

Turkey's energy and economic policies in alignment

Anadolu Agency, 03.08.2018



Turkey's energy and economic policies are in sync at a time when the country aims to utilize more domestic and renewable sources for electricity production.

Speaking exclusively to AA, Ozdemir said the country aims to exploit domestic and renewable sources to mitigate the increased costs of oil and natural gas imports. The increase in oil prices has resulted in a larger energy import bill in Turkey despite the fall in volumes of oil and natural gas imports in the first half of the year, Ozdemir said.

Turkey's energy import bill in the first half of 2018 increased by nearly 19.7 percent compared to the same period of 2017, according to Turkish Statistical Institute's (Turkstat) data. Turkstat's data showed that the country paid \$20.6 billion for its energy imports in the January-June period compared to \$17.2 billion during the same period of 2017. Turkey's oil imports declined by 33.6 percent in the January-May period of 2018 compared to the same period of 2017 from 11.15 million tonnes to 7.40 million tonnes in 2018, according to Turkstat's data. Turkey's natural gas imports decreased by 4.96 percent in the January-May period in 2018 compared to the same period of the year, according to the latest report by Turkey's Energy Market Regulatory Authority (EMRA). The country imported 23.02 billion cubic meters (bcm) of natural gas in the first five months of 2018, while it imported 24.22 bcm in the same period of 2017.

Ozdemir also cited the volatility of the U.S. dollar/Turkish lira exchange rate as a factor in the larger energy import bill. "We expect the energy import bill will be realized at more than \$40 billion by the end of the year," he noted. He added that this volatility is also making it harder for Turkey to incrementally reduce its energy import bill. He also warned that the threat of U.S. financial sanctions on Turkey aims to "create an economic crisis in Turkey" to weaken the Turkish lira. On Wednesday, White House spokesperson Sarah Sanders said the U.S. had imposed sanctions on Suleyman Soylu, the interior minister, and Abdulhamit Gul, the justice minister, for not releasing American Pastor Andrew Craig Brunson, who faces terrorism charges in Turkey. "Turkey needs to take precautions against the volatility in exchange rates. Despite their efforts, I believe the U.S. will not be able to attain their desired geopolitical outcome," Ozdemir concluded.

Turkish Treasury holds auction to borrow over \$377M

CNN, 06.08.2018



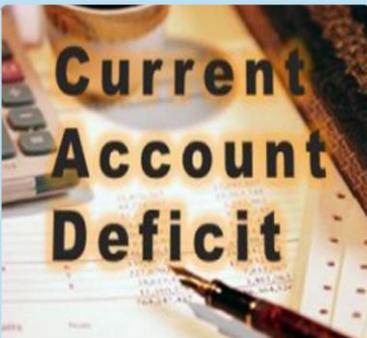
The Turkish Treasury borrowed 1.95 billion Turkish liras (\$377.7 million) from domestic markets on Monday, according to an official statement.

The Treasury Undersecretariat said an auction was held for 10-month, zero-coupon government bonds -- re-open, third issue. The government bonds will be settled on Wednesday and mature on June 12, 2019. According to the Treasury, the total tender amounted to around 3.8 billion Turkish liras, with a 51.4 percent accepted/tendered rate.

The Treasury said the interest rate of 308-day bonds was accepted at a 16.37-percent term rate, while annual simple and compound interest rates stood at 19.34 and 19.62 percent, respectively. The Treasury is set to hold two more auctions on Tuesday.

Turkey's 12-month current account deficit stands at \$57.4 billion

CNBC, 10.08.2018



Turkey's current account deficit stood at \$2.97 billion in June in line with forecasts, data from the Central Bank has shown.

"The June data indicated a decrease of \$818 million compared to June of the previous year, bringing the 12-month rolling deficit to \$57,386 million," the bank said in a statement on Aug. 10. The country's current account gap in the first six months of this year hit \$31.2 billion, up from \$21.3 billion compared to the same period last year. The goods deficit decreased by \$228 million to \$4.4 billion in June compared to the same month of 2017.

