

Turkish prime minister reassures German investors in Turkey

Hurriyet Daily News, 27.07.2017



Prime Minister Binali Yıldırım has assured German companies in Turkey that his government will not allow tension between Ankara and Berlin to harm their interests in the country.

“It is very important to us that you are not a part of this tension and do not suffer any damage from the events,” Yıldırım said on July 27 at a meeting with senior representatives of leading German companies in Turkey, including Bosch, Siemens, Mercedes, Metro Group, Frankfurt Messe and Thyssen Krupp. “The Turkish government is not in a position to escalate tension with Germany,” he said. “I am very clear that we do not consider you German companies.” Yıldırım stated.

Yıldırım said German investors in Turkey should not feel they are subjected to unfair criticisms or should not pay a price for the relations between Ankara and Berlin, adding that the German companies were “Turkish firms rather than German ones as they have been in Turkey for more than half a century.”

He said the political tension with Germany was temporary, adding that taking into account 3.5 million Turkish citizens living in Germany it is pointless for both Germany and Turkey to have permanent negative relations.

Representatives of the German companies told reporters after the meeting they agreed that Turkey-German relations should continue “more silently,” in a way that would not be reflected on the economy.

They said the meeting was positive. Asked if the recent tension in political relations affected their work in Turkey, the representatives said there is yet to be serious consequences, but there can be concerns for upcoming investments. They said Yıldırım spoke to them about “positive developments in fall” but he did not elaborate in detail.

Yıldırım assured that there is no legal investigation into German companies in Turkey, according to the representatives of the companies. “We are happy to see that our concerns are met with the government, too,” one representative said, adding that there could be positive steps regarding the state of emergency.

Also at the meeting, Zeybekci reportedly proposed that CEOs of the German companies investing in Turkey should have meetings at their headquarters in Germany in order to explain the attitude of the Turkish government better.

Germany tensions do not affect travel to Turkey, Thomas Cook says

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Tour operator Thomas Cook has said there is a continued recovery for bookings to Turkey and the resurgence in Turkey had not been affected by increased tensions with Germany.

Thomas Cook CEO Peter Fankhauser told reporters on July 27 that Turkey remained attractive despite a warning by the German government for its citizens to be careful when traveling there, as reported by Reuters. Tour operators such as Thomas Cook have seen business in the Middle East and North Africa suffer in recent years as security issues deterred visitors, with travel firms laying on more holidays to the western Mediterranean to compensate.

However, this year has seen a bounce back in markets such as Turkey and Egypt, while markets such as Spain have been more thorny. On the flipside, the increase in capacity in Spain is hitting margins there, and Thomas Cook said that prices were under pressure from the intense competition.

Fankhauser also noted that Thomas Cook would restart holidays in Tunisia now that Britain softened its travel advice to the country. The move, which came as the company reiterated its full-year outlook, should be a welcome boost to Tunisia, where tourism accounts for 8 percent of gross domestic product and is a key source of foreign currency and jobs.

Britain said on July 26 that it was no longer advising against travel to most of Tunisia after tightening its advice following a militant attack in a Tunisian resort in June 2015. There had also been an earlier attack at the Bardo Museum in Tunis. The attacks led to two years of sharp declines in tourism. Fankhauser said the British decision was unexpected and a positive for Tunisia and the tourism industry. "The foreign office came to the conclusion that it is again safe to travel. We didn't have any program for the winter so we are setting up a really good quality offer for Tunisia and this is going to take some time," he told reporters.

"I suppose that we are going to start during the winter season, but more towards the spring," he said, as quoted by Reuters. The tour operator said strong demand for summer bookings would continue into winter, adding that its full-year operating profit would be in-line with forecasts. Profit is expected to grow 6 percent to 326 million pounds for the financial year ending on Sept. 30.

The Turkish-Israeli rift over the Haram al-Sharif

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Israel's decision to remove the metal detectors from the entrance to the Haram al-Sharif compound, known to Israelis as the Temple Mount, seems to have assuaged recent tensions. The issue, however, still has the potential to upset the shaky regional order. What's more, given the recent diplomatic spat between Turkey and Israel over Jerusalem, any further escalation poses a risk to the countries' normalization process.

Everything started with a terror attack on July 14 that killed two Israeli policemen and three attackers outside Jerusalem's al-Aqsa Mosque.

Responding immediately, Israel ordered a 48-hour closure of the Haram al-Sharif. But as the gates were reopened, metal detectors were installed to prevent any smuggling of arms into the religious compound. Israel's move sparked a new wave of violence in Jerusalem's Old City, leading to protests and deadly clashes outside the gates, as Muslims boycotted the al-Aqsa Mosque over the security searches. While Israel's government defended the decision as a security measure, Muslims—who already contest Israel's control of East Jerusalem—interpreted the move as an attempt to change the status quo at the Haram al-Sharif.

Israel controls access to the compound in line with a 1994 peace treaty between the country and Jordan, whereas daily life within the compound is administered by the Jerusalem Islamic Awqaf Department, also known as the Waqf, which is operated and funded by the Jordanian government. And while the Temple Mount is open to non-Muslim visitors, only Muslims are permitted to worship there.

For the last couple of days, Israeli officials have been trying to assure the international community that they have no intention of changing the status quo.

Israeli Prime Minister Benjamin Netanyahu stated last Sunday that changing the status quo would not only exacerbate the security situation but also undermine the increasingly warm relations between Israel and Sunni Arab nations. The Temple Mount is one of the most contested and holiest sites in the world, but the latest upheaval in Jerusalem will unfortunately not be the last as long as the Palestinian issue remains unsolved.

