

Turkey's foreign trade gap rises 43 percent in May

Hurriyet Daily News, 30.06.2017



Turkey's foreign trade deficit hit \$7.3 billion in May with a nearly 43 percent year-on-year increase, official data showed on June 30.

According to provisional data, produced with the cooperation of TÜ K and the Ministry of Customs and Trade, exports were \$13.6 billion with a 12.5 percent year-on-year increase in May and imports were \$20.9 billion with a 21.7 percent increase. Turkey's foreign trade deficit in the first five months of the year was \$24.8 billion with a 15.7 percent year-on-year increase, according to TÜ K data.

In May, exports coverage of imports was 65.1 percent, while it was 70.4 percent in May 2016. As compared to the same month of the previous year, exports to the EU-28 increased by 4.4 percent from \$5.8 billion to \$6.1 billion. The proportion of the EU countries was 45 percent in May 2017 while it was 48.5 percent in May 2016, according to TÜ K data. The main partner country for exports was again Germany with \$1.2 billion, followed by the United Arab Emirates with more than \$1 billion, the U.S. with \$858 million, and Iraq with \$831 million. In May 2017, the top country for Turkey's imports was again China with over \$1.9 billion, followed by Germany, Russia and the U.S.

Turkey's gross external debt stock reaches \$412.4 billion

Anadolu Agency, 30.06.2017



Turkey's gross external debt stock stood at \$412.4 billion, nearly half its gross domestic product, at the end of March, the Treasury announced.

The country's net foreign debt reached \$266.7 billion at the end of March, accounting for more than 31 percent of GDP, the Treasury stated. Loans under guarantee of the Undersecretariat of the Treasury stood at \$12.4 billion during the same period. The Treasury said Turkey's EU-defined general government debt stock, which is one of the lowest in Europe, was \$220 billion, or 28.9 percent of GDP, as of March 31.

The European Commission forecasts Turkey's general government gross debt to decline to 26.5 percent of GDP in 2017, down from 28.3 percent in 2016.

Turkey's economic confidence index slips in June

AFP, 29.06.2017



Confidence in Turkey's economy was lower month-on-month in June, according to official data released.

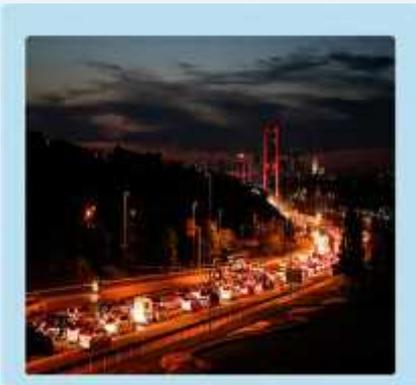
“Economic confidence index decreased by 1.6 percent compared to the previous month, falling from 100.5 to 98.9 in June,” the Turkish Statistical Institute (TÜ K) said in a report. The month-on-month fall was driven by deteriorations in consumer, services and retail trade confidence indices, according to the report. Sub-indices for real sector and construction showed improvements, however, compared to May, rose 3.8 percent and 0.4 percent respectively.

“Real sector confidence index increased to 108.8 and construction confidence index increased to 86.7 in June,” TÜ K said. TÜ K recalled that consumer confidence index was also down in June, going down 3.8 percent, as reported last week. Services and retail trade confidence indices were also down, falling 3.1 and 2.1 percent respectively, it said. “Consumer confidence index decreased to 70, whereas services confidence index was down to 98.8 and retail trade confidence index fell to 100.7 in June,” it added.

The consumer confidence index is seen as a vital gauge of the overall health of the economy, indicating people's sentiments about spending their money, which in turn gives clues about economic vitality.

Bridge, highway tolls rake in \$162 million in Turkey

Hurriyet Daily News, 28.06.2017



Some 570.1 million Turkish Liras (some \$162 million) was earned in tolls collected from two bridges over Istanbul's Bosphorus Strait and toll roads across Turkey in the first five months of 2017, the Highways Directorate stated on June 28.

The July 15 Martyrs' Bridge and the Fatih Sultan Mehmet Bridge, both spanning the Bosphorus and connecting Europe and Asia, together yielded 149.2 million liras (\$44.2 million), while toll highways throughout Turkey raked in around 421 million liras (\$119.2 million) from January to May, according to the data.

The figure showed that almost 160 million vehicles went through toll booths in Turkey in the same period. In May, over 37 million vehicles used Turkey's bridges and highways, paying a total of 131.3 million liras (\$37.2 million). Drivers in Turkey pay 7 liras (\$1.98) for bridge tolls, with higher fees for vehicles with more than two axles. Last year, 417 million vehicles used the country's toll bridges and roads, paying a total of 1.2 billion liras (\$320.43 million). The bridge toll at that time was 4.75 liras (\$1.56) per passage.