While the primary income gap slipped by \$125 million on yearly basis to \$1 billion, the bank noted. “Services item recorded a net inflow of \$2.38 billion increasing by \$712 million compared to the same month of last year, mainly stemming from a \$490 million net increase in travel revenues observing as \$1.88 billion in June 2018,” it added. Investment income under primary income item indicated a net outflow of \$951 million decreasing by \$119 million in comparison to the same period the previous year, the Central Bank also said. Under the financial account item, direct investment recorded a net inflow of \$951 million. Official reserves recorded a net outflow of nearly \$7 billion, according to the bank data. Turkey’s annual current account deficit in 2017 was over \$47.4 billion, compared to the previous year’s figure of \$33.1 billion. Deficit neared \$57.4 billion, according to Central Bank data on Aug. 10.

Turkish Lira recuperates losses after Turkey-US meeting report

Hurriyet Daily News, 07.08.2018



Turkey’s currency has rebounded on Aug. 7 after it hit a record of 5.42 against the U.S. dollar on Aug. 6, marking the biggest daily drop of 5.5 percent in 10 years.

Lira was traded for 5.26 against the dollar in the early trading, after local reports pointed to a meeting between a Turkish delegation and their American counterparts that will take place in Washington in two days. The tension between the NATO allies has rose in a couple of issues ranging from the differences in the policies.

It was related the Syrian conflict to imprisoned U.S. pastor Andrew Brunson, and Turkey’s unmet request for the extradition of U.S. based Islamic preacher Fethullah Gülen who has been accused of masterminding the coup attempt on July 15, 2016 in Turkey. Washington on Aug. 3 said it was reviewing Turkey’s duty-free access to the U.S. market, a move that could affect \$1.7 billion of Turkish exports. After the announcement triggered a sell-off in Turkish Lira on Aug. 6, the Turkish Central Bank stepped in and loosened the upper limit of banks’ reserve requirements, increasing the liquidity \$2.2 billion. However, that did little to prop up the lira, which also hit a record low versus the euro hitting 6.16. The Turkish currency has lost some 27 percent of its value this year.

Turkey-US concerns weigh on Turkish lira

Money Control, 09.08.2018



Concern over uncertainties about whether a meeting between Turkey and the U.S. could heal their wide diplomatic rift weighs on the Turkish currency.

The Turkish Lira stood at 5.4650 against the dollar at 1356 GMT, down more than 3 percent from the previous day's close and after sliding to an all-time low of 5.48. The Turkish currency lost more than 30 percent against the greenback since the end of last year. Turkish officials held meetings on Aug. 8 with the State Department's No. 2 official, John Sullivan, following a move by the U.S.

To hit two senior Turkish government ministers with sanctions over the detention of an American pastor. "We held additional talks with Turkish officials. The conversations continue," State Department spokeswoman Heather Nauert said in a statement after the meeting. The delegation of roughly half a dozen officials was led by newly appointed Turkish Deputy Foreign Minister Sedat Önal and Turkey's ambassador to Washington Serdar Kılıç. They did not answer questions from reporters as they left the meeting with Sullivan. A U.S. Treasury spokeswoman said the delegation would also meet Treasury officials later on Aug. 7.

Turkey, US reach preliminary agreement on sanctions crisis

Hurriyet Daily News, 07.08.2018



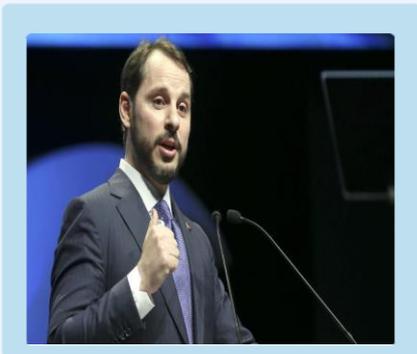
Turkey and the United States have reached a preliminary agreement after the crisis over the arrest of Pastor Andrew Brunson that lead to sanctions, diplomatic sources said.