The outbreak of the Arab Spring, the wars in Iraq and Syria, the emergence of the Islamic State of Iraq and the Levant (ISIL), and Iran's growing regional influence have dominated the agenda in the Middle East, putting the Israeli-Palestinian issue on the back burner for world leaders. Doubtlessly, the collapse of peace talks in 2014 after a long and painful negotiation process created deep frustration as well as a lack of interest among international actors regarding mediation efforts.



The resolution of the Palestinian issue, however, should be considered an essential element in combating terrorism given that jihadist propaganda benefits from Palestinian suffering. But with the unpredictability of United States President Donald Trump's administration, power struggles among Gulf countries and the marriage of convenience between Israel and the Arab world against Iran, there appears little chance of a political breakthrough in the near future. Duly, the Palestinian issue remains a ticking bomb, ready to explode at any time.

In the wake of protests outside the Haram al-Sharif, angry members of the ultranationalist Alperen Hearths gathered in front of Istanbul's Neve Alom and Ahrida synagogues to protest Israel. Unfortunately, whenever a crisis breaks out between Turkey and Israel, anger is improperly directed at Turkish Jews, who have been living in Turkey for countless generations, who have embraced the country as their homeland and who serve in the military and pay their taxes, just like every other Turkish citizen.

Crucially, political officials stood firm against the protests targeting religious sanctuaries of the Jewish community. President Recep Tayyip Erdoğan, Prime Minister Binali Yıldırım and Foreign Minister Mevlüt Çavuşoğlu each issued strong condemnations of the demonstrations at the synagogues while calling for restraint. While efforts to calm down the situation deserve praise, appropriate punishments are necessary to deter similar attacks against the Jewish community in the future. This would not only contribute to social cohesion at home but also boost Turkey's image abroad as a democratic country that respects minority rights.

As for Turkish-Israeli ties, the handling of the tension over the Haram al-Sharif will definitely test the durability of the normalization process. Both sides would also do well to exercise a moderate tone and eschew social media as a platform for exchanging diplomatic messages amid the current debate.

Turkish central bank keeps main interest rate unchanged

Hurriyet Daily News, 25.07.2017



The Central Bank kept its main interest rates steady on July 27, in line with market expectations, noting that it would maintain its tight monetary policy until the inflation outlook improves significantly.

It kept marginal funding rate at 9.25 percent and borrowing rate at 7.25 percent on July 27. One-week repo rate was kept at 8 percent as Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.) were 0 percent for borrowing rate and lending rate at 12.25 percent.

In a statement announcing its July monetary policy committee meeting results, the central bank said it would maintain its “tight” policy stance “until the inflation outlook displays a significant improvement.”

“Although recent improvements in cost factors and expected partial correction in food prices will contribute to disinflation, current elevated levels of inflation pose risks on the pricing behavior. Accordingly, the Committee decided to maintain the tight stance of monetary policy,” it noted. “Inflation expectations, pricing behavior and other factors affecting inflation will be closely monitored and, if needed, further monetary tightening will be delivered,” read the statement.

The Central Bank also noted that recently released data indicate an ongoing recovery in the economic activity.

“Domestic demand conditions have improved and demand from the European Union economies continues to contribute positively to exports. The economic activity is expected to maintain its strength due to the supportive measures and incentives provided recently. The Committee assesses that the implementation of the structural reforms would contribute to the potential growth significantly,” it said.

Meanwhile, the U.S.’ Federal Reserve kept interest rates unchanged on July 26 and said it expected to start winding down its massive holdings of bonds “relatively soon” in a sign of confidence in the U.S. economy. The Fed kept its benchmark lending rate in a target range of 1.00 percent to 1.25 percent, as expected, and said it was on track to continue the slow path of monetary tightening that has lifted rates by a percentage point since 2015. In a statement following a two-day policy meeting, the U.S. central bank’s rate-setting committee indicated the economy was growing moderately and job gains had been solid.

It also noted that both overall inflation and a measure of underlying price gains had declined - trends which have worried some policymakers - but that it expected the economy to continue strengthening. "The committee expects to begin implementing its balance sheet normalization program relatively soon," the Fed said, adding that it would follow a plan outlined in June to trim its holdings of U.S. Treasury bonds and mortgage-backed securities. U.S. stock prices rose following the release of the policy statement while yields on U.S. government debt fell. The dollar dropped against a basket of currencies.

After pushing rates nearly to zero to fight the 2007-2009 financial crisis and recession, the Fed pumped over \$3 trillion into the economy in a bond-buying spree to further reduce rates. Its balance sheet has grown to \$4.5 trillion.

PM Yıldırım to be in charge of state, wealth funds after cabinet reshuffle

Hurriyet Daily News, 26.07.2017



Prime Minister Binali Yıldırım is set to assume roles in key public offices including the Saving Deposit Insurance Fund (TMSF) and the Turkish Wealth Fund, a post which was under the responsibility of Nurettin Canikli, who was appointed as the new defense minister after a cabinet reshuffle earlier this week. According to a Prime Ministry memorandum published in the Official Gazette on July 26, Yıldırım will hold key offices including the general secretariat of the National Security Council (MGK), the National Intelligence Organization (MİT), the Housing Development Administration (TOKİ), TMSF, the Turkish Wealth Fund and the general secretariat of the Promotion Fund.