Turkish Cargo opens Johannesburg, Madagascar routes

Hurriyet Daily News, 30.06.2017



Istanbul-based Turkish Cargo, a division of national flag-carrier Turkish Airlines, will launch scheduled freighter flights to South Africa and Madagascar from Saturday, the company said.

"Turkish Cargo, providing services to 120 countries in the world thanks to its extensive transportation network, launches its scheduled cargo flights to Johannesburg, the biggest industrial and commercial center in South Africa, and Madagascar, the largest island of Vanilla Islands, on July 1," the company said in a statement.

Turkish Cargo's cargo volume in the first five months of the year increased by 26.1 percent to 323,000 tons compared to the same period in 2016, according to the company.

Microsoft vows to continue investments in Turkey

Anadolu Agency, 29.06.2017



Microsoft will continue to invest in retail sales operations in Turkey in order to establish direct contact with more local consumers, according to a Microsoft Turkey executive.

“Microsoft has been very active for many years in Turkey, where it has great faith in consumers. It will continue its investments,” Deputy General Manager Halil Göko lu told. The leading software and technology company opened its first store in Ankara three weeks ago with the concept of a “store-within-a-store” and it started to give direct services to consumers through its retail business partner, MediaMarkt.

Göko lu said the new store would allow the company's latest products to be delivered to Turkish consumers at the same time as the rest of the world. “The store does not just sell Microsoft products. The newest products produced by our business partners for the Microsoft ecosystem are also offered to customers,” he added. “The aim is to give our customers the best experience in technology shopping. We're focusing on solutions to provide maximum benefit for both our customers and business partners with minimum effort,” Göko lu said. The company is planning to open more stores in Turkey but “it is early to give an exact date,” he also said.

Minister: Turkey runs \$1.8 billion budget surplus in May thanks to sharp rise in tax revenue

Anadolu Agency, 29.06.2017



Turkey ran a budget surplus of 6.4 billion Turkish Liras (\$1.8 billion) in May, mainly thanks to a significant boost in tax revenues, Finance Minister Naci A bal stated.

The surplus was boosted by a 20.3 percent leap in tax revenue, taking tax revenue to 50.9 billion liras (\$14.5 billion), A bal said in a written statement. "In May, tax revenue soared 20.3 percent with corporate taxes, VAT on imports and income taxes seeing significant increases. Revenue from the recent tax restructuring scheme also made a key contribution to the tax revenue hike," he added.

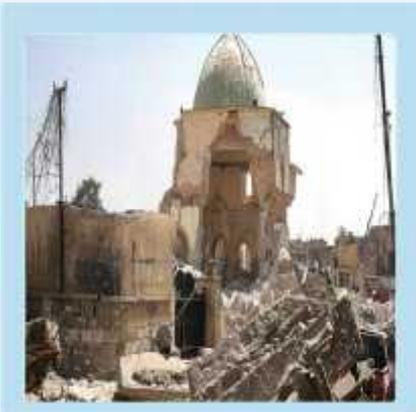
The budget also posted a 10 billion lira (\$2.87 billion) non-interest surplus in May. Total government revenue for the month stood at 57.5 billion liras (\$16.4 billion), a 16.1 percent increase year-on-year. Budget spending was 51.1 billion liras (\$14.6 billion), an increase of 11.4 percent compared to the same period last year, according to the ministry.

Between January and May, however, Turkey ran a budget deficit of 11.5 billion liras (\$3.29 billion), A bal noted. The same period last year saw a budget surplus of 9.1 billion liras (\$3.1 billion). "Incentives introduced by the government to support economic growth had a significant impact on the deficit," he said, adding that the recent economic activity would lead to a rise in tax revenue in the upcoming period. "The key for us is to maintain budget discipline. We will continue to realize economic policies by making no concessions in this area," A bal vowed.

In the first five months of the year, total revenue rose to 255.3 billion liras (\$73.2 billion) with a 10.5 percent increase compared to the same period of 2016. Total spending hit 266.8 billion liras (\$76.5 billion) in the January-May period, with a 20.2 percent year-on-year increase.

Iraq declares end of caliphate after capture of historic Mosul

Reuters, 29.06.2017



After eight months of grinding urban warfare, Iraqi government troops on June 29 captured the ruined mosque in Mosul from where ISIL proclaimed its self-styled caliphate three years ago, the Iraqi military said.