According to sources speaking to daily Hürriyet, the agreement covers "certain subjects" and a Turkish delegation is scheduled to visit Washington DC in the coming days to "finalize the details." Brunson, who led a Protestant church in the Aegean city of İzmir, is at the center of one of the most serious crises in relations between the NATO allies in years. The pastor was moved to house arrest last month.

He was arrested after nearly two years in jail on terror-related charges, but the change only increased tensions. The U.S. responded to the failure to fully free Brunson by hitting two top Turkish ministers with sanctions, prompting Ankara to announce a similar measure.

Turkey to reveal 'new economic model'

CNN, 09.08.2018



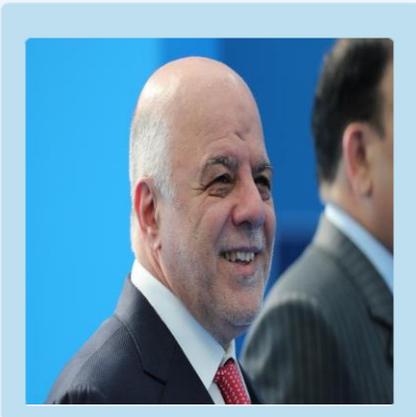
Berat Albayrak is set to announce on Friday a "framework for a new economic model", the ministry announced.

The new set of economic steps are aimed at securing an economic growth of 3-4 percent in 2019 and decreasing the inflation rate to single-digits, the ministry said in a press release. "It is expected that current account deficit would be balanced around 4 percent," the ministry said. The ministry added that it will continue to take steps to cut the budget deficit to around 1.5 percent of the country's GDP.

"The Treasury's debt rollover ratio to be reduced below 100 pct," the ministry said. The statement also mentioned the ministry targeted a non-interest surplus of 5 billion Turkish liras (\$927.3 billion) by end of 2018 through savings and income-generating measures. The Turkish banking system is capable of managing financial fluctuations effectively thanks to its strong capital structure and balance sheet, according to the ministry statement. Contrary to speculations, Turkish banks and companies face no problems in terms of currency and liquidity, it said. It added: "Until the end of the year, our main goal will be to meet these targets by taking action with regard to fiscal policies."

Iraq opposes U.S. sanctions on Iran but will abide by them: PM

Reuters, 07.08.2018



Iraq does not agree with U.S. sanctions against Iran but will abide by them to protect its own interests, Prime Minister Haider al-Abadi said on Tuesday.

"As a matter of principle we are against sanctions in the region. Blockade and sanctions destroy societies and do not weaken regimes," he said at a news conference. "We consider them (sanctions on Iran) a strategic mistake and incorrect but we will abide by them to protect the interests of our people. We will not interact with them or support them but we will abide by them," he added. U.S. President Donald Trump pledged on Tuesday.

That firms doing business with Tehran would be barred from the United States, as new U.S. sanctions against Iran took effect. The United States and Iran, increasingly at odds, are Iraq's two biggest allies, and the sanctions put Abadi's outgoing government in a difficult position. Tuesday's sanctions target Iran's purchases of U.S. dollars, metals trading, coal, industrial software and the auto sector. Global oil prices rose on Tuesday on concern sanctions could cut world supply, although the toughest measures targeting Iran's oil exports do not take effect for four more months.

Iraq announces final results of parliamentary elections

CNBC, 10.08.2018



Iraq's Independent High Electoral Commission said Thursday that a manual recount of the May 12 parliamentary election results is compatible with the electronic count.

In a statement, the commission said only one seat from the Baghdad Coalition moved to the Al-Fatih bloc, which belongs to the Hashd al-Shaabi-led coalition, increasing its seats to 48 as "minor differences" occurred. The commission will submit the final results to Iraq's Federal Court for approval. For more than two months, the results of Iraq's hard-fought parliamentary polls have remained the subject.