After the cabinet reshuffle, Canikli, previously a deputy prime minister, transferred his duties in the TMSF and the wealth fund to Yıldırım, and other duties related to the economy to Mehmet Şimşek, who will continue to serve as a deputy prime minister responsible for coordinating the economy and the banking sector. Distribution of roles determined

Former Justice Minister Bekir Bozdağ, who was appointed as deputy prime minister in the reshuffle, has been appointed as the new government spokesperson. Bozdağ will be in charge of the Religious Directorate, the state-run Anadolu Agency, the Turkish Radio and Television Corporation (TRT) as well as the Public Diplomacy Agency. He will also handle relations with the parliament and the Council of State.

Deputy Prime Minister Fikri Ilık will be responsible for carrying advisory notes of the MGK to the cabinet for assessment, and coordinating the implementation of those advisory notes in the event of an approval by the cabinet. He will be responsible for the Radio and Television Supreme Council (RTÜK), Protection of Private Information Institution, and Atatürk Culture, Language and History Supreme Institution. He will also serve roles to coordinate investments and reforms.

Former Health Minister Recep Akdağ will deal with Cyprus-related issues of the government, improvement of investment and coordination of human rights issues and human rights institutions. He will lead the disaster management agency AFAD and the Human Rights and Equality Institution of Turkey as deputy prime minister.

Hakan Çavuşoğlu, who has been introduced to the government as a deputy premier, will be in charge of the Turkish communities living abroad, foundations and Turkey's Cooperation and Development Agency (TİKA). He will also be in charge of planning and coordinating works to mark the centennial of the foundation of the Turkish Republic in 2023. He will also assume roles in the General Directorate for Foundations and the Directorate General of Press and Information.

Property sales decline in Turkey, foreign demand soars

Anadolu Agency, 24.07.2017



House sales in Turkey saw a decline in June, although sales to foreigners soared by roughly 25 percent, official data showed.

According to data from the Turkish Statistical Institute (TÜİK), some 97,579 units of properties were sold in June across the country with an 8.1 percent of year-on-year decline. The number of properties sold in June declined by nearly 16 percent compared to the previous month. Istanbul again had the highest share of house sales by taking 18.4 percent in total, followed by the capital Ankara with 10,160 house sales and the Aegean province of İzmir with 6,034 units. The least number of properties were sold in the eastern provinces of Hakkari with 2 units and Ardahan with 20 units.

Mortgaged house sales across Turkey were announced as 35,210 units with a 3.2 percent year-on-year decrease. Property sales with mortgage had a 36.1 percent share in all sales in Turkey. A total of 1,926 properties were sold to foreigners in June with a 24.8 percent year-on-year increase, according to TÜİK.

Nearly half of the properties sold to foreigners, or 903 units, were in Istanbul. The country's largest city was followed by the Mediterranean resort of Antalya with 408 units, the northwestern province of Bursa with 93 units and the Aegean province of Aydın with 77 units. Saudis again topped the list of foreign buyers with 612 properties, followed by Iraqis with 239 units, Kuwaitis with 136 units, Russians with 115 units and British nationals with 87 units.

IMF praises Turkish economy, maintains global growth forecasts

Anadolu Agency, 24.07.2017



The International Monetary Fund (IMF) has hailed Turkey's 2017 economic growth thanks to a strong recovery in the country's exports in its updated World Economic Outlook, in which the fund kept its growth forecasts for the world economy unchanged for this year and next, although it revised up growth expectations for the euro zone and China.

In its updated outlook, which was published on July 23, the IMF forecasted that in Emerging and Developing Europe, growth is to pick up in 2017, primarily driven by a higher growth forecast for Turkey.

Exports recovered strongly in the last quarter of 2016 and the first quarter of 2017 following four quarters of moderate contraction and external demand is projected to be stronger with improved prospects for euro area trading partners. It did not make any change in its growth forecast for Turkey. In its previous report, which was published in April, the IMF forecasted that the Turkish economy would grow 2.5 percent in 2017 and 3.3 percent in 2018. The global economic recovery is on firmer footing as improving growth in China, Europe and Japan offset downward revisions for the United States and Britain, the Fund said.

However, wage growth remains sluggish, which risks increasing tensions that have pushed some countries toward more anti-global policies, while efforts to erode financial regulations put in place since the 2008 crisis could erode stability, the IMF warned. "The recovery in global growth that we projected in April is on a firmer footing; there is now no question mark over the world economy's gain in momentum," IMF chief economist Maurice Obstfeld said, as quoted by AFP on July 24.

"Recent data point to the broadest synchronized upswing the world economy has experienced in the last decade," he said, presenting the latest update by the World Economic Outlook (WEO). The fund still expects the global economy will grow by 3.5 percent in 2017 and 3.6 percent in 2018, the same as April's WEO. Key revisions for US, UK



However, the unchanged forecast masks some significant revisions, including in the United States where the IMF downgraded its growth estimate last month after judging that spending plans promised by U.S. President Donald Trump that had been expected to provide a boost to the economy were stuck in limbo.

The U.S. estimate was cut to 2.1 percent for this year and next, down 0.2 points and 0.4 points, respectively, from the more optimistic forecast in the last report. The outlook for the British economy was also revised down by 0.3 points to 1.7 percent this year on weaker-than-expected activity in the first quarter, while the impact of Brexit “remains unclear.”

But those downward revisions were offset by the improving outlook in key economies, including the euro area where growth prospects have improved in France, Germany, Italy and Spain. The euro area now is projected to see economic growth of 1.9 percent this year and 1.7 percent in 2018. Japan is also seeing improved growth prospects, with an expansion of 1.3 percent this year expected, although that is seen slowing sharply to 0.6 percent in 2018.