Iraqi authorities expect the long battle for Mosul to end in the coming days as the remaining ISIL militant are now bottled up in just a handful of neighborhoods of the Old City. The seizure of the 850-year-old Grand al-Nuri Mosque is a huge symbolic victory for the Iraqi forces fighting to recapture Mosul, which had served as Islamic State's de facto capital in Iraq.

"Their fictitious state has fallen," an Iraqi military spokesman, Brigadier General Yahya Rasool, told state TV. The insurgents blew up the medieval mosque and its famed leaning minaret a week ago as U.S.-backed Iraqi forces started a push in its direction. Their black flag had been flying from al-Hadba (The Hunchback) minaret since June 2014.

Prime Minister Haider al-Abadi "issued instructions to bring the battle to its conclusion," his office said. The fall of Mosul would in effect mark the end of the Iraqi half of the IS caliphate even though the hardline group would still control territory west and south of the city. Its capital in Syria, Raqqa, is also besieged by a U.S.-backed Kurdish-led coalition. The cost of the battle has been enormous, however. In addition to military casualties, thousands of civilians are estimated to have been killed.

About 900,000 people, nearly half the pre-war population of the northern city, have fled the battle, mostly taking refuge in camps or with relatives and friends, according to aid groups. Those trapped in the city suffered hunger and deprivation as well as death or injury, and many buildings have been ruined. Counter Terrorism Service (CTS) troops captured the al-Nuri Mosque's ground in a "lightning operation" on Thursday, a commander of the U.S.-trained elite units told state TV. Civilians living nearby were evacuated in the past days through corridors, he added. CTS units are now in control of the mosque area and the al-Hadba and Sirjkhana neighborhoods and they are still advancing, a military statement said.

A U.S.-led international coalition is providing air and ground support to the Iraqi forces fighting through the Old City's maze of narrow alleyways. But the advance remains an arduous task as the insurgents are dug in the middle of civilians, using mortar fire, snipers, booby traps and suicide bombers to defend their last redoubt. The military estimated up to 350 militants were still in the Old City last week but many have been killed since.

They are besieged in one sq km (0.4 square mile) making up less than 40 percent of the Old City and less than one percent of the total area of Mosul, the largest urban centre over which they held sway in both Iraq and Syria.

Those residents who have escaped the Old City say many of the civilians trapped behind IS lines -- put last week at 50,000 by the Iraqi military -- are in a desperate situation with little food, water or medicines. Baghdadi proclaimed himself "caliph," or ruler of all Muslims, from the Grand al-Nuri Mosque's pulpit on July 4, 2014, after the insurgents overran vast swathes of Iraq and Syria. His speech from the mosque was the first time he revealed himself to the world and the footage broadcast then is to this day the only video recording of him as "caliph". He has left the fighting in Mosul to local commanders and is believed to be hiding in the border area between Iraq and Syria, according to U.S. and Iraqi military sources.

ISIL last week broadcast a video showing much of the mosque and brickwork minaret reduced to rubble. Only the stump of the Hunchback remained, and a dome of the mosque supported by a few pillars which resisted the blast. The mosque was named after Nuruddin al-Zanki, a noble who fought the early Crusaders from a fiefdom that covered territory in modern-day Turkey, Syria and Iraq. It was built in 1172-73, shortly before his death, and housed an Islamic school. The Old City's stone buildings date mostly from the medieval period. They include market stalls, a few mosques and churches, and small houses built and rebuilt on top of each other over the ages.

US says Assad may be preparing chemical attack, warns 'heavy price'

AFP, 29.06.2017



Syrian President Bashar al-Assad may be preparing another chemical weapons attack, one that would result in the "mass murder" of civilians, the White House said, warning the regime would pay a "heavy price" if it went ahead with such an assault.

The White House said the preparations were similar to those undertaken by the Assad regime ahead of an apparent chemical attack on a rebel-held town in April. Washington launched a retaliatory cruise missile strike days later against a Syrian airbase from where it said the chemical weapons attack was launched.

That assault with 59 Tomahawk missiles marked the first direct U.S. attack on the Syrian regime and Trump's most dramatic military action since he took power in January. It also led to a quick downward spiral in ties between Washington and Moscow, which accused the U.S. of breaking international law.



Russia has supported the Syrian regime since 2015 with air strikes against what it says are Islamist extremists. "The United States has identified potential preparations for another chemical weapons attack by the Assad regime that would likely result in the mass murder of civilians, including innocent children," spokesman Sean Spicer said in a statement late on June 26.