According to the results, Shia cleric Muqtada al-Sadr's Sairoon Coalition won 54 parliamentary seats, followed by a Hashd al-Shaabi-led coalition (47 seats) and Prime Minister Haider al-Abadi's Victory Bloc (42 seats). On June 6, members of Iraq's outgoing parliament voted in favor of manually recounting all votes cast in the election. Once Iraq's Federal Court approves the results of the just-concluded recount, incoming MPs will hold a first session to elect a new assembly speaker. Within 30 days of that first session, the assembly will elect -- by a two-thirds majority -- Iraq's next president. The president will then task the largest bloc in parliament with drawing up a government, which must be referred back to parliament for approval.

Drawing lessons from the Asian financial crisis

Financial Times, 09.08.2018



This August marks the 20th year anniversary of the Asian crisis. Given the current high volatility context, it is especially important to commemorate this historical event in order to draw important lessons it can offer.

The Asian crisis affected many countries, including South Korea, Thailand, Malaysia, Indonesia, Singapore, and the Philippines. After having some of the most impressive growth rates in the world at the time, the so-called “tiger economies” saw their stock markets and currencies crash by around 70 percent.

The root cause of this event can be simply summarized as countries with significant current account deficits falling prey to currency speculation. In terms of the sequence of events during the formative stages of crisis: The early phases of the crisis (1994-1996) started with asset bubbles, fueled by hot money. Growth in the region's export economies led to high levels of foreign direct investment (real estate). The easy flow of money caused bold corporate spending, ignoring Asset-Liability matching. Large public infrastructure projects were undertaken, usually sponsored by national leaders. The investment euphoria caused these countries to run huge current account deficits. For instance, the current account deficits of Malaysia and Korea in 1996 stood at 8.8 percent and 4.8 percent respectively.

The financial crisis' tipping point came in Thailand with the default of property-developer Samprasong Land, which is when investors understood the gravity of the situation. Then came the cowboy currency traders, which heavily shorted the Asian currencies. These short positions were successful and they caused the collapse of these currencies, making billions of dollars for these hedge fund players. Thailand was the first country to fall when they had to end the Thai baht's peg to the U.S. dollar.

Then followed the devaluation wave for all Asian currencies. The solution to this crisis required the intervention of the International Monetary Fund (IMF), which provided \$110 billion in short-term “conditional loans” to Thailand, Indonesia, and South Korea. As a condition to these loans, they required some very austere measures such as: a) fiscal discipline and banking sector restructuring, and b) rising interest rates in order to avoid capital outflows. While these measures somewhat contained the crisis and prevented possible contagion, some saw these measures as excessive. Malaysia and its hardheaded leader, Dr. Mahathir bin Mohamad, did not choose to go the IMF way. He blamed Western capitalists and currency speculators, accusing them of plotting against Asian economies. The main pillar of his alternative economic policy was the imposition of currency controls. Working together with the monetary official, Nor Mohamed Yakcop, they adopted the then Chinese approach that allowed for foreign direct investment while keeping governmental currency controls. As a result, in September 1998, Malaysia announced currency controls on the capital account, demonetization of the ringgit outside of Malaysia, a one-year freeze on the repatriation of portfolio funds, pegging of the ringgit to the U.S. dollar, and similar measures. To summarize, both the IMF approach and the Malaysian approach worked. Malays took a calculated risk and weathered the storm surprisingly well. While the IMF solution was a more conventional one, the unorthodox policy of Malaysia also delivered. Moreover, this country had an easier time than Suharto’s Indonesia whose population was the hardest hit. In sum, in every difficult situation, there are always multiple solutions, and standard textbook recommendations are not always the most efficient.

North Korea threatens to keep nukes

The Guardian, 10.08.2018



North Korea's Foreign Ministry stated Thursday that "one cannot expect any progress in the implementation" of Pyongyang's denuclearization agreement with the U.S. if Washington maintains its emphasis on sanctions.