Meanwhile, China continues to be a major engine of global growth, expanding by 6.7 percent this year and 6.4 percent next, driven by economic policies in Beijing. The forecast for 2017 was revised up by a percentage point of 0.1, “reflecting the stronger than expected outturn in the first quarter,” which the IMF said was underpinned by Beijing’s “supply-side reforms.”

The 0.2-point upward revision for 2018, however, was the result of the expected delay in the “needed fiscal adjustment,” which could cause risks down the road. China’s “higher growth is coming at the cost of continuing rapid credit expansion and the resulting financial stability risks,” Obstfeld warned in his prepared statement. However, within the mostly upbeat forecasts, the IMF once again sounded the warning on the growing anti-global sentiment, which could leave all economies worse off.

That has been fueled in part by the fact that benefits of increased growth have not been broadly shared.”Even as unemployment is falling, wage growth still remains weak. That not only holds back the improvement of living standards, but also carries risks of exacerbating social tensions that have already pushed some electorates in the direction of more inward-looking economic policies,” Obstfeld said.

Turkey renews solid support for Turkish Cypriots

Anadolu Agency, 19.07.2017



Turkish Prime Minister Binali Yildirim on Thursday said the Turkish Republic of Northern Cyprus (TRNC) could depend on Ankara for support and said Turkey would “continue protecting the rights of Turkish Cypriots in the Eastern Mediterranean”. Yildirim was speaking in the TRNC where he attended ceremonies marking the 43rd anniversary of Turkey’s 1974 intervention into the Cyprus conflict as a guarantor power.

Recent UN-backed reunification talks between Greek and Turkish Cypriots, plus Ankara, London and Athens, recently broke down in Switzerland amid recriminations.

Addressing a commemoration, Yildirim said: “It is a serious contradiction and injustice that Turkish Cypriots have paid for the uncompromising approach of the Greek side for years.” “The rights and prosperity of Turkish Cypriots are a national matter for us.” Yildirim also said “unfair steps” taken by the Greek Cypriot side had encouraged deadlock in the talks.”It was clearly understood that the Greek Cypriots were not ready for a solution,” he added.

TRNC President Mustafa Akinci, Prime Minister Huseyin Ozgurgun, and Parliament Speaker Sibel Siber, as well as Turkish Foreign Minister Mevlut Cavusoglu also attended the ceremony at the Ataturk Memorial in Lefkosa. President Akinci, writing in an official memorial book, also said Turkish Cypriots “had no responsibility” for the failure of the Switzerland talks.

The eastern Mediterranean island has been divided since 1974 when Turkish soldiers interceded under Ankara’s guarantor status to protect the Turkish community from unrest. Violence broke out amid a Greek Cypriot attempt to forcibly unite Cyprus with Greece then ruled by a right-wing military junta. Turkey sent 40,000 troops -- Operation Atilla -- to the island’s north.

As a result of Greek Cypriot attacks, at least 30,000 Turkish Cypriots were displaced from their villages and the Turkish Cypriot population was forced to seek refuge. Yildirim said the 1974 operation was “a turning point in the island’s history,” and that Turkey showed the world it would not allow ‘enosis’ -- a Greek takeover of Cyprus. He also recalled how negotiations over Cyprus resumed after a failed 2004 deal put forward by former U.N. Secretary General Kofi Annan to reunify the Turkish Cypriot and Greek Cypriot communities. The plan was rejected in a referendum by the Greek portion of the island whereas Turkish Cypriots voted in favor of the Annan plan. Yildirim said Turkish Cypriots had “passed the exam” by voting Yes in the referendum. The Greek Cypriot side’s No approach to living together “continues today,” he added.

Turkey gains membership to UN regional economic bloc

Anadolu Agency , 26.07.2017



Turkey's membership to the U.N. Economic Commission for Latin America and the Caribbean (ECLAC) was formally approved during a meeting in New York on July 25, the Foreign Ministry said on July 26.

The ECLAC, founded in 1948, is one of the five regional commissions of the U.N. Economic and Social Council (ECOSOC) that aims to "contribute to the development of Latin American countries and to harmonize their economic policies." Turkey had applied for membership to ECLAC on Feb. 1, 2016, during President Recep Tayyip Erdoğan's visit to Chile. Turkey's application was accepted on Jan. 30.

"We welcome the formal approval of Turkey's membership to the U.N. Economic Commission for Latin America and the Caribbean [ECLAC] at the U.N. Economic and Social Council [ECOSOC] meeting yesterday in New York," the ministry said in a statement.

The membership shows the importance Turkey gives to Latin America and the Caribbean, the statement said, adding that Turkey's strategy toward the countries in the region aims at elevating their bilateral relations in all levels, including the establishment of institutional ties.

Blockading countries to be biggest losers in Qatar crisis: Qatari minister

Hurriyet Daily News, 28.07.2017



The Gulf countries imposing blockades on Qatar are the biggest losers in the recent crisis in terms of trade, Qatar's Economy Minister Jassim al-Thani has said, noting that the impact of the crisis on the Qatari economy was very small.

"We know that the blockading countries are the biggest losers in this trade because we used to import from them more than we exported to them. So the trade balance worked in favor of them. So now their companies stopped exporting to us," al-Thani said in an interview with daily Hürriyet on July 26.



He noted that some Gulf companies that worked in Qatari projects halted their works because their countries - Saudi Arabia, the United Arab Emirates and Bahrain - asked them to return. "So they lost their contracts here. They lost; their factories lost exporting to Qatar. For us, yes, we export to them some products and we used to import from them, but we quickly found alternatives for our imports. End of story. For us, it is business as usual. We are importing and exporting," al-Thani said, adding that Qatar Airways was flying to 150 destinations all around the world except the blockading countries.