The two-paragraph communique did not offer any evidence justifying the sternly worded warning. "The activities are similar to preparations the regime made before its April 4, 2017 chemical weapons attack." The suspected attack in April in the rebel held town of Khan Sheikhun killed at least 87 people, including many children, and images of the dead and of suffering victims provoked global outrage. The U.S. State Department said it amounted to a war crime.

State Department officials who would normally be involved in a big announcement such as Monday's warning to Syria said they were caught by surprise, the Los Angeles Times reported. British Foreign Minister Michael Fallon told the BBC on June 27 that he would support U.S. military action in case of a Syria chemical attack. "As always in war, the military action you use must be justified, it must be legal, it must proportionate, it must be necessary. In the last case it was," Fallon said. "If the Americans take similar action again, I want to be very clear -- we will support it."

In early reaction from Moscow, Franz Klintsevich, deputy chairman of the defense commission of the upper house of the Russian parliament, said the U.S. warning heralded a new attack on Syrian forces under the pretext of the alleged preparations for a chemical attack. "This is clear. A cynical and unprecedented provocation is under way," he said in Moscow.

Assad, backed by Russia, has strongly denied the allegation that his forces used chemical weapons against the town in April, describing it as a "100 percent fabrication." He has said repeatedly that his forces turned over all chemical weapons stockpiles in 2013, under a deal brokered by Russia to avoid threatened U.S. military action. The agreement was later enshrined in a United Nations Security Council resolution. But U.S. Defense Secretary Jim Mattis previously warned that there was "no doubt" that Syria had in fact retained some chemical weapons. An Israeli military assessment also found that Assad's regime was still in possession of "a few tonnes" of chemical weapons. "As we have previously stated, the United States is in Syria to eliminate the Islamic State of Iraq and the Levant (ISIL)," Spicer added in his statement on June 26. "If, however, Mr Assad conducts another mass murder attack using chemical weapons, he and his military will pay a heavy price."

Syria's war began in March 2011 with anti-government protests that spiraled into a complex and devastating conflict that has killed more than 320,000 people. Russia is flying a bombing campaign in Syria in support of Assad, while the U.S. is heading a coalition mainly targeting ISIL. Neither Washington nor Moscow have managed to find a solution to the conflict. Rebels are now on the back foot after regime advances with support from allies Russia and Iran. The U.S.-led coalition and allied fighters are battling to oust the ISIL group from its Syrian bastion Raqqa. The coalition is also backing a major assault on the last IS-held pockets of Mosul in neighboring Iraq.

Russia sanctions bill still stuck in Congress before Trump-Putin meeting

CNN, 29.06.2017



Ahead of President Donald Trump's first face-to-face encounter with Russian President Vladimir Putin next week at the G20 summit, Congress appeared to get Russia sanctions legislation back on track Thursday.

But the lingering dispute — which wasn't resolved until two weeks after the Senate overwhelmingly passed the Russia sanctions bill 98-2 — has Democrats accusing House Republicans of stalling the bill on the White House's behalf so that Trump wouldn't sign it into law ahead of the Putin meeting.

The Senate passed technical changes to the bill by unanimous consent on Thursday, kicking the measure back to the House with minor tweaks that House leaders said were necessary to comply with the Constitution. House leaders insisted the changes were necessary because of a constitutional requirement that bills generating revenue originate in the House. Democrats, however, said the so-called "blue slip" issue could have been easily and quickly dealt with in the House.

It's unclear how quickly House Republican leaders will move to bring the measure up for a vote, but any action at this point would position final congressional votes after the President's meeting with Putin next week. The blame game over the bill dragged out over the course of the week, and the House was preparing to leave for its weeklong recess with a final vote series Thursday afternoon by the time the Senate had approved the new language. "We should have passed it already, and letting it go into the break without taking care of what needs to be taken care of worries me a bit," said New York Rep. Eliot Engel, the top Democrat on the House Foreign Affairs Committee. "(House Speaker Paul Ryan) told me that he agreed the bill should be moved, but the devil is in the details."

One House committee chairman is already working to put the brakes on the Russia sanctions bill that the Senate tweaked and passed again Thursday. "We should not move it straight to the floor," House Rules Committee Chairman Pete Sessions, R-Texas, told CNN. He has expressed his concerns about some provisions in the bill that he says are "huge problems to companies in Dallas, Texas, that I represent" and argued it could put them at a competitive disadvantage. "The bill bypasses jurisdictional elements and puts an ability for any Member of Congress to become engaged in data and information that today is considered proprietary and private that is material to people who do overseas business," the Texas Republican said. He said it's was either specifically written that way, or those in the Senate who drafted it made a mistake.



