order to keep the economy in check, the minutes said.

The central bank increased its benchmark interest rate by 25 basis points June 13. It was the second rate hike this year and the seventh since December 2015. The bank made three rate hikes last year and one in December 2016. Some members of the FOMC also stressed in the minutes that uncertainty and risks about trade policy have intensified, and warned they could have negative effects on business sentiment and investment spending. Recent changes in Washington's trade policy have brought the U.S. against China in a potential trade war, and could hurt growth in the American economy if importers are forced to pay higher duties.

Over 40 countries object at WTO to US car tariff plan

Reuters, 04.07.2018



Major U.S. trading partners including the European Union, China and Japan voiced deep concern at the World Trade Organization (WTO) on July 3 about possible U.S. measures imposing additional duties on imported autos and parts.

Japan, which along with Russia had initiated the discussion at the WTO Council on Trade in Goods, warned that such measures could trigger a spiral of counter-measures and result in the collapse of the rules-based multilateral trading system, an official who attended the meeting said. Over 40 WTO members warned that the U.S. action could seriously disrupt the world market.

It is threaten the WTO system, given the importance of cars to world trade. The United States has imposed tariffs on European steel and aluminum imports and is conducting another national security study that could lead to tariffs on imports of cars and car parts. Both sets of tariffs would be based on concerns about U.S. national security. U.S. President Donald Trump said on June 29 that the probe would be completed in 3-4 weeks. But the European Union has warned the United States that imposing import tariffs on cars and car parts would harm its own automotive industry and likely lead to counter-measures by its trading partners on \$294 billion of U.S. exports. A Russian official told the WTO meeting that the issue of U.S. investigations had been raised over the past year in different WTO meetings, only to see things change for the worse. The United States was losing its reputation as a trusted trade partner, the Russian delegate told the meeting, adding that the United States could soon start an investigation into the case for import tariffs on uranium products. China, Canada, Switzerland, Norway, Turkey, Costa Rica, Hong Kong, Venezuela, Singapore, Brazil, South Korea, Mexico, Qatar, Thailand and India all echoed the same concerns and said they doubted the U.S. tariffs were in line with WTO rules. The U.S. diplomat at the meeting said the matter was already the subject of formal disputes at the WTO, so it should not be on the committee's agenda, the official who attended the meeting said.

It's in the interest of Trump to back NATO countries at summit

CNBC, 27.06.2018



President Donald Trump will meet NATO allies in Brussels next week, who will expect the U.S. leader to again go on the attack about insufficient spending on defense by other countries.

Trump has time and again criticized member countries of the alliance that have failed to hit a target, agreed in 2014, to spend 2 percent of their gross domestic product (GDP) on military forces. The bond between Western countries is already under stress following June's G7 summit in Canada, when Trump criticized the leaders of Germany and Canada over trade deals.

At that G7 meeting, Trump also claimed that NATO was "much too costly for the U.S." and has since written to NATO leaders urging them to accelerate their outlay. The man in the middle of the debate is NATO Secretary-General Jens Stoltenberg. He told CNBC's Hadley Gamble on Thursday that the alliance was moving in the right direction and that President Trump recognized that. "The good news is that we have started to do exactly that and we have started to see a significant increase," Stoltenberg said. "Over the past few years we have added \$87 billion from Canada and the European allies and that makes a real difference." Article 5 of the NATO treaty states that an attack against one ally is considered as an attack against all allies. NATO invoked Article 5 for the first time in its history after the 9/11 terrorist attacks. However, Trump has suggested that if countries did not reach their 2 percent spending target, then the U.S. would not be willing to intervene on their behalf. That threat has been seen by many as undermining the alliance's stability, but Stoltenberg said the United States would not benefit from any scenario in which NATO was weakened.

"Two world wars and the Cold War showed us that we are stronger together and therefore it is in the interest of the United States to maintain a strong transatlantic bond." One country in particular that Trump is critical of is Germany, whose military spending only accounted for 1.2 percent of GDP in 2017. The share is set to rise but the increase is slow and Berlin has only committed to 1.5 percent by 2024. In a tweet last year Trump said that Germany owed "vast sums of money" to both NATO and the United States. Germany is currently the second largest supplier of troops to NATO, behind the United States. Its defense minister, Ursula von der Leyen, said Tuesday that looking at bald numbers was not a refined method of judging a country's commitment.

“You can easily spend 2 percent of GDP on defense without actually offering anything to NATO,” she said in Berlin on Tuesday, before adding that contributions to NATO were more important than what a country spent on its own military. One of the issues likely to feature on the agenda when the meeting kicks off next Wednesday will be the position of NATO members on Ukraine. After Russia annexed Crimea from Ukraine in 2014, a move that has not been recognized internationally, Moscow said it would not return the region. In response, the United States and European Union have imposed economic sanctions on Russian companies and individuals. NATO has previously defended the use of economic sanctions against Russia, suggesting they could prevent Moscow from invading other countries. Stoltenberg said Thursday that all NATO members remained resolute on the “illegal annexation” and that he was not concerned that the United States could soften its stance when Trump meet President Vladimir Putin in Helsinki on July 16. “Russia is our neighbor. Russia is here to stay and we have to strive for a better relationship and therefore I welcome the fact that President Trump will meet President Putin,” he said. “Dialogue with Russia is absolutely consistent with NATO policies,” Stoltenberg added.