Saudi Arabia, the U.A.E, Bahrain and Egypt cut ties and imposed sanctions on Qatar last month, accusing it of financing extremist groups and supporting terrorism. Qatar strongly denied the accusations. Al-Thani noted that the impact of the blockade over the Qatari economy was very limited.

"First of all, after the crisis, we had a clear plan of how to deal with this from the economic side. We are the biggest exporter of LNG [Liquefied Natural Gas] in the world. We are the biggest exporter of GTL [Gas-to-Liquids] in the world. We are the biggest exporter of helium in the world. And we are one of the biggest exporters of petrochemicals in the world. We export to South East Asia, Europe, Latin America, and all across the world. Our exports have not been affected at all," he said, adding that out of the country's total trade, only 8 percent was with the blockading Gulf countries.

The minister also thanked Turkey for its support to Qatar after the blockade. Turkish President Recep Tayyip Erdo an made a two-day tour to Gulf countries over the weekend in a bid to negotiate an end to the dispute between the Arab countries. Turkey sent hundreds of cargo planes, trucks and one ship to Qatar to serve the countries daily needs since the beginning of July. Qatar 'thankful to Turkey'

Al-Thani said that in the first hours of the crisis the country had put a plan into life and it worked with partners. "Especially Turkey played a major role. We brought dairy products, poultry, fruits and vegetables and other consumer goods; our daily needs. So, the Qatari people did not feel a change from the day before. Especially in the first days, Turkish companies played a very important role in providing all the necessary consumer goods to Qatar. For that, we are all thankful to President Recep Tayyip Erdo an, the government of Turkey and the people of Turkey, who stood with us, with their heartfelt support," he said.

"We are asking Turkish companies not only to consider more trade with Qatar but also to consider actually investing in Qatar. We will come to them to invest in different industrial sectors, services and other sectors here in Qatar," al-Thani added.

Russia agreed to transfer technology along with S-400 missile systems: Presidential spokesperson

Daily Sabah, 28.07.2017



Russia has agreed to transfer the technology of S-400 anti-ballistic missile systems, and it constitutes the most advantageous aspect of the deal between the two countries, Presidential Spokesperson Ibrahim Kalin has said, informing that the agreement between the two states will soon be concluded.

“One of our most important gains [by the purchase of] S-400 [missiles] won’t only meet Turkey’s security needs but also will bring about the transfer of this technology. This [aspect] has been put very openly in our agreement with Russians and in talks held by our president with [Russian President Vladimir] Putin,” Kalin told.

Turkey and Russia have been negotiating for the former’s purchase of high-tech S-400 anti-ballistic missile systems after the Turkish government was disappointed at its NATO allies for rejecting know-how of the similar systems they wanted to sell to Turkey. The United States issued concerns over Turkey’s bid to purchase a Russian defense system while NATO underlined that the S-400s will not be interoperable with NATO’s overall anti-ballistic defense system.

Kalin, however, stressed that this should not be seen only as a purchase of military equipment but the beginning of a transformation of the Turkish defense industry with the transfer of such sophisticated anti-missile system. “We are at a very good point in terms of [the deal on] S-400s and it’s expected that it will soon be finalized. And the argument that this system cannot be integrated into the NATO system is not correct,” he said, adding that there were only a few minor issues left to be accomplished with regards to the agreement, but the core of it had been agreed.

Kalin expressed Ankara’s disappointment with its allies’ refusal to share technology about the missile systems they wanted to sell to Turkey, saying, “The model they suggested stipulates Turkey’s eternal dependence on them.”

EU to Britain: Please get your act together

CNN Money, 20.07.2017



The second round of Brexit talks concluded Thursday with a demand from the European Union that Britain clarify its position on key issues.

Chief EU negotiator Michel Barnier said more details were needed on how Britain hoped to settle its financial obligations to the bloc and deal with the border between Northern Ireland (part of the U.K.) and the Republic of Ireland, an EU member state. Barnier also warned of a “fundamental divergence” on the question of how to secure the rights of millions of citizens who have settled in Britain or Europe.

The EU has made clear that significant progress must be made on all three issues before talks begin on Britain’s top concern: The future of its trading relationship with its biggest export market. The forthright assessment from Barnier is likely to fuel worries that the British government is still deeply divided over how to approach the divorce talks.

David Davis, who is leading negotiations for Britain, struck a much more optimistic tone, saying that he was encouraged by the progress made. But his Conservative Party is still licking its wounds following a devastating election in June. Prime Minister Theresa May lost her parliamentary majority, throwing her hardline EU exit strategy into doubt.

May has promised to take Britain completely out of the bloc’s common trading area and customs union, and slash the number of people coming from the EU. She even threatened to walk away from Europe without paying a hefty divorce bill or striking a new trade deal. The stunning election result has weakened her position. Many lawmakers and businesses want to retain closer ties with Europe, and they are heaping pressure on the prime minister. In a sign of how much has changed since the vote, May was scheduled to meet with top CEOs on Thursday. Britain will leave the EU in March 2019. But business groups have been pressing for a gradual transition that would allow them to adjust to life outside the bloc.

Economic data is beginning to lend weight to the argument for a different approach. Consumers, hammered by rising prices and stagnant wages, have snapped their wallets shut in recent months. Political turmoil has caused businesses to put investments on hold. The U.K. was Europe’s slowest growing economy in the first quarter of 2017. Making progress on the three issues highlighted by Barnier remains the first task, however.