Pressed on Democrats' charge that those holding up the bill to do the White House's bidding on Russia, Sessions replied, "I am concerned about companies from Dallas, Texas that I continue to support." The Senate's bill, which includes sanctions on both Iran and Russia, is a rebuke of Trump and his favorable comments about the Kremlin. In addition to establishing new sanctions against Russia, the bill would create a new congressional review process for Congress to block the Executive Branch if it tries to ease sanctions on Moscow.

Ryan has insisted that the dispute was over the constitutional issue, and Republicans have pushed back on the notion they were delaying the bill for the White House. "They wrote the bill incorrectly," Ryan told reporters Thursday. "They did not pass it correctly — they violated constitutional protocols." The White House says it's still reviewing the legislation and has not taken a position, though press secretary Sean Spicer and Secretary of State Rex Tillerson have both raised concerns about Congress eroding the administration's authority to determine sanctions. "I think our main concern overall with sanctions is how will the Congress craft them, and any potential erosion of the executive branch's authority to implement them," Spicer said last week.

Before the bill passed two weeks ago, Tillerson testified before a Senate panel that he was concerned about Congress taking actions that could interfere with the administration's attempts to improve relations with Russia. "What I wouldn't want to do is close the channels off," Tillerson said. Treasury Secretary Steve Mnuchin, pressed whether the President would sign the bill and whether his department would enforce new sanctions, argued the administration was already implementing existing measures.

"Notwithstanding anything Congress passes, I can assure you, this administration and the Treasury Department will use sanctions to the maximum amount available by law. We don't need Congress to tell us to put on more. We're going to do more whether they tell us or not," Mnuchin said, not directly addressing the new legislation. Democrats have been wary that the House is trying to water down the bill or bury it with procedural hurdles, and both House Minority Leader Nancy Pelosi and Senate Minority Leader Chuck Schumer called for the House to immediately pass the measure on Thursday before Congress left for recess. "We wanted to send a message to Mr. Putin: If you interfere with our democratic institutions, you will be punished," Schumer said. "It's important for Speaker Ryan to act on this legislation before July 4 recess."

Senate Foreign Relations Committee Chairman Bob Corker said he did not think that House Republicans were stalling, but he grew frustrated with the dispute between House Republicans and Senate Democrats, calling it "total silliness" on Wednesday before the issue was resolved. On Thursday, Corker wasn't concerned that the bill would slip into next month, so long as it was ultimately signed into law intact. "You all are in a tizzy about a minor issue that should have been handled in an hour," Corker told reporters. "This is a technical issue that changes in no way the context of the bill."

UK consumers suffer longest decline in spending power since 1970s

Reuters, 28.06.2017



British consumers have suffered the longest decline in their spending power since the 1970s, official data showed, although there was a sign that the economy may have recently gathered a bit of momentum.

The figures from the Office for National Statistics painted a bleak picture for consumers who are facing the double hit of rising inflation - caused in large part by the fall in the pound since the Brexit vote - and slowing wage growth. Household disposable income, adjusted for inflation, fell for the third quarter in a row, the ONS said, putting some of the blame on the timing of tax payments.

That was the worst run since the 1970s and took the household savings ratio down to an all-time low of 1.7 percent. The Bank of England is watching for signs of a pickup in the economy after the weak start to the year as it plans when to raise interest rates for the first time in a decade. The ONS confirmed that the economy grew by just 0.2 percent in the January-March period compared with the previous three months, slowing sharply from the fourth quarter of 2016 when it grew by a quarterly 0.7 percent. The sudden slowdown meant Britain went from being one of the fastest-growing economies among the Group of Seven rich nations to its weakest performer in the first quarter.

The BoE expects growth to increase speed to 0.4 percent in the second quarter - despite the inconclusive outcome of this month's national election - and has said it might start to raise interest rates if it sees stronger exports and investment in the coming months. The ONS said Britain's giant services sector grew by a monthly 0.2 percent in April, slightly slower than in March. But growth was up 0.2 percent in the three months to April, faster than 0.1 percent in the first three months of the year.

Alan Clarke, an economist with Scotiabank, said earlier on Friday that monthly growth of 0.2 percent for the services industry in April would be consistent with the BoE's forecast for overall economic growth to pick up in the second quarter to 0.4 percent. ONS said business investment grew by a quarterly 0.6 percent in the first three months of 2017, unchanged from its previous estimate and only partially offsetting a fall in the fourth quarter. It also said Britain's current account deficit widened to 16.9 billion pounds in the January-March period, equivalent to 3.4 percent of gross domestic product, up from 2.4 percent in the fourth quarter.