The reclusive state took steps such as dismantling its nuclear test site even before the unprecedented North Korea-U.S. summit on June 12, but the two sides have still failed to decide any timeline for Pyongyang to give up its existing nukes. Earlier in the day, the North's official Rodong Sinmun newspaper insisted the first step.

It was towards peace should be formally ending the 1950-53 Korean War, but Washington has maintained that Pyongyang must denuclearize before securing either a peace treaty or sanctions relief. North Korea then released a statement following up on Foreign Minister Ri Yong-ho's criticism of the U.S. last weekend for not carrying out simultaneous measures after Pyongyang also allowed the U.S. to pick up war remains last month -- even though Washington did suspend joint military drills with South Korea this summer.

The ministry threatened to hold back on denuclearization "as long as the U.S. denies even the basic decorum for its dialogue partner and clings to the outdated acting script which the previous administrations have all tried and failed," according to a spokesperson quoted by the North's state-run KCNA news agency. However, the statement offered the U.S. a way forward if it responds sincerely "even at this belated time".

Trump says GDP growth 'could be in the 5s' next quarter

CNBC, 02.08.2018



President Donald Trump said Tuesday he thinks gross domestic product growth in the next quarter "could be in the 5s" — that is, higher than 5 percent.

Trump made the bold prediction Tuesday evening before a dinner at his Bedminster, New Jersey, golf resort with leaders from FedEx, Mastercard, Boeing, PepsiCo, and other companies. Trump also hailed his own economic and trade policies, saying he is "taking our economy to incredible new heights" in spite of fears of damage from the escalating trade disputes he has provoked. "You're gonna see some really super growth," he promised.

He acknowledged, "We're in a little bit of a fight with China" over tariffs, but predicted a "fantastic trading relationship" eventually. The government reported last month that the economy grew at an annual rate of 4.1 percent in the second quarter, the fastest pace in nearly four years. At the end of his remarks, Trump asked the business leaders to introduce themselves. A number of them, including Fiat Chrysler CEO Michael Manley and Boston Beer founder Jim Koch, touted the president's economic policies, including his tax cut. The introductions began to resemble the scene at many of Trump's Cabinet meetings, in which the president's appointees take turns praising him. Trump jokingly noted that everyone at the dinner appeared to like him.

US's first round of sanctions on Iran goes into effect

Anadolu Agency, 07.08.2018



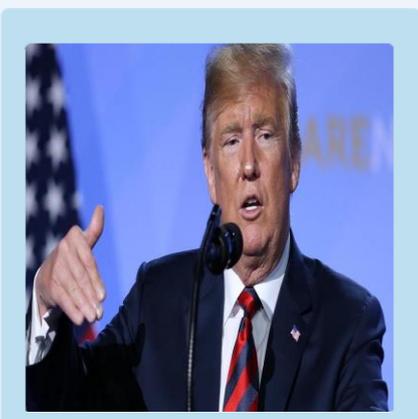
The first round of the U.S. pre-nuclear deal sanctions on Iran, largely targeting the country's banking sector, went into effect on Tuesday.

The economic penalties, which will be rigorously enforced, officially went into effect at one minute after midnight Washington time (0401GMT) Tuesday morning. The sanctions target Tehran's acquisition of U.S. dollars, precious metals trade, transactions related to Iran's rial, activities related to Iran's sovereign debt, and the country's automotive sector. 1 million Iranians may lose jobs.