The EU hasn't put an official figure on the exit bill, but some estimates run as high as €100 billion (\$112 billion). Member of May's cabinet have scoffed at that figure. The rights of citizens is even more complicated. Roughly 3 million people from other EU countries live in the U.K., while around 1.2 million Brits reside elsewhere in the EU. Both sides said they want to avoid a "hard border" between the Republic of Ireland and Northern Ireland. Free movement across the border was a key part of the Good Friday Agreement, the 1998 accord that brought peace to Northern Ireland after decades of sectarian conflict.

China and India in war of words over Bhutan border dispute

CNN, 17.07.2017



A Chinese road building project in the Himalayas has become the center of an escalating border dispute between India and China, with both sides accusing the other of territorial intrusions.

Described by the Indian government as a "significant change of status quo with serious security implications for India," the controversial road runs through the disputed Doklam Plateau, on the unmarked border between China and Bhutan. Though not a part of Indian territory, the plateau holds immense strategic importance for Delhi and is vital to its geopolitical interests.

"The area in contention is extremely close to a very vulnerable stretch of Indian territory that effectively connects the bulk of India to its northeastern states," Shashank Joshi, senior research fellow at the Royal United Services Institute (RUSI) in London told CNN. "Additional construction could skew the local balance of power in China's favor, essentially leaving India more vulnerable to invasion in case of a military confrontation with Beijing."

Objections were first raised by the Bhutanese government, which issued a demarche, or formal statement, accusing China of constructing a road "inside Bhutanese territory" in "direct violation" of its territorial treaty obligations, earlier last week. India and Bhutan have maintained historically strong relations. Bhutan co-operates closely with India in determining its foreign policy, and the Indian Army is involved in the training of its armed forces.

China, which does not have formal diplomatic ties with Bhutan, has denied that it has violated any treaties. "Doklam has been a part of China since ancient times. It does not belong to Bhutan, still less India," said Chinese Foreign Ministry spokesperson Lu Kang on Wednesday.



“China’s construction of road in Doklam is an act of sovereignty on its own territory. It is completely justified and lawful, and others have no right to interfere. “Lu added that it was “utterly unjustifiable” for the Indian side to interfere in issues between the two countries.

Bhutan quick facts

Bhutan, also known as the Land of the Thunder Dragon, is a small landlocked country in the Eastern Himalayas. It lies on the border between India and China. With a population of less than a million people, it is the second least populated country in Asia. The country is officially a Buddhist kingdom, with the King of Bhutan Jigme Khesar Namgyel Wangchuck as its head of state in a constitutional monarchy.

The Doklam dispute is the latest in a long-running series of territorial flare-ups between India and China. In 1962, the two countries engaged in a bloody border war, and skirmishes have continued to break out sporadically in the decades since. On June 26, China accused Indian border guards in the state of Sikkim of crossing into its territory in southwestern Tibet, in an attempt to obstruct the construction of a new mountain road. India has not denied its troops were present in the area. According to a statement released by the Indian Ministry of Foreign Affairs, Indian personnel “approached the Chinese construction party and urged them to desist from changing the status quo.”

In response, China blocked religious pilgrims from India from visiting the Manasarovar shrine, accessible only via the Himalayan Nathu La that runs alongside the border between the two nations, “out of security concerns.” The moves come at a time of steadily deteriorating ties between the two countries, say analysts, who point to Chinese investment in Pakistan-administered Kashmir, and Chinese frustration with India’s unwillingness to join its One Belt One Road development initiative as points of contention.

Council on Foreign Relations senior fellow Ely Ratner told CNN the current dispute was an indication of the challenges China faces as a global leader.”It goes to show how hard it’s going to be for China to lead the region when core elements of its foreign policies are so ideological, uncompromising, and irreconcilable with its neighbors and other major powers.”

Trump blasts AG Sessions for recusing himself from the Russia probe

The Washington Post, 19.07.2017



President Trump harshly criticized his attorney general and one of his most loyal supporters, Jeff Sessions, for recusing himself from the ongoing investigation into Russian interference in the 2016 election, indicating that he regretted the choice. In an interview with the New York Times on Wednesday, Trump vented about the probe and said that he would not have appointed Sessions — a top campaign supporter — if he had known Sessions would step aside.

“Sessions should have never recused himself, and if he was going to recuse himself, he should have told me before he took the job and I would have picked somebody else,” said.

The comments are a dramatic public scolding of one of Trump’s closest supporters in Congress during his presidential campaign, and the man currently holding a top Cabinet position. They also suggest that Trump had hoped Sessions could play a role in managing a probe that he has long called a “witch hunt” and suggested is a threat to the legitimacy of his presidency. Trump called Sessions’s decision to recuse himself “unfair.”

“Jeff Sessions takes the job, gets into the job, recuses himself, which frankly I think is very unfair to the president,” he added. “How do you take a job and then recuse yourself? If he would have recused himself before the job, I would have said, ‘Thanks, Jeff, but I’m not going to take you.’ It’s extremely unfair — and that’s a mild word — to the president.”

Sessions recused himself from the investigation, which will look into possible collusion between Trump campaign associates and Russians, shortly after being confirmed to the post, citing his work on the Trump campaign. The decision placed responsibility for the probe squarely in the hands of Deputy Attorney General Rod J. Rosenstein, whom Trump named to that position in January.

The investigation has dogged Trump’s six-month-old presidency and has been the source of months of public and private venting. The investigation has only expanded, recently drawing Trump’s children under the microscope after the New York Times reported that Trump’s son Donald Jr. accepted a meeting with people purporting to be representing the Russian government about receiving derogatory information about Hillary Clinton during the 2016 campaign.