The increase in the shortfall was driven mostly by a weak performance in Britain's trade balance in early 2017 although it was slightly smaller than a median forecast of 17.3 billion pounds in a Reuters poll of economists. BoE Governor Mark Carney has said the current account deficit represents one of the vulnerabilities of Britain's economy, leaving it dependent "on the kindness of strangers" to keep funding its shortfall.

Breaking down the overall growth of the economy in early 2017, the ONS said household spending grew more slowly than in late 2016, up 0.4 percent compared with 0.7 percent in the fourth quarter. Real household disposable income fell by 1.4 percent in quarterly terms, the third fall in a row and the biggest drop since the first quarter of 2013.

EU's Tusk says Europe turning the corner on anti-EU sentiment

Reuters, 27.06.2017



Europe is slowly turning a corner as a wave of anti-European Union movements peters out, Donald Tusk told.

Countries including Austria, the Netherlands, France and Italy have seen a sharp rise in popularity of parties with euroskeptic, often anti-immigration policies, but in recent months these have suffered decisive defeats in elections. Tusk, the president of the council of EU heads of states and governments, said the bloc was now again starting to be perceived as a solution, rather the problem, and that recent difficulties had served to strengthen it.

"It is fair to say that we will meet in a different political context from that of a few months ago, when the anti-EU forces were on the rise," Tusk wrote. "The current developments on the continent seem to indicate that we are slowly turning the corner. In many of our countries, the political parties that have built their strength on anti-EU sentiments are beginning to diminish," he said.

In Britain, the Conservative government of Prime Minister Theresa May lost its majority in parliament earlier this month, scuppering May's stated aim of bolstering her mandate for negotiating Britain's exit from the EU.

In France, Emmanuel Macron decisively won presidential and parliamentary elections on a agenda of support for the EU and reforms, soundly beating Marine Le Pen's far right National Front, which for the first time in its history reached a second round in a presidential vote.

"We are witnessing the return of the EU rather as a solution, not a problem. Paradoxically, the tough challenges of the recent months have made us more united than before," Tusk said.

Apart from Brexit, the EU is also facing a major immigration challenge which, though abated, is still fuelling anti-EU sentiment. Some blame the EU for not acting fast enough to stop the inflow of migrants arriving from the Middle East and Africa.

A series of attacks by Islamist militants in Britain, France, Sweden, Germany and Belgium, in which hundreds were killed, have added to concerns. To further stem migration flows, Tusk said the EU should give more money to support Libyan Navy Coastguards to help stop people being smuggled into the EU by sea. There is also discontent over unfettered global trade, perceived as a threat to jobs in Europe. "Therefore, during the upcoming European Council, I want us to move further on our policy response in these three areas," Tusk said in the letter to the leaders.

Tunisia PM warns no one safe in anti-graft 'war'

AFP, 28.06.2017



Tunisian Prime Minister Youssef Chahed was reported as saying no one in the North African country involved in corruption would emerge unscathed in his government's "war" on graft.

Corruption was widespread in Tunisia under longtime president Zine El Abidine Ben Ali but it remains endemic. Last month a dozen people including businessmen, suspected smugglers and even a former security official were arrested, in a country where nepotism and corruption are seen as a powerful brake on the road to economic recovery.

"I hear some people say this is just a campaign, but it's not -- it is state policy... Corruption in our country is widespread," Chahed said in an interview published on June 4 in the newspapers La Presse and Assabah. "We aim to tear down the systems of corruption. The struggle against corruption will be a long-term war, a sustained policy," he said. Saying he had acted "in harmony" with President Beji Caid Essebsi, the premier vowed that "no one will be protected in this war against corruption."

Chahed dismissed accusations that the crackdown was a countermeasure to the rise of regional social protest movements. Some of those detained are accused of "incitement and alleged financing of the protest movement" in the south. "It is a system that can be seen everywhere... Even social protests are exploited by this system [of corruption], and terrorists also benefit from it," he said. The anti-corruption arrests, made possible by a state of emergency in force since November 2015, have been largely welcomed. But some say such measures do not go far enough, and that more is needed than the arrest of a few prominent figures.

Chahed rejected criticism of the use of the state of emergency to make the arrests. “In exceptional circumstances, exceptional measures,” he said, adding: “Other actions are planned in this framework... People will have to get used to them”, as they have “in the fight against terrorism”. Since the 2011 revolution, Tunisia has experienced an increase in jihadist attacks that have killed dozens of members of the security forces and 59 foreign tourists.