Iran's Minister of Labor and Social Affairs Ali Rabiei has said that around 1 million Iranians may lose their jobs due to the sanctions. The actions follow President Donald Trump's decision May 8 to withdraw the U.S. from the 2015 Joint Comprehensive Plan of Action (JCPOA) that world powers, including the U.S, struck with Iran. The agreement placed unprecedented curbs on Iran's nuclear program, subjecting it to a rigorous inspection regime in exchange for billions of dollars in relief from international sanctions. A second wave of sanctions is set to take effect Nov. 5, targeting Iran's port operators, petroleum-related transactions, and Iran's shipping sector and central bank

US president warns against doing business with Iran

Anadolu Agency, 07.08.2018



U.S. President Donald Trump on Tuesday warned against doing business with Iran after Washington imposed the first round of pre-nuclear deal sanctions on Iran, largely targeting the country's banking sector.

"The Iran sanctions have officially been cast. These are the most biting sanctions ever imposed, and in November they ratchet up to yet another level. Anyone doing business with Iran will NOT be doing business with the United States," Trump wrote on Twitter. "I am asking for WORLD PEACE, nothing less," he added. Trump's tweet came shortly after the European Union and heavyweight members"

“Germany, France, and Britain on Monday expressed “deep” regret and vowed to protect Europeans doing “legitimate” business with Iran. The sanctions against Iran follow Trump’s decision May 8 to withdraw the U.S. from the 2015 Joint Comprehensive Plan of Action (JCPOA) that world powers, including the U.S, struck with Iran. The agreement placed unprecedented curbs on Iran’s nuclear program, subjecting it to a rigorous inspection regime in exchange for billions of dollars in relief from international sanctions. A second wave of sanctions is set to take effect Nov. 5, targeting Iran’s port operators, petroleum-related transactions, and Iran’s shipping sector and central bank.

UK ‘likely to leave EU without deal’

Agence France, 05.08.2018



Britain is now likely leave the European Union without a deal due to the “intransigence” of the European Union, International Trade Secretary Liam Fox told.

The pro-Brexit minister said that the chances of a no-deal Brexit were now “60-40,” laying the blame on EU chief negotiator Michel Barnier. “I think the intransigence of the commission is pushing us towards no deal,” he said in an interview with the Sunday Times. “If the EU decides that the theological obsession of the unelected is to take priority over the economic wellbeing of the people of Europe then it’s a bureaucrats”

He said that Barnier had rejected Prime Minister Theresa May’s latest plan, agreed by her cabinet, on the grounds that “we have never done it before.” It was therefore up to the EU to “show us one that they can suggest that would be acceptable to us,” said Fox. “It’s up to the EU27 to determine whether they want the EU Commission’s ideological purity to be maintained at the expense of their real economies.” May met with French President Emmanuel Macron on the Mediterranean coast on Aug. 3 to lobby for her Brexit plan, which has divided her government and so far failed to win over EU negotiators. The prime minister has just a few months before an agreement on Britain’s divorce from the European Union -- set for March 29, 2019 -- must be forged in principle ahead of a EU summit in mid-October.



Announcements & Reports

► *Don't Give Up Yet: There's Still a Chance to Salvage Eastern Syria*

Source : CSIS

Weblink : <https://www.csis.org/analysis/dont-give-yet-theres-still-chance-salvage-eastern-syria>

► *Iran Sanctions at the Halfway Point*

Source : CSIS

Weblink : <https://www.csis.org/analysis/iran-sanctions-halfway-point>

Upcoming Events

► *The Economic Impact of Fighting Corruption in Guatemala*

Date : 11 August 2018

Place : CSIS HQ

Website : <https://www.csis.org/events/economic-impact-fighting-corruption-guatemala>

► *U.S. Arms Transfer Policy*

Date : 11 August 2018

Place : CSIS HQ

Website : <https://www.csis.org/events/us-arms-transfer-policy>

► *Fighting Financial Crime 2018*

Date : 10 September 2018

Place : London

Website : <https://www.chathamhouse.org/conferences/fighting-financial-crime-2018>

► *Digitalization in the Industrial Sector: Implications for Energy, Technology, and Policy*

Date : 18 July 2018

Place : CSIS Headquarter

Website : <https://www.csis.org/events/digitalization-industrial-sector-implications-energy-technology-and-policy>



► *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>