The president’s remarks evoked strong comments from some former Justice Department officials. Former U.S. attorney in New York, Preet Bharara, who was fired by Trump, tweeted: “The President today effectively asked Sessions for his resignation. Will he resign or insist on being fired?” Robert Raben, a former assistant attorney general for the Office of Legislative Affairs during the Bill Clinton administration, said: “The president plays with fire when he attacks his military, law enforcement and Justice people. They are the bulwark of our safety. Demeaning them harms all of us.”



Matthew Miller, a former Justice Department spokesman in the Obama administration, said the country appeared “headed for a massive crisis” and called it “an attack on the very independence of the Justice Department.” “I think what the president is making clear here is he doesn’t believe the Justice Department ought to be able to make its own decisions about whether and how to investigate him,” Miller said. In the Times interview, Trump attacked several other figures connected to the probe, including Rosenstein, special counsel Robert S. Mueller III, and former FBI director James B. Comey.

Spokespeople for the Department of Justice and the special counsel declined to comment. Trump also suggested that the special counsel investigation was now rife with conflicts, though he did not specifically name them. Mueller, a former FBI director, was appointed to lead the investigation after Trump fired Comey. Trump had also considered Mueller as a candidate to replace Comey.

“He was up here, and he wanted the job,” Mr. Trump said. After he was named special counsel, “I said, ‘What the hell is this all about?’ Talk about conflicts. But he was interviewing for the job. There were many other conflicts that I haven’t said, but I will at some point.” The president has criticized the special counsel investigation in the past. He questioned the political independence of attorneys being hired to work on the probe and indicated that Mueller’s friendship with Comey was problematic.

“Well, he’s very, very good friends with Comey, which is very bothersome,” Trump said in an interview with Fox News in June. “I can say that the people that have been hired are all Hillary Clinton supporters, some of them worked for Hillary Clinton. “I mean, the whole thing is ridiculous, if you want to know the truth,” he added.

But his comments on Wednesday are his strongest to date. Trump criticized Mueller personally and warned that if the investigation veered into the personal finances of the Trump family, it will cross a line. He did not, however, say he would fire Mueller, though he was pressed repeatedly on the subject. “I think that’s a violation,” Trump said. “Look, this is about Russia.”

Trump also expressed reservations about Rosenstein, who appointed the special counsel. According to the New York Times, the president expressed annoyance when he learned that Rosenstein was from Baltimore, where he had served as a federal prosecutor. “There are very few Republicans in Baltimore, if any,” Trump said. Trump’s criticisms left virtually no one in contact with the investigation untouched, providing a glimpse of the visceral anger that the probe often evokes in him. The president also levied new accusations against Comey, whom he has repeatedly accused of lying in his sworn testimony to Congress about his interactions with Trump.

Speaking about a meeting before Trump’s inauguration in which Comey informed Trump about an unsubstantiated dossier of derogatory information about him, Trump said that he believes Comey intended to use the document as leverage against him. “In my opinion, he shared it so that I would think he had it out there,” Mr. Trump said. Asked by the Times whether he believes Comey intended it to be leverage, Trump replied. “Yeah, I think so. ... In retrospect.”

Comey testified that he briefed Trump on the dossier based on the belief in the intelligence community that the incoming president should be informed about the “salacious and unverified” material before it was reported in the press. He was also chosen to provide the briefing alone to prevent further embarrassment to Trump. “When he brought it to me, I said this is really, made-up junk,” Trump told the Times. “I didn’t think about any of it. I just thought about, man, this is such a phony deal.”

China’s credit squeeze sends warning on global growth

Financial Times, 18.07.2017



China has sent a deflationary chill through global markets this year by engineering a major slowdown in the growth of bank credit in the country. In fact, we would argue that the unravelling of many of the so-called “Trump trades” in global markets this year reflects the deflationary chill that China’s credit squeeze is creating, rather than simply registering scepticism about Trump administration policies.

As the world’s second-largest economy, with a nominal gross domestic product of nearly \$12tn, China is sneezing and the world is set to catch a cold — creating further downward pressure on commodity prices and US interest rates.

Over the course of little more than a year, China went from exporting deflation to helping create the “global reflation” theme that was evident in global equity markets in the second half of 2016. Emerging markets guest forum beyond-brics is a forum on emerging markets for contributors from the worlds of business, finance, politics, academia and the third sector.

All views expressed are those of the author(s) and should not be taken as reflecting the views of the Financial Times. In the first three months of this year, China’s nominal GDP grew by 11.8 per cent, almost double the rate recorded in the year to December 2015, when investors were concerned about a Chinese hard landing. The country’s import growth reached 20 per cent, giving a major boost to economies that depend on trade with China.

In a highly leveraged economy such as China’s, however, growth is a lagged consequence of changes in the supply of credit. And China’s credit policy has turned sharply restrictive, upending the conventional wisdom that nothing would be done to rock the boat ahead of the 19th National Party Congress that will take place in the autumn. All the signs are that the boat is rocking.



The most important global policymaker nobody has ever heard of is Guo Shuqing, the recently appointed chief of the China Banking Regulatory Commission (CBRC). With the implicit support of President Xi Jinping, Mr Guo has issued a flurry of new regulations aimed at tackling corruption and speculation, including a requirement that banks account for previously lightly regulated “wealth management products” in line with capital adequacy regulations.

The result is that the credit impulse, best understood as “the rate of change of the rate of change” of credit relative to GDP, has declined by a whopping 17.5 per cent of GDP in the first quarter of 2017. Business and consumers used to borrowing considerable sums will be under pressure to curb their net spending just as there will be fewer new loans available for any borrowers under duress to refinance their existing loans. By our measure, the magnitude of this negative credit impulse has only been matched or exceeded a few times: in 1994, 2004-05 and 2010. But in those previous periods the negative credit impulse came against the backdrop of very robust growth in nominal GDP: 37 per cent in 1994 and 18 per cent in both 2004 and 2010.