At least 19 killed in hotel attack in Somali capital

AFP, 30.06.2017



At least 19 people were killed when Islamist militants launched a car bomb and gun attack on a busy hotel and adjacent restaurant in the Somali capital, a police officer said.

A car driven by a suicide bomber rammed into the Posh Hotel in south Mogadishu on Wednesday evening before gunmen rushed into Pizza House, an adjacent restaurant, and took 20 people hostage. Posh Hotel is the only venue with a discotheque in the capital. District police chief Abdi Bashir told Reuters Somali security forces took back control of the restaurant at midnight after the gunmen had held hostages inside for several hours.

Five of the gunmen were killed, Bashir said. “We are in control of the hotel but it was mostly destroyed by the suicide bomber,” he told Reuters by phone. Witnesses said there were bodies lying at the scene on June 15 as ambulances came to take them away. Another 27 civilians were taken to hospital with various injuries, ambulance services said. Witnesses said the attack was launched after the Iftar dinner for customers who are fasting for Ramadan. Most of them were still inside relaxing.

China 'outraged' by \$1.42 bln planned US arms sales to Taiwan

AFP, 30.06.2017



China urged the United States to revoke immediately its “wrong decision” to sell Taiwan \$1.42 billion worth of arms, saying it contradicted a “consensus” President Xi Jinping reached with his counterpart, Donald Trump, in talks in April in Florida.

The sales would send a very wrong message to “Taiwan independence” forces, China’s embassy in Washington said in a statement. A U.S. State Department spokeswoman said the administration had told Congress of seven proposed sales to Taiwan, the first under the Trump administration.

“The Chinese government and Chinese people have every right to be outraged,” the embassy said. China regards self-ruled Taiwan as a wayward province and has never renounced the use of force to bring it under its control. China’s Nationalists fled to the island after losing the civil war with China’s Communists in 1949.

The United States is the sole arms supplier to Taiwan. “The wrong move of the U.S. side runs counter to the consensus reached by the two presidents in and the positive development momentum of the China-U.S. relationship,” the embassy said. China’s Defense Ministry said Taiwan was the “most important, most sensitive core issue in Sino-U.S. ties”, warning the United States to end such sales to avoid further damaging peace and stability in the Taiwan Strait.

Trump was critical of China during his successful 2016 presidential campaign but his meeting at his Mar-a-Lago resort in Florida with Xi raised hopes for warmer relations. Trump later played up his personal relationship with Xi, calling him a “good man”, and stressed the need for China’s help in reining in a defiant North Korea’s development of nuclear weapons and missiles. China’s anger over the U.S. plan to supply Taiwan with weapons risks undermining Trump’s attempts to press China to help on North Korea.

The proposed U.S. package for Taiwan includes technical support for early warning radar, high speed anti-radiation missiles, torpedoes and missile components. Beijing’s relationship with Taiwan has been frosty since President Tsai Ing-wen took power in Taipei last year. Tsai leads an independence-leaning party that refuses to recognise Beijing’s “one China” policy. Tsai’s office said on June 30 that the planned sales increased Taiwan’s confidence and ability to maintain peace and stability across the Taiwan Strait.

Asked about the sales at an event on Thursday evening in Washington, Chinese Ambassador Cui Tiankai said the United States was “incorrigible” when it came to Taiwan, the official Chinese Communist Party People’s Daily newspaper reported on its website. “But we should still continue to instruct (them) and continue advancing on the right track of China-U.S. relations because this is what truly fits for both countries’ long term interests,” the paper quoted Cui as saying.

The sales, which require congressional approval, would be the first since a \$1.83 billion sale that former President Barack Obama announced in December 2015, also to China’s dismay. The previous package included two navy frigates in addition to anti-tank missiles and amphibious attack vehicles.

Panama cuts ties with Taiwan, switches to China

AFP, 28.06.2017



Panama and China announced June 13 they were establishing diplomatic relations, as the Central American nation became the latest to dump Taiwan for closer ties with the world’s second-largest economy.

The move prompted an angry response from Taiwan and will likely further strain ties between Taipei and Beijing, which considers the self-ruled island a renegade province awaiting reunification with the mainland. Taiwan is recognized by around 20 countries worldwide and its status is one of the most politically sensitive issues for Chinese leaders who pressure trade partners to accept its “one China” principle.

Panamanian President Juan Carlos Varela said in a nationally televised message “to the country and the world” that “Panama and China establish diplomatic relations today.” The two countries issued a joint statement saying: “In light of the interests and wishes of both peoples, the Republic of Panama and People’s Republic of China have decided to grant each other, from the date of this document’s signing, mutual recognition, establishment of diplomatic ties at the ambassadorial level.”