Top US business group assails Trump’s handling of trade dispute

Reuters, 03.07.2018



The U.S. Chamber of Commerce on July 2 denounced President Donald Trump’s handling of a global trade dispute, issuing a report that argued the tariffs imposed by Washington and retaliation by its partners would boomerang badly on the American economy.

The Chamber, the nation’s largest business lobby group and a traditional ally of Trump’s Republican Party, argued the White House is risking a global trade war with the push to protect U.S. industry and workers with tariffs.

The group’s analysis of the potential hit each U.S. state may take from retaliation by U.S. trading partners painted a gloomy picture that could increase pressure on the White House from Republicans ahead of congressional elections in November. For example, nearly \$4 billion worth of exports from Texas could be targeted by retaliatory tariffs, the Chamber said, including \$321 million in meat the state sends to Mexico each year and \$494 million in grain sorghum it exports to China. Trump has slapped tariffs on billions of dollars worth of steel and aluminum imports from China, the European Union, Canada and other trading partners, prompting retaliation against U.S. products. He is considering extending the levies to the auto sector. The Chamber, which has 3 million members, had praised Trump for signing a sweeping bill that included steep cuts to corporate taxes in December. But the mounting trade tensions have opened a rift with the White House.



“The administration is threatening to undermine the economic progress it worked so hard to achieve,” Chamber President Tom Donohue said in a statement. “We should seek free and fair trade, but this is just not the way to do it.” The White House did not respond to a request for comment. The Chamber is expected to spend millions of dollars ahead of the November elections to help candidates who back free trade, immigration and lower taxes. It has already backed candidates who share those goals in Republican primaries. Perhaps most unsettling to businesses and investors, Washington and Beijing have engaged in tit-for-tat tariffs and threatened retaliation that has raised the prospect of a trade war between the world’s two largest economies. The United States is set to impose tariffs on \$34 billion worth of additional goods from China on July 6. China has threatened to retaliate in kind with its own tariffs on U.S. agricultural products and other goods. Although Trump has previously been persuaded to back off trade threats based on the fact that they would hurt states that supported him in the 2016 presidential election, he has taken a more aggressive tack in recent months.

On July 2, he threatened to take action against the World Trade Organization after media reports said he wanted to withdraw from the global trade regulator. Trump says the WTO has allowed the United States to be taken advantage of in global trade. Trump initially granted Canada, EU members and other nations exemptions on the metal tariffs - 25 percent on steel and 10 percent on aluminum. But he lifted the exemptions the same week he met with Group of Seven leaders in Quebec last month. Trump railed against his trading partners during the meeting, according to sources, and withdrew his support for a joint communique after leaving the summit, angering and bewildering some of Washington’s closest allies.

Early last month, Mexico imposed tariffs on U.S. products ranging from steel to pork and bourbon, while the EU levied duties of 25 percent on 2.8 billion euros of U.S. imports, including jeans and Harley-Davidson motorcycles. Harley-Davidson, which dominates the heavyweight U.S. motorcycle market, subsequently announced it would shift some U.S. production overseas to avoid higher costs for EU customers. Trump slammed the company’s move, saying it was tantamount to surrender, and threatened punitive taxes. Canada, a member of the North American Free Trade Agreement (NAFTA) with the United States and Mexico, on July 1 imposed retaliatory measures on C\$16.6 billion (\$12.63 billion) of American goods, including coffee, ketchup and whiskey. The Chamber based its state-by-state analysis on data from the U.S. Department of Commerce and government agencies in China, the EU, Mexico, and Canada.



Announcements & Reports

Hezbollah's Missiles and Rockets

Source : CSIS
Weblink : <https://www.csis.org/analysis/hezbollahs-missiles-and-rockets>

Global Health Policy Center Monthly Newsletter: July 2018

Source : CSIS
Weblink : <https://www.csis.org/analysis/global-health-policy-center-monthly-newsletter-july-2018>

Counting Dollars or Measuring Value

Source : CSIS
Weblink : <https://www.csis.org/analysis/counting-dollars-or-measuring-value>

Upcoming Events

The United States in Afghanistan and Pakistan

Date : 09 July 2018
Place : London
Website : <https://www.chathamhouse.org/event/united-states-afghanistan-and-pakistan>

Realizing a Polio-Free World: Sustaining U.S. Support for Global Polio Eradication

Date : 10 July 2018
Place : London
Website : <https://www.csis.org/events/realizing-polio-free-world-sustaining-us-support-global-polio-eradication>

Strategies and Tools for Counterterrorism Cooperation

Date : 16 July 2018
Place : London
Website : <https://www.csis.org/events/partners-these-strategies-and-tools-counterterrorism-cooperation>



Supporting Democracies in Challenging Times

Date : 17 July 2018
Place : London
Website : <https://www.csis.org/events/supporting-democracies-challenging-times>

Fighting Financial Crime 2018

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

Illicit Financial Flows 2018

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

Climate Change 2018

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

Global Trade 2018

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

The Future of London as a Financial Centre

Date : 12 November 2018
Place : London
Website : <https://www.chathamhouse.org/conferences/future-london-financial-centre>