Signs of potential weaker growth in China are already showing up in the partial inversion of the yield curve for China’s sovereign debt and in the sharp divergence this year between the performance of globally traded Chinese stocks in the MSCI China index (up 25 per cent) and the lacklustre performance of the Shanghai and Shenzhen Stock Exchange Composite indices of domestically traded Chinese stocks (up 1.2 per cent and down 6.7 per cent respectively).

The “stop-go” nature of China’s credit policy has been seen before. When growth accelerates, it leads to a negative credit impulse a few quarters later and vice versa when growth decelerates. Since 1995 the average duration of negative credit impulses has been about four-and-a-half quarters. Since this episode began in the fourth quarter of 2016, it might be early next year before the authorities once again push forward the credit throttle — and only in response to clear evidence that China’s economic growth has slowed.

In the meantime, expect weaker commodity prices and less upward pressure on US interest rates. China’s impact on the world economy is significant. Over the past five years its nominal GDP has expanded by \$3.7tn, an amount that exceeds the GDP of Germany. In contrast, the entire global economy has expanded its nominal GDP by only \$2.2tn.

As well as accounting for nearly 170 per cent of the growth in the world’s nominal GDP in this period, it seems that China may have made US corporate earnings great again. Per Commerce Department figures, rest-of-world profits for US corporations were up by 25 per cent in the first quarter of 2017, while domestically generated profits were down slightly and well below their peak of 2014. The key concern for global investors is that even though China’s credit policy may be almost as important to the global economy as shifts in Federal Reserve or European Central Bank monetary policy, China’s economic policymaking remains far less transparent than in many other key nations. Monitoring China’s credit impulse, therefore, is perhaps the best means open to investors to “watch what they do, not what they say”.

US and China step up steel talks to avert trade war

AFP, 04.07.2017



China and the US ramped up talks on steel amid threats from President Donald Trump to impose new curbs on imports of the metal in the name of US national security. The intensified deliberations are part of the “Comprehensive Economic Dialogue” between Mr Trump’s team and their Chinese counterparts in Washington, which began this week.

The first round of those broader discussions was expected to yield little in terms of concrete announcements. But there were signs that the Trump administration’s threat to invoke a Cold War-era law.

A meeting on Tuesday between US Commerce Secretary Wilbur Ross, Treasury Secretary Steven Mnuchin and China’s vice-premier, Wang Yang, on steel yielded what people close to the situation said were productive discussions. The talks ran long, with aides shooed away when they sought to keep the ministers on schedule and told that these were the most important negotiations of the week, according to people briefed on the discussions.

The Trump administration has threatened to use the broad powers it has under the little used “Section 232” of a 1962 trade act to impose restrictions on imports that threaten US national security. The potential invocation of “national security” is seen as a nuclear option by trade experts. Business groups have been lobbying friendly voices in the administration such as Gary Cohn, Mr Trump’s top economic adviser, to try to limit the potential damage.

The fear is that any such move would open the door to retaliation from US trading partners such as China, the EU, Japan, and South Korea and set off a trade war. There are concerns it could lead other countries including China to also invoke a national security exception in global trading rules and thus open a protectionist Pandora’s Box that would undermine the current system built around the World Trade Organisation.

A deal between the US and China to avoid any such move by the Trump administration or at least delay it would therefore be welcomed by business and America’s trading partners, many of whom fear they would suffer from US punitive action.

Chad Bown of the Peterson Institute for International Economics, a think-tank, said that any discussions about steel were a good sign as Washington’s threat to invoke national security risked turning it into the trade aggressor in the eyes of the rest of the world.

“The concern about tariffs or quotas under the national security law is it takes the world’s policy focus off China and its over-capacity problem and turns it on to the Trump problem — which is tariffs and protectionism,” Mr Bown said.



Mr Trump has adopted a much tougher tone on China since arriving in the White House, heralding what could be a fundamental change in the world's most important bilateral economic relationship. Mr Ross warned that the Trump administration was seeking a fundamental rebalancing of the relationship. "China now accounts for nearly 50 per cent of the US goods trade deficit. If this was just a natural product of free market forces we could understand. But it's not and so it is time to rebalance our trade and investment relationship in a more fair, equitable and reciprocal manner," he told the meeting.

Mr Wang conceded that discussions with the US had become more difficult, calling the latest talks "an even more daunting task" and warning of the dangers of confrontation. "We can think like a champion but we don't need to defeat each other in [tackling] our differences. Pursuing co-operation is the best way forward," he said.

US-China relations have frayed in recent months as frustration mounts in Washington over Beijing's inability or refusal to put pressure on North Korea to abandon its missile and nuclear programmes. Mr Trump put a lot of faith in Chinese president Xi Jinping when the leaders met at Mar-a-Lago in early April, describing his counterpart as a "great guy" who would help him tackle the growing nuclear threat from Pyongyang.

China has taken several steps — including restricting coal imports from North Korea — that US officials have welcomed. But they have also called those efforts "uneven". Tensions have also grown on the military front as the US has stepped up maritime and aerial activities aimed at contesting Chinese claims to disputed waters in the South China Sea.



Announcements & Reports

Precautionary recapitalisation: time for a review?

Source : Bruegel
Weblink : <http://bruegel.org/2017/07/precautionary-recapitalisation-time-for-a-review/>

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/>