After decades of siding with Taiwan in the disagreement over its status, Panama now “recognizes that there is only one China in the world” and that Taiwan is part of Chinese territory. Chinese Foreign Minister Wang Yi and his Panamanian counterpart Isabel Saint Malo de Alvarado signed the communique in Beijing. “This is a historic moment, China-Panama relations have opened a new chapter,” Wang said, adding that Panama’s decision was in “complete accord” with its people’s interests and “in keeping with the times.”



Saint Malo said Panama and China had made an “important step” and started a “new page in our strategic relations.” The announcement comes after Beijing began construction last week of a container port, with natural gas facilities, in Panama’s northern province of Colon. Panama had long stressed it had diplomatic ties with Taipei and commercial ones with Beijing. Chinese ships, after those from the United States, are the number two users of the Panama Canal, the Central American country’s main source of budget revenue.

Panama is the latest country to cut ties with Taiwan and it is unlikely to be the last, said Carl Thayer, an emeritus professor of politics at the UNSW Canberra college in Australia. “That change is representing a longer term trend of atomic decay where the circle of countries that recognize Taiwan one by one seem to be shifting to the mainland,” Thayer said. “It’s about who can give the most... Taiwan has resources but it can’t match China.” In December China signed an agreement to restore diplomatic relations with Sao Tome and Principe after the African nation ditched the island.

Taiwan reacted furiously to the latest move. “We strongly condemn Beijing for manipulating the so-called ‘one China’ policy to continue to suppress Taiwan’s international space through various means,” the presidential office said. “This kind of action is not only an open threat to Taiwanese people’s survival and welfare but also an open provocation to peace and stability in the Taiwan strait and the region.”

Diplomatic tussles between Taiwan and Beijing eased under the island’s previous Beijing-friendly government. But relations have deteriorated since President Tsai Ing-wen’s China-skeptic Democratic Progressive Party was swept to power in a landslide election victory last year. Tsai has refused to acknowledge the concept that Taiwan is part of “one China”, unlike her predecessor Ma Ying-jeou.

Cross-strait tensions have been further exacerbated by a highly unusual call from Tsai to congratulate then U.S. President-elect Donald Trump, who questioned Washington’s policy towards the island, including its decision to not formally recognize its government.

IMF cuts US growth forecasts, cites Trump fiscal plan uncertainty

AFP, 30.06.2017



The International Monetary Fund on June 27 cut its growth forecasts for the U.S. economy to 2.1 percent for both 2017 and 2018, dropping its assumption that President Donald Trump's tax cut and fiscal spending plans would boost growth.

The IMF, after a review of U.S. economic policy, said the Trump administration was unlikely to achieve its goal of annual GDP growth of 3 percent over a sustained period, partly because the labor market is at a level consistent with full employment. The U.S. economy grew 1.6 percent last year.

The assumed stimulus from expected tax cuts and new federal spending spurred the IMF earlier this year to bump up its U.S. growth forecasts to 2.3 percent in 2017 and 2.5 percent in 2018. The assumptions for those forecasts appeared to have evaporated in the face of a lack of details over the Trump tax plan and the \$3.6 trillion in government spending cuts proposed in the administration's budget plan in late May. "We are removing that fiscal stimulus because now we have in front of Congress a budget that assumes an important fiscal consolidation in the next few years," Alejandro Werner, head of the IMF's Western Hemisphere Department, said in a press conference. "Looking at the U.S. data, it is unlikely that these set of policies can generate an acceleration of economic growth of a magnitude of let's say approximately 1 percentage point."

Trump, a Republican, campaigned last year on a pledge to swiftly cut taxes, roll back regulations and lift infrastructure spending, prompting many economists and investors to increase their U.S. growth forecasts. But details of the White House's tax plan remain sparse as Trump advisers attempt to win over fiscally conservative Republicans in Congress who want any changes to ultimately be revenue-neutral.

The IMF said the Trump budget plan put a disproportionate share of spending cuts onto low- and middle-income households, adding that it "would appear counter to the budget's goals of promoting safety and prosperity for all Americans." Instead, the Fund suggested a tax policy that would improve the federal revenue-to-GDP ratio, more balanced cuts that strengthen the social safety net's efficiency, and efforts to contain healthcare cost inflation.



Announcements & Reports

How to Handle State-Owned Enterprises in EU-China Investment Talks

Source : Bruegel
Weblink : <http://bruegel.org/2017/06/how-to-handle-state-owned-enterprises-in-eu-china-investment-talks/>

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

Emerging Markets and Europe: Time for Different Relationships